

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2017

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, 2017

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INTRODUCTORY SECTION

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June 25, 2018

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

Dear Commissioners:

The Comprehensive Annual Financial Report (CAFR) of the Lake Charles Harbor and Terminal District (District) for the year ended December 31, 2017 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 23-34. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities and operations have been included.

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

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

Overview of the Lake Charles Harbor and Terminal District

The District is an independent political subdivision of the State of Louisiana created by action of the Louisiana Legislature in 1924 and authorized by Louisiana Revised Statutes 34:201 et seq.



Lake Charles Harbor & Terminal District

Post Office Box 3753
Lake Charles, LA 70602
Phone 337-439-3661
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The District operates a deep-water port on the Calcasieu Ship Channel and encompasses 203 square miles in Southwest Louisiana. Presently, the District owns and manages five public marine terminal facilities commonly designated as the Port of Lake Charles.

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

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

Local Economy

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

- According to the United States Bureau of Labor Statistics, the Lake Charles region leads medium size metro areas in job growth at 4.7 percent when comparing 2017 to 2016. Job growth is due primarily to several mega projects in the area.

- According to research by Dr. Loren C. Scott, Southwest Louisiana is the home to 20 different chemical plants and two refineries, which employ over 11,000 direct employees and contractors and provides significant average annual wages for the area.



➤ 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 \$50.3 million and generates monthly average taxable sales of approximately \$14.9 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 2017, 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 the first quarter of 2010, the Shaw Group completed construction of the first module fabrication and assembly facility focused on constructing components for new and modified nuclear reactors in the United States. In the first quarter of 2013, Chicago Bridge and Iron purchased the Shaw Group. The facility employs over 1,000 workers whose main focus has been manufacturing modular equipment for the nuclear power industry.





- 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 expects to commence operating the facility in 2019. The project is expected to result in approximately 3,000 construction jobs and 200 permanent jobs.

- Over the past three years, the District has received interest from various entities interested in locating to the area. The interest is due in part to the deep draft ship channel, the abundance of natural gas and the existing infrastructure capable of handling natural gas. The abundance of domestic natural gas has enticed several LNG companies to turn previously constructed import terminals into export terminals. The District has signed option agreements with several companies interested in either exporting natural gas or converting natural gas to other liquids.

Dry Bulk Cargo Terminals

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

General Cargo Docks

The City Docks area has 11 transit sheds, 15 back warehouses and two open berths and can accommodate 12 ships in port simultaneously. The City Docks have approximately 1.6 million sq. ft. of covered storage. City Docks is an intermodal facility accessible via road, rail, or water.



Cargo Diversity

During 2016, the District was successful in attracting Southern Ionics to City Docks. Southern Ionics is a corporation that manufactures and ships sulfur chemicals, aluminum chemicals, aqua-ammonia and zirconium chemicals. The products have widespread use for wastewater treatment, air pollution control, pulp and paper processing, concrete hardening, catalyst manufacturing, drilling mud additives and other industrial applications. The primary reason Southern Ionics was attracted to the District related to the available transit shed space, access to deep water via the Calcasieu Ship Channel and inland distribution modes.

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 2017, lease revenues accounted for approximately \$17.3 million, or 40% 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 \$229 million in new construction and major improvements. The funding sources for these projects will be provided primarily by grant funding and District revenues. 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 comprehensive annual financial report for the fiscal year ended December 31, 2016. In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. Such reports must satisfy both GAAP and applicable legal requirements.

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

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

Respectfully submitted,

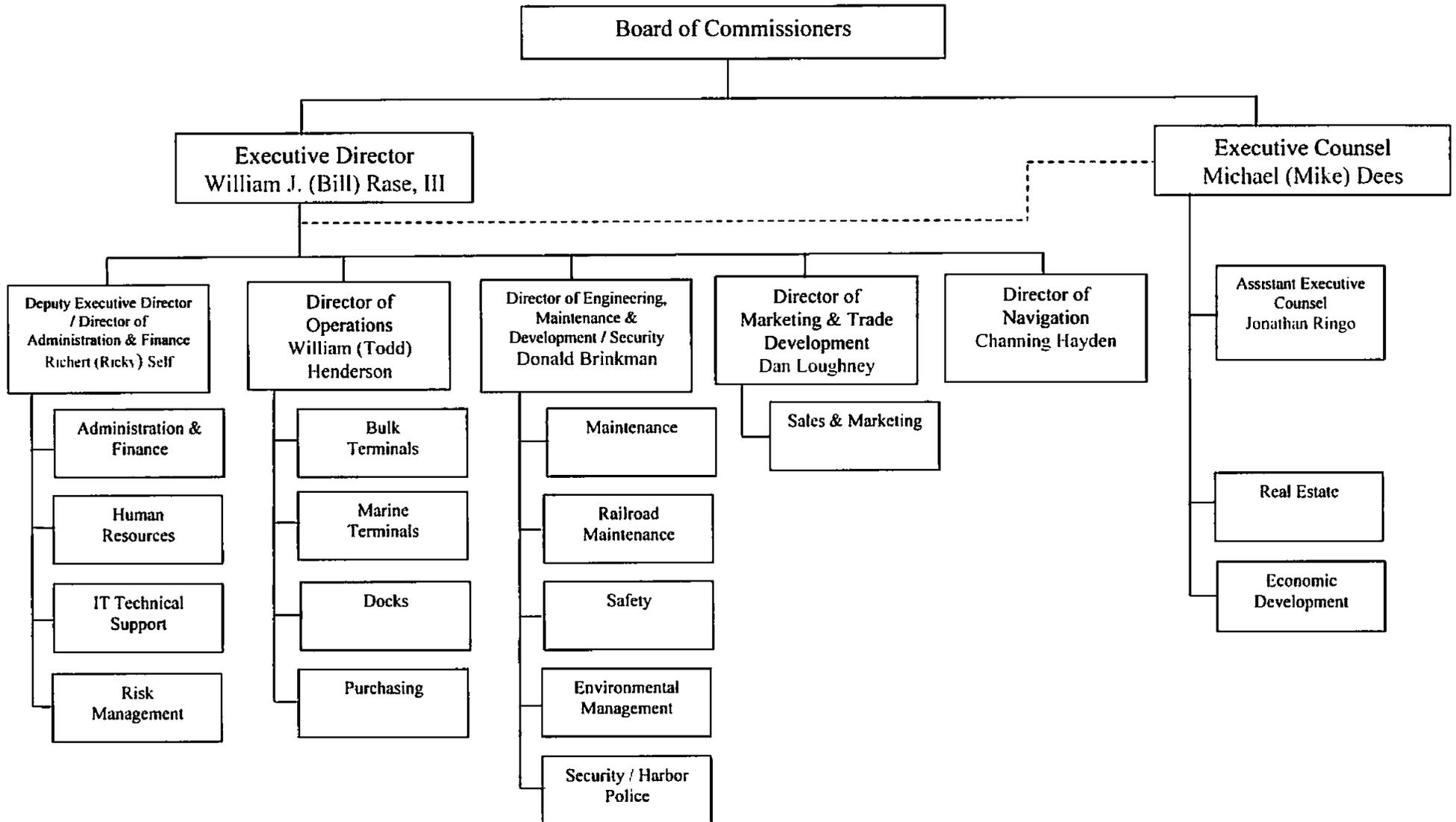


William J. Rase, III
Executive Director



Richert L. Self
Deputy Executive Director







Government Finance Officers Association

**Certificate of
Achievement for
Excellence in
Financial
Reporting**

Presented to

**Lake Charles Harbor
and Terminal District, Louisiana**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Executive Director/CEO

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

BOARD OF COMMISSIONERS

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Michael G. Eason	Vice President
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EXECUTIVE DIRECTOR

William J. Rase, III

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana as of December 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, other postemployment benefits - schedule of funding progress, 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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Charles Harbor and Terminal District, Lake Charles, Louisiana's basic financial statements. The introductory section, 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.

The budgetary comparison schedule, schedule of compensation, benefits and other payments to Executive Director, and the insurance in force schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018, on our consideration of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake Charles Harbor and Terminal District, Lake Charles, Louisiana's internal control over financial reporting and compliance.

Ms Eray, Quirk & Burch
Lake Charles, Louisiana
June 25, 2018

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Management's Discussion and Analysis

The following is the Lake Charles Harbor and Terminal District's Management Discussion and Analysis (MD&A) of the financial activities and performance for the year ended December 31, 2017. It provides an introduction to the District's 2017 financial statements. Information contained in this MD&A has been prepared by District management and should be considered in conjunction with the financial statements.

Financial Highlights

- The assets of the Lake Charles Harbor and Terminal District exceeded its liabilities as of December 31, 2017 by \$301.7 million (*net position*). Net position totaled \$297.1 million as of December 31, 2016.
- As a result of the excess revenues over expenses, the District's net position increased \$4.6 million during 2017 compared to a \$2.3 million increase during 2016.
- During 2017, operating revenues were \$42.7 million, an increase of \$0.7 million (2%) from 2016. Operating expenses were \$42.4 million, an increase of \$0.7 million (2%) compared to 2016.

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 37-44 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 45-73 of this report.

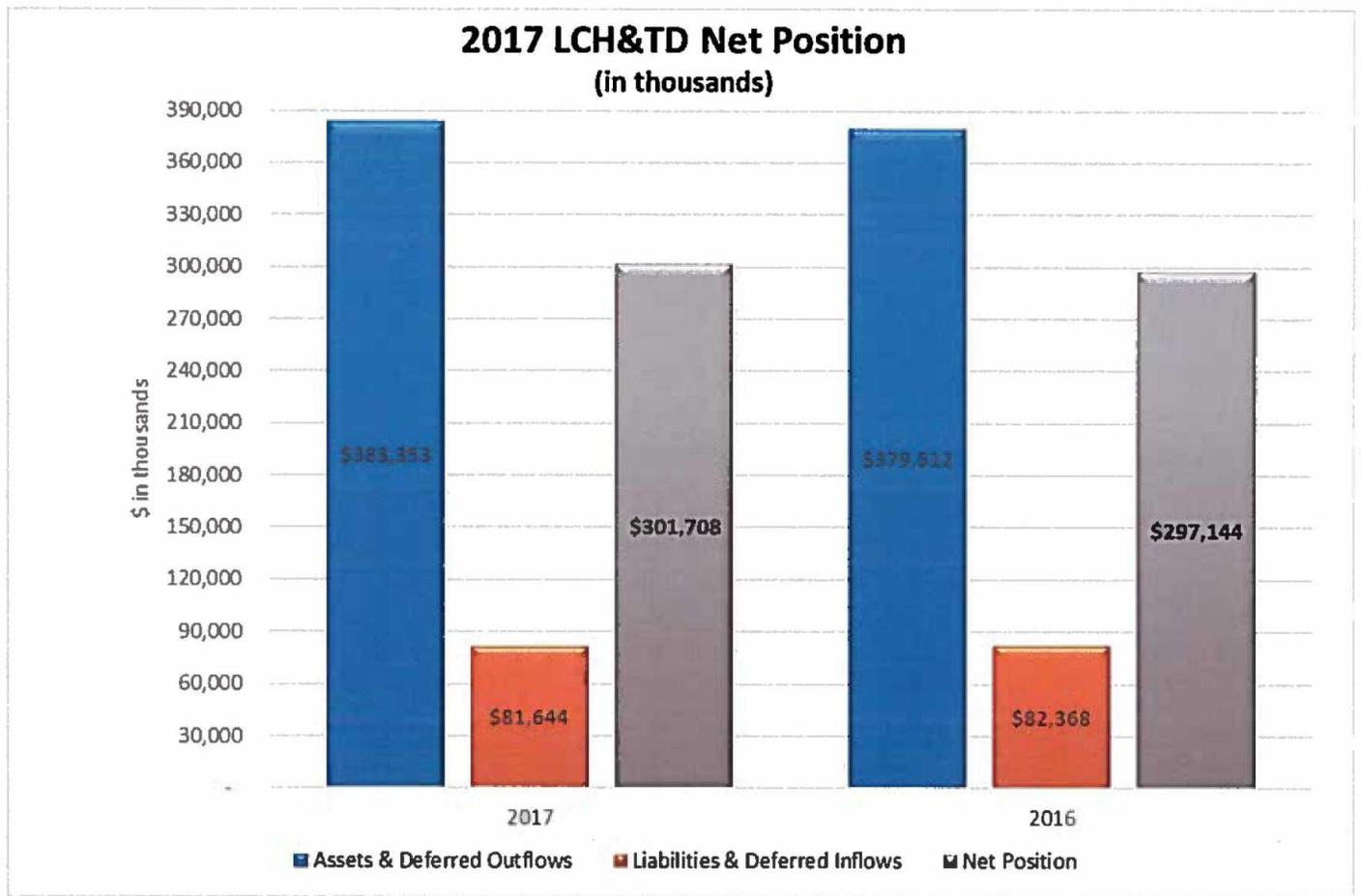
In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. This supplementary information can be found on pages 80-116 of this report.

Financial Analysis of the District

The following table presents the condensed statements of fund net position as of December 31, 2017 and 2016:

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

	2017 <u>(in thousands)</u>	2016 <u>(in thousands)</u>
Current and other assets	\$ 79,200	\$ 73,310
Capital assets	<u>299,748</u>	<u>301,116</u>
Total assets	<u>378,948</u>	<u>374,426</u>
 Deferred outflow of resources	 <u>2,995</u>	 <u>5,086</u>
Current liabilities	14,634	13,933
Non-current liabilities	<u>65,090</u>	<u>67,969</u>
Total liabilities	<u>79,724</u>	<u>81,902</u>
 Deferred inflows of resources	 <u>510</u>	 <u>466</u>
 Net position:		
Net investment in capital assets	262,508	262,909
Restricted	12,179	13,886
Unrestricted	<u>27,022</u>	<u>20,349</u>
 Total net position	 <u>\$ 301,709</u>	 <u>\$ 297,144</u>



2017:

The assets and deferred outflows of the Lake Charles Harbor and Terminal District exceeded its liabilities and deferred inflows as of December 31, 2017 by \$301.7 million compared to \$297.1 million as of December 31, 2016 (*net position*).

The largest portion of the District's net position reflects its investment in capital assets in the amount of \$262.5 million as of December 31, 2017 compared to \$262.9 million as of December 31, 2016. 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 \$12.2 million and \$13.9 million as of December 31, 2017 and 2016, respectively, represent amounts restricted for debt service in accordance with existing bond covenants. The Board of Commissioners has designated \$2.4 million in unrestricted net position as of December 31, 2017 to be

used for commitments on construction contracts compared to \$1.0 million in unrestricted net position as of December 31, 2016 to be used for commitments on construction contracts. The remaining \$9.8 million as of December 31, 2017 of unrestricted net position may be used to meet the District's ongoing obligations to creditors.

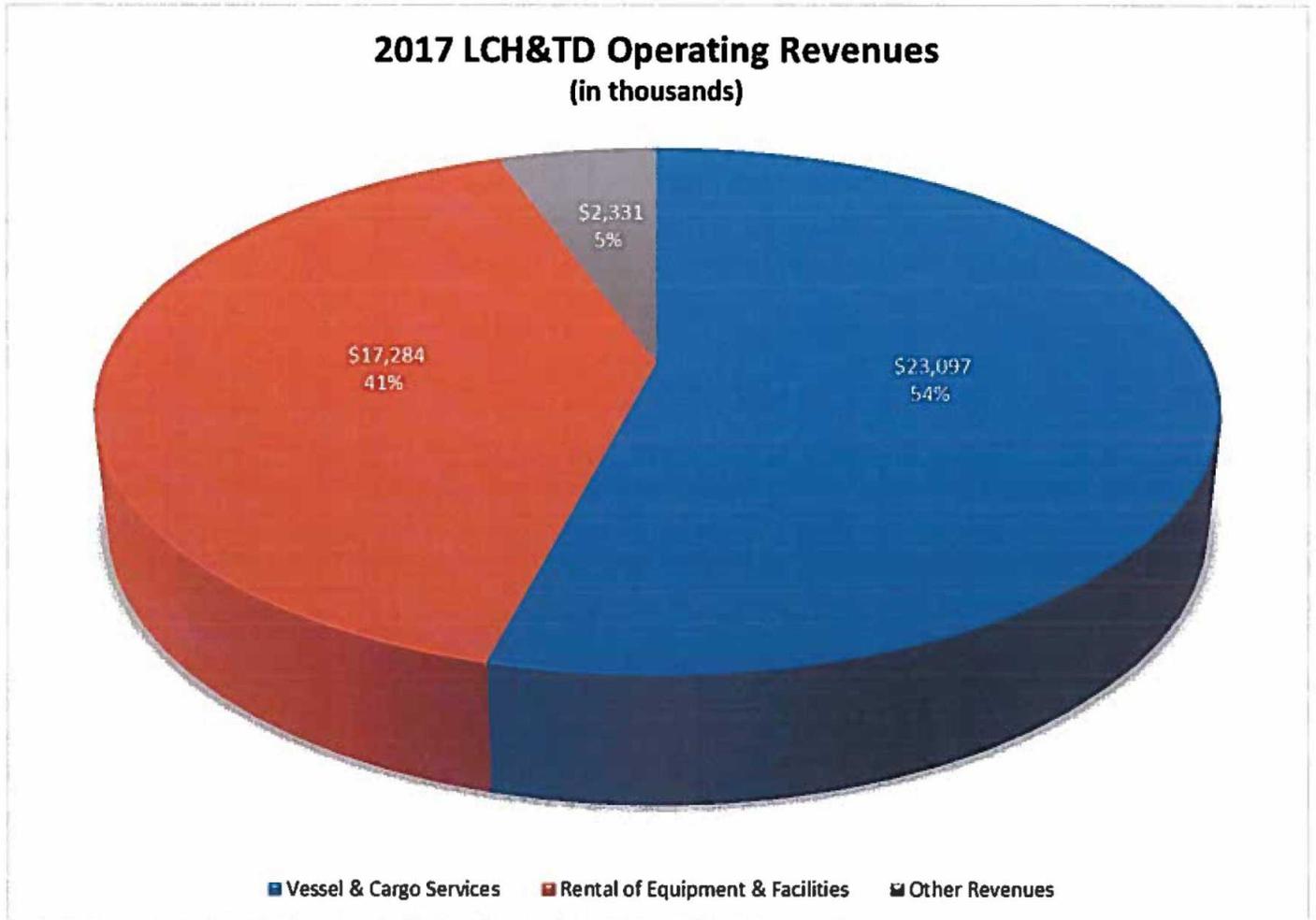
The following table shows condensed revenue and expense data for the years ended December 31, 2017 and 2016:

Lake Charles Harbor and Terminal District Comparative Statements of Revenues, Expenses, and Changes in Net Position		
	<u>2017</u>	<u>2016</u>
Operating revenues:		
Vessel and cargo services	\$ 23,097,333	\$ 22,243,928
Rental of equipment and facilities	17,284,286	18,305,150
Other	<u>2,330,980</u>	<u>1,492,785</u>
Total operating revenues	<u>42,712,599</u>	<u>42,041,863</u>
Operating expenses:		
Personnel services	13,761,767	13,530,806
Contractual services	6,003,280	6,360,636
Supplies, maintenance and operation of facilities	6,411,207	6,086,844
Heat, light and power	938,726	868,052
Depreciation and amortization	<u>15,243,144</u>	<u>14,785,869</u>
Total operating expenses	<u>42,358,124</u>	<u>41,632,207</u>
Operating income (loss)	<u>354,475</u>	<u>409,656</u>
Nonoperating revenues (expenses):		
Property taxes	3,633,932	3,476,800
Intergovernmental revenue	90,978	86,901
Interest income	653,401	403,205
Interest expense and fiscal charges	(38,792)	(90,920)
Retirement of assets	(5,858)	(32,014)
Other	<u>(736,355)</u>	<u>(3,240,140)</u>
Net nonoperating revenues (expenses)	<u>3,597,306</u>	<u>603,832</u>
Net income before contributions	3,951,781	1,013,488
Capital contributions	<u>612,596</u>	<u>1,298,221</u>
Change in net position	4,564,377	2,311,709
Net position - beginning balance	<u>297,144,447</u>	<u>294,832,738</u>
Net position - ending balance	<u>\$ 301,708,824</u>	<u>\$ 297,144,447</u>

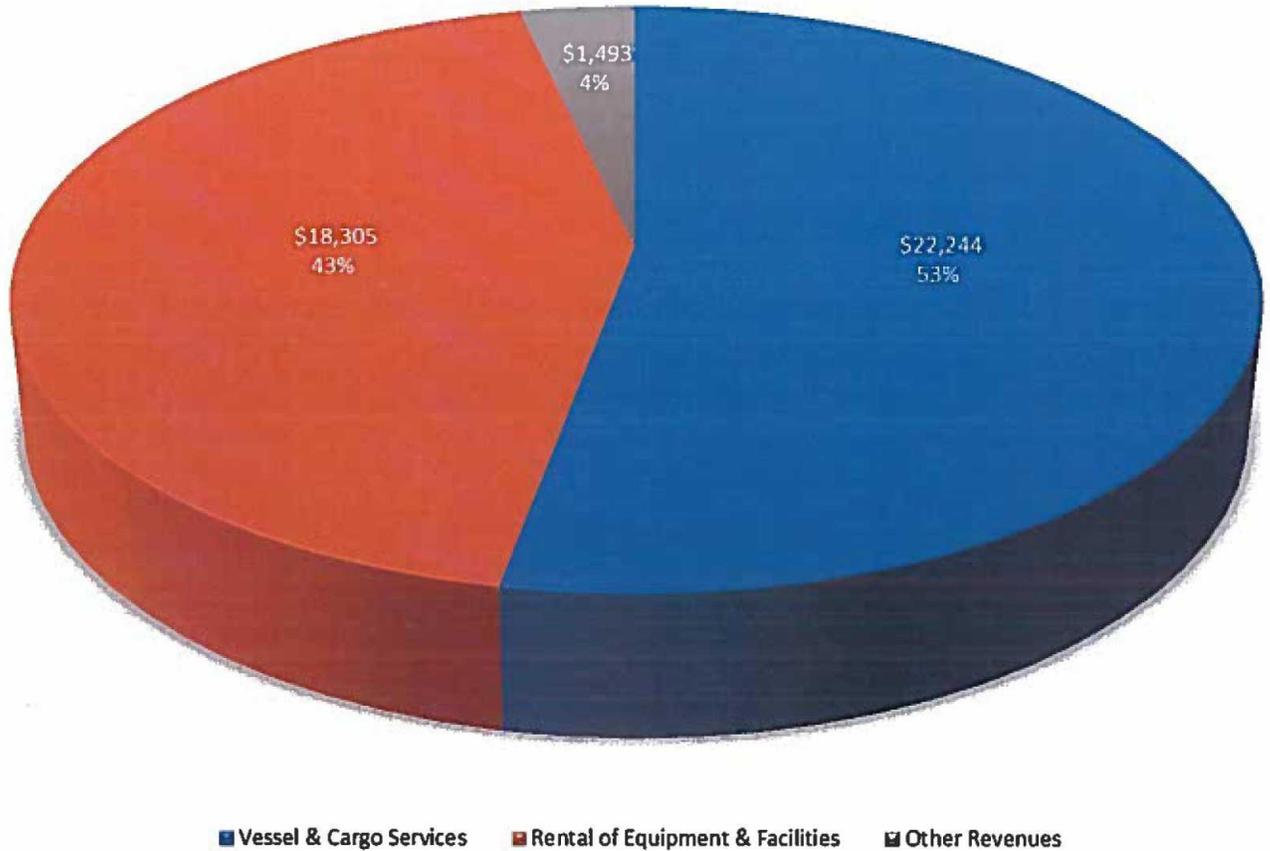
2017:

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

Operating Revenues

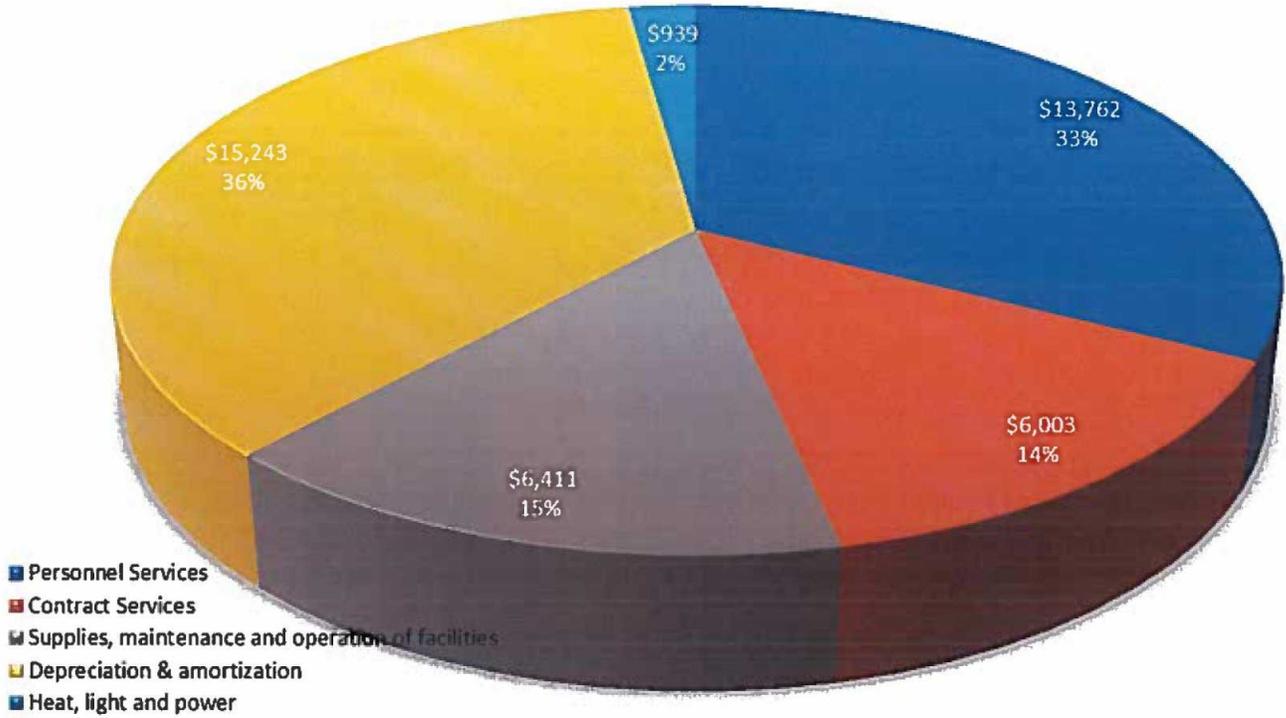


2016 LCH&TD Operating Revenues (in thousands)

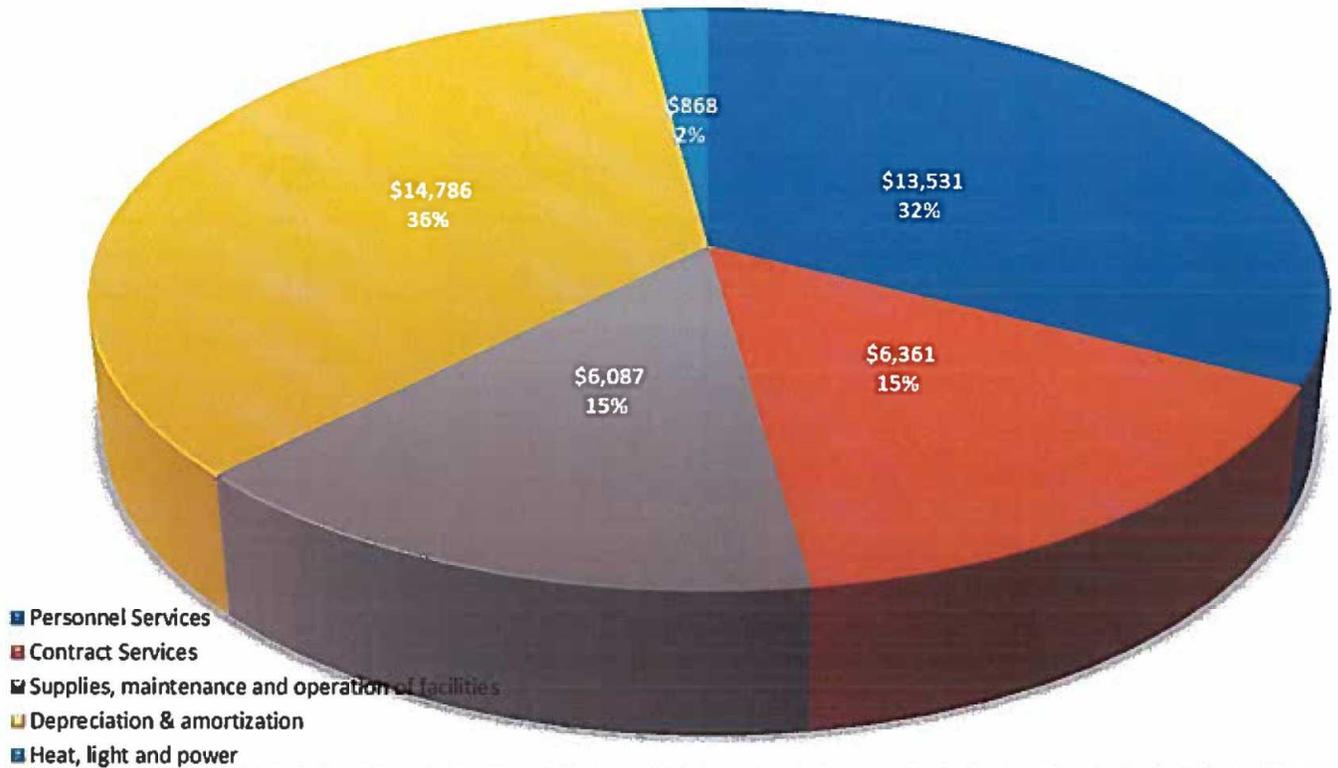


- Total operating revenues increased \$0.7 million or 2% during 2017 as compared to 2016. The increase is partially due to an increase in barite at the District's Bulk Terminal No. 1, resulting in an increase in cargo handling revenues. Additionally, an increase in the volume of project cargo for several megaprojects resulted in an increase in revenues in 2017, as compared to 2016. Also contributing to the increase are two favorable settlements during 2017.
- An additional contributing factor relates to an increase in the volume of calcine loaded into containers at the District's Bulk Terminal No. 1 during 2017, as compared to 2016. The final contributing factor for the increase in revenues relates to a relatively new tenant at the City Docks location for the company's movement of Alumina Trihydrate.

2017 LCH&TD Operating Expenses
(in thousands)



2016 LCH&TD Operating Expenses (in thousands)



- Total operating expenses increased \$0.7 million or 2% during 2017 as compared to 2016. The increase is partially due to the increase in overall operating expenses associated with increases in barite tonnage in 2017, as compared to 2016. An additional contributing factor relates to the commissioning of a study of the Calcasieu Ship Channel conducted by the Water Institute of the Gulf to identify sediment sources.

- ✓ An additional contributing factor relates to the District contracting with Port Rail, Inc. to be the handling carrier of all railcars at City Docks. The District also initiated several major maintenance projects at the District's Bulk Terminal No. 1 during 2017, which resulted in an increase in expenses as compared to 2016. The final contributing factor to the increase in expenses relates to an increase in depreciation expense associated with the completion of several capital projects during 2016 and 2017.

- ✓ Partially offsetting the increase in expenses is a favorable property insurance renewal during 2017 as compared to 2016. The District also experienced a decrease in expenses, associated with adjustments made in the calculation of pension requirements as necessitated by Governmental Accounting Standard Board (GASB) Number 68 - *Accounting for Financial Reporting and Pension - and amendment of GASB Statement No. 27*, and Statement Number 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - and amendment of GASB Statement No. 68*. Please see Note 12 for additional information.

- ✓ An additional contributing factor partially offsetting the increase in expenses is the dock inspections at City Docks and Bulk Terminals No. 1 and No. 4, which were undertaken in 2016. The demolition of Transit Sheds 2 and 3, the creosote mitigation project and the Berth 8 dock repairs at City Docks are three additional projects undertaken in 2016 that contributed to the decrease in expenses. The final contributing factor partially offsetting the increase in expenses is lower operating expenses associated with a decrease in the volume of petroleum coke.

- ✓ Net nonoperating revenues increased \$3.0 million during 2017, compared to 2016. The primary contributing factor related to the cost sharing arrangement with the U.S. Army Corps of Engineers for the dredged material management plan during 2016. An additional contributing factor to the increase relates to an increase in property taxes as compared to 2016. The final contributing factor relates to an increase in interest income associated with better returns on District investments during 2017.

- ✓ The District received \$0.6 million in Federal, State and private capital contributions for the year ended December 31, 2017 compared to \$1.3 million for the year ended 2016. The capital contributions during 2017 relate primarily to the District being designated as an Energy Port in the Water Resources Reform and Development Act, which provided federal funding for dredging related activities. The capital contributions during 2016 relate partially to the District being designated as an Energy Port in the Water Resources Reform and Development Act and to contributions received related to the installation of a dockside monopole at the District's Industrial Canal, the new administration building and a railroad project near the local rice mill.

- The District's net position increased \$4.6 million during the twelve months ended December 31, 2017. The increase is due to improved barite and alumina trihydrate tonnage, increases in calcine container loading and additional project cargo for several megaprojects. The District also received two favorable settlements during 2017. Additionally, the District experienced a decrease in expenses associated with a favorable property insurance renewal and adjustments made in the calculation of pension requirements as necessitated by Governmental Accounting Standard Board (GASB) Number 68. The final contributing factors relate to lower maintenance expenses in 2017 as compared to 2016 and lower overall operating expenses associated with a decrease in the volume of petroleum coke.

- Partially offsetting the overall increase in net position are increases in expenses associated with additional barite tonnage in 2017, as compared to 2016, the commissioning of a study of the Calcasieu Ship Channel and contracting with Port Rail, Inc. to be the handling carrier of all railcars at City Docks. The final contributing factors partially offsetting the overall increase in net position relate to several major maintenance projects at the District's Bulk Terminal No. 1 during 2017 and an increase in depreciation expense associated with the completion of several capital projects during 2016 and 2017.

Capital and Debt Administration

Capital assets. The District's capital assets were \$299.7 million and \$301.1 million (net of accumulated depreciation) as of December 31, 2017 and 2016, respectively. These balances include land, buildings, improvements, equipment, and construction in progress.

Major capital asset events during the year ended December 31, 2017 included the following:

- Construction continued on additional facilities for the District; construction in progress as of December 31, 2017 was \$6.2 million compared to \$3.1 million as of December 31, 2016.

- Completion of the New Laydown Area at City Docks during the first quarter of 2017.

- Completion of the Conveyors 5A and 5C Project during the third quarter of 2017.

- Completion of the Bulk Terminal No. 1 Switch Gear Replacement Project during the third quarter of 2017.

Additional information on the Lake Charles Harbor and Terminal District's capital assets can be found in note 8 on page 56-57.

Lake Charles Harbor and Terminal District
Capital Assets

	2017 <u>(in thousands)</u>	2016 <u>(in thousands)</u>
Land	\$ 56,522	\$ 56,276
Buildings and facilities	365,482	364,888
Equipment	78,053	68,328
Construction in progress	6,203	3,073
Accumulated depreciation	<u>(206,512)</u>	<u>(191,449)</u>
	<u>\$ 299,748</u>	<u>\$ 301,116</u>

Debt Administration

As of December 31, 2017, the District had \$65.1 million in non-current liabilities as compared to \$68.0 million as of December 31, 2016. Approximately 56% of the total is bonded debt and approximately 33% is due within ten years.

The District underwent a formal bond rating process for the first time in recent history during 2013. The District received an "A3" rating from Moody's and an "A-" rating from Standard and Poor's. In January of 2018, Moody's affirmed the "A3" 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 58 of this report.

Economic Factors

The following factors were considered in preparing the District's budget for 2018:

- An increase in petroleum coke tonnage and related revenue associated with one of the District's customers at Bulk Terminal No. 1.

- A decrease in the volume of project cargo due to two megaprojects nearing completion.

- A decrease in lease revenue due to a tenant moving out of City Docks.

- An increase in contract services associated with hiring Port Rail, Inc as the handling carrier.

- An increase in personnel services associated with hiring additional staff.

- An increase in depreciation expense associated with the completion of several 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 Richert Self, Deputy Executive Director, Lake Charles Harbor and Terminal District, 1611 West Sallier Street, Lake Charles, LA 70601.

BASIC FINANCIAL STATEMENTS

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Exhibit 1

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

STATEMENT OF NET POSITION
December 31, 2017

ASSETS

Cash and cash equivalents	\$ 50,787,639
Investments	102,111
Receivables (net of allowance for uncollectibles)	7,879,402
Inventories	2,894,712
Prepays	782,770
Other	1,853,186
Restricted assets:	
Cash and cash equivalents	14,900,527
Capital assets not being depreciated:	
Land	56,522,346
Construction in progress	6,202,951
Capital assets net of accumulated depreciation:	
Building	188,154,225
Equipment	48,868,269
Total assets	<u>378,948,138</u>

DEFERRED OUTFLOW OF RESOURCES

Deferred outflows related to net pension liability	<u>2,994,639</u>
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LIABILITIES

Accounts payable and other current liabilities	\$ 13,285,919
Noncurrent liabilities:	
Due within one year	1,347,843
Due in more than one year	38,307,441
OPEB payable due in more than one year	2,788,997
Net pension liability due in more than one year	23,993,259
Total liabilities	<u>79,723,459</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to net pension liability	<u>510,494</u>
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NET POSITION

Net investments in capital assets	262,508,460
Restricted for:	
Debt service	12,178,483
Unrestricted	<u>27,021,881</u>

Total net position	<u>\$ 301,708,824</u>
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The notes to the financial statements are an integral part of this statement.

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LAKE CHARLES HARBOR AND TERMINAL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Business-Type Activities</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Business-type activities:					
Lake Charles Harbor and Terminal District	\$ 41,736,300	\$ 41,602,696	\$ -	\$ 612,596	\$ 478,992
Port Rail, Inc.	<u>1,396,971</u>	<u>1,109,903</u>	-	-	<u>(287,068)</u>
Total business-type activities	43,133,271	42,712,599	-	612,596	191,924
General revenues:					
Property taxes					3,633,932
Intergovernmental					90,978
Loss on disposal of assets					(5,858)
Interest and investment earnings					<u>653,401</u>
Total general revenues and transfers					<u>4,372,453</u>
Change in net position					4,564,377
Net position - beginning					<u>297,144,447</u>
Net position - ending					<u>\$ 301,708,824</u>

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

Exhibit 3

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 December 31, 2017

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Lake Charles Harbor and Terminal District</u>	<u>Port Rail, Inc.</u>	<u>2017</u>
ASSETS			
Current assets:			
Cash	\$ 50,657,730	\$ 129,909	\$ 50,787,639
Restricted cash	14,900,527	-	14,900,527
Investments	102,111	-	102,111
Receivables:			
Trade, net of allowance for doubtful accounts	4,094,735	37,012	4,131,747
Intergovernmental	143,497	-	143,497
Property taxes, net of allowance for doubtful accounts	3,604,158	-	3,604,158
Due from other funds	1,409,816	-	1,409,816
Inventory	2,894,712	-	2,894,712
Prepaid expenses	747,971	34,799	782,770
Insurance deposits	1,853,186	-	1,853,186
Total current assets	<u>80,408,443</u>	<u>201,720</u>	<u>80,610,163</u>
Capital assets:			
Capital assets, net of depreciation	<u>299,736,305</u>	<u>11,486</u>	<u>299,747,791</u>
Total assets	<u>380,144,748</u>	<u>213,206</u>	<u>380,357,954</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts related to net pension liabilities	<u>2,994,639</u>	<u>-</u>	<u>2,994,639</u>

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Lake Charles</u>		
	<u>Harbor and</u>		
	<u>Terminal</u>	<u>Port</u>	
	<u>District</u>	<u>Rail, Inc.</u>	<u>2017</u>
LIABILITIES			
Current liabilities:			
Current maturities of long-term debt	1,007,159	-	1,007,159
Accounts payable	2,079,205	4,075	2,083,280
Contracts payable	412,681	-	412,681
Claims payable	516,594	-	516,594
Accrued expenses	4,536,305	23,633	4,559,938
Accrued interest payable	903,569	-	903,569
Unearned revenue	5,150,541	-	5,150,541
Due to other funds	-	1,409,816	1,409,816
Total current liabilities	<u>14,606,054</u>	<u>1,437,524</u>	<u>16,043,578</u>
Non-current liabilities:			
Compensated absences, less current portion	621,675	-	621,675
OPEB liability	2,788,997	-	2,788,997
Net pension liability	23,993,259	-	23,993,259
Unearned revenue, less current portion	1,453,594	-	1,453,594
Long-term debt, less current maturities	36,232,172	-	36,232,172
Total non-current liabilities	<u>65,089,697</u>	<u>-</u>	<u>65,089,697</u>
Total liabilities	<u>79,695,751</u>	<u>1,437,524</u>	<u>81,133,275</u>
DEFERRED INFLOW OF RESOURCES			
Deferred amounts related to net pension liabilities	<u>510,494</u>	<u>-</u>	<u>510,494</u>
NET POSITION			
Net investment in capital assets	262,496,974	11,486	262,508,460
Restricted for debt service	12,178,483	-	12,178,483
Unrestricted	<u>28,257,685</u>	<u>(1,235,804)</u>	<u>27,021,881</u>
Total net position	<u>\$ 302,933,142</u>	<u>\$(1,224,318)</u>	<u>\$ 301,708,824</u>

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

Exhibit 4

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

For the Year Ended December 31, 2017

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Lake Charles Harbor and Terminal District</u>	<u>Port Rail, Inc.</u>	<u>2017</u>
Operating revenues:			
Vessel and cargo services	\$ 21,987,430	\$ 1,109,903	\$ 23,097,333
Rental of equipment and facilities	17,284,286	-	17,284,286
Other	2,330,980	-	2,330,980
Total operating revenues	<u>41,602,696</u>	<u>1,109,903</u>	<u>42,712,599</u>
Operating expenses:			
Personnel services	12,957,332	804,435	13,761,767
Contractual services	5,490,283	512,997	6,003,280
Supplies, maintenance and operation of facilities	6,375,327	35,880	6,411,207
Heat, light and power	928,899	9,827	938,726
Depreciation and amortization	15,238,494	4,650	15,243,144
Total operating expenses	<u>40,990,335</u>	<u>1,367,789</u>	<u>42,358,124</u>
Nonoperating revenues (expenses):			
Property taxes	3,633,932	-	3,633,932
Intergovernmental revenue	90,978	-	90,978
Interest income	653,401	-	653,401
Interest expense and fiscal charges	(9,610)	(29,182)	(38,792)
Retirement of assets	(5,858)	-	(5,858)
Other	(736,355)	-	(736,355)
Total nonoperating revenues	<u>3,626,488</u>	<u>(29,182)</u>	<u>3,597,306</u>
Income (loss) before operating transfers	4,238,849	(287,068)	3,951,781
Capital contributions:			
Federal government	612,596	-	612,596
Change in net position	4,851,445	(287,068)	4,564,377
Net position at beginning of year	<u>298,081,697</u>	<u>(937,250)</u>	<u>297,144,447</u>
Net position at end of year	<u>\$ 302,933,142</u>	<u>\$ (1,224,318)</u>	<u>\$ 301,708,824</u>

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

Exhibit 5

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended December 31, 2017

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Lake Charles Harbor and Terminal District</u>	<u>Port Rail, Inc.</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 43,159,120	\$ 750,381	\$ 43,909,501
Payments to employees and related benefits	(12,394,100)	(804,433)	(13,198,533)
Payments to suppliers	(11,995,674)	(644,052)	(12,639,726)
Internal activity-payments from other funds	169,493	777,127	946,620
Internal activity-payments to other funds	(777,127)	(169,493)	(946,620)
Net cash provided by operating activities	<u>18,161,712</u>	<u>(90,470)</u>	<u>18,071,242</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Shared revenue from governmental agencies	<u>90,978</u>	<u>-</u>	<u>90,978</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Property taxes collected	3,500,359	-	3,500,359
Capital grants received	793,013	-	793,013
Payments for capital acquisitions	(14,369,969)	-	(14,369,969)
Proceeds from sale of capital assets	8,717	-	8,717
Principal payments on long-term debt	(967,159)	-	(967,159)
Interest and fiscal charges paid (net of amount capitalized)	(28,710)	-	(28,710)
Net cash (used for) capital and related financing acquisitions	<u>(11,063,749)</u>	<u>-</u>	<u>(11,063,749)</u>
NET FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	(982)	-	(982)
Receipts of interest	<u>653,401</u>	<u>-</u>	<u>653,401</u>
Net cash provided (used for) investing activities	<u>652,419</u>	<u>-</u>	<u>652,419</u>
Net increase (decrease) in cash and cash equivalents	7,841,360	(90,470)	7,750,890
Cash and cash equivalents at beginning of year	<u>57,716,897</u>	<u>220,379</u>	<u>57,937,276</u>
Cash and cash equivalents at end of year	<u>\$ 65,558,257</u>	<u>\$ 129,909</u>	<u>\$ 65,688,166</u>

(continued on next page)

Exhibit 5 (continued)

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended December 31, 2017

	<u>Business-type Activities-Enterprise Funds</u>		
	Lake Charles Harbor and Terminal District	Port Rail, Inc.	<u>2017</u>
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED (USED BY) OPERATING			
ACTIVITIES:			
Operating income (loss)	\$ 612,361	\$ (257,886)	\$ 354,475
Adjustments to reconcile operating			
income (loss) to net cash provided			
by (used in) operating activities:			
Depreciation expense	15,238,494	4,650	15,243,144
Decrease in accounts receivable	1,021,239	317,605	1,338,844
(Increase) decrease in internal			
balance	34,912	(64,094)	(29,182)
Decrease in inventories	50,782	8,733	59,515
Decrease in prepaid items	416,671	-	416,671
Decrease in deferred outflows of			
resources	2,091,528	-	2,091,528
Increase (decrease) in accounts			
payable and accrued expenses	617,928	(99,478)	518,450
Increase in unearned revenue	569,766	-	569,766
Increase in NP liability	(1,800,096)	-	(1,800,096)
Increase in due deferred inflows			
of resources	44,482	-	44,482
Other	(736,355)	-	(736,355)
Total adjustments	<u>17,549,351</u>	<u>167,416</u>	<u>17,716,767</u>
Net cash provided by (used in)			
operating activities	<u>\$ 18,161,712</u>	<u>\$ (90,470)</u>	<u>\$ 18,071,242</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, 2017

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

B. Fund Accounting

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

C. Basis of Accounting

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

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

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

D. Budgets

Budgetary practices differ from generally accepted accounting principles (GAAP). Perspective differences result from the structure of financial information for budgetary purposes. Capital contributions (grants) received by the District also are not budgeted. During the year ended December 31, 2017, the District did not amend its budget.

E. Cash, Cash Equivalents, and Investments

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

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

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the District has stated their investments at fair value at December 31, 2017. Fair value was determined by obtaining "quoted" year end market prices. Cash and cash equivalents, which include cash, demand deposits, and money market deposits are stated at cost.

F. Receivables

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

G. Property Taxes

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

H. Inventories

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

I. Prepaid Expenses

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

J. Restricted Assets

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

K. Capital Assets

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

L. Compensated Absences

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

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

M. Deferred Outflows of Resources and Deferred Inflows of Resources

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

N. Net Position Flow Assumption

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

O. Net Position

Net position is displayed in three components:

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

P. Cash Flows Statement

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

Note 2. Legal Compliance - Budget

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

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

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

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

Note 3. Cash, Cash Equivalents and Investments

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

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

- a. Direct United States Treasury obligations, the principal and interest of which are fully guaranteed by the government of the United States with maturities less than five years.
- b. United States federal instrumentalities, the principal and interest of which are fully guaranteed by the government of the United States, or United States government obligations, the principal and interest of which are guaranteed by any United States government agency or Government Sponsored Enterprise (GSE) with maturities less than five years.
- c. Direct security repurchase agreements of any federal book entry only securities enumerated in subparagraphs 1 and 2. "Direct security repurchase agreement," means an agreement under which the political subdivision buys, holds for a specified time, and then sells back those securities and obligations enumerated in subparagraphs 1 and 2.
- d. Time certificates of deposit of state banks organized under the laws of Louisiana, or national banks having their principal offices in the State of Louisiana, savings accounts or shares of savings and loan associations and savings banks, as defined by LA. R.S. 6:703 and as authorized by LA. R.S. 6:949, or share accounts and share certificate accounts of federally or state chartered credit unions issuing time certificates of deposit. For those funds made available for investment in time certificates of deposit, the rate of interest paid by the banks shall be established by contract between the bank and the political subdivision; however, the interest rate at the time of investment shall be a rate not less than fifty basis points below the prevailing market interest rate on direct obligations of the United States Treasury with a similar length of maturity.

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

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

- g. Guaranteed investment contracts issued by a bank, financial institution, insurance company, or other entity having one of the two highest short-term rating categories of either Standard & Poor's Corporation or Moody's Investors Service, provided that no such investment may be made except in connection with a financing program for political subdivisions which financing program is approved by the State Bond Commission and offered by a public trust having the state as its beneficiary, provided further that no such investment shall be for a term longer than eighteen months, and provided further that any such guaranteed investment contract shall contain a provision providing that in the event the issuer of the guaranteed investment contract is at any time no longer rated in either of the two highest short-term rating categories of Standard & Poor's Corporation or Moody's Investors Service, the investing unit of local government may either be released from the guaranteed investment contract without penalty, or be entitled to require that the guaranteed investment provider collateralize the guaranteed investment contract with any bonds or other obligations which as to principal and interest constitute direct general obligations of or are unconditionally guaranteed by, the United States of America, including obligations set forth in subparagraphs 1 and 2 to the extent unconditionally guaranteed by the United States of America.

- h. In no event will any investment be selected and utilized until the Port Director is fully convinced that the appropriate District personnel have full familiarity with the nature and nuances of the specific investment vehicle. Furthermore, the Port Director will reasonably endeavor to make available whatever professional training is necessary to assist appropriate District personnel in the performance of their cash management duties and responsibilities.

- i. Generally, the District will invest in "money market instruments", which shall be those allowable investments outlined in the policy (see item IV, A, 1-8). An investment plan will be developed and carried out by the 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.

- j. Other forms of investments as may be authorized by law for the investment of public funds of political subdivisions of the State of Louisiana.

As of December 31, 2017, all of the District's investments were held according to policy.

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

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

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

The District's deposits as of the balance sheet dates are entirely covered by FDIC insurance or by pledged collateral held by the District's agent banks in the District's name. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The 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.

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

Investments held at December 31, 2017, consist of \$102,111, in LAMP. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. This pool is rated AAAM by Standard & Poor's.

At December 31, 2017, cash equivalents and investments were restricted as shown below:

Wetlands restoration escrow accrual	\$ 1,900,717
Trust funds pursuant to the issuance of the 2014 Port Improvement Revenue Bonds:	
Construction Fund	7,103,201
Debt Service Reserve Fund	3,174,406
Debt Service Fund	1,900,875
PRM-C&E	521,931
PRM-LTM	<u>299,397</u>
Total	<u>\$ 14,900,527</u>

Note 4. Allowances for Doubtful Accounts

The changes in allowances for doubtful accounts during 2017 follow:

	<u>Property Taxes</u>	<u>Accounts Receivable</u>
Balance January 1, 2017	\$ 35,056	\$ 409,334
Additions	<u>1,350</u>	<u>518,877</u>
Balance December 31, 2017	<u>\$ 36,406</u>	<u>\$ 928,211</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 2017 assessed millage is 2.53 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, 2017 were \$3,757,854 on property with assessed valuation totaling \$1,641,714,005 less exempt valuation of \$156,396,254, for a net valuation of \$1,485,317,751.

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 \$117,342 for 2017.

Note 6. Intergovernmental Receivable

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

	<u>2017</u>
FEMA Public Assistance Grant	<u>\$ 143,497</u>

Note 7. Interfund Receivables and Payables

Due to/from other funds at December 31, 2017 consists of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Lake Charles Harbor and Terminal District	\$ 1,409,816	\$ -
Port Rail, Inc.	<u>-</u>	<u>1,409,816</u>
	<u>\$ 1,409,816</u>	<u>\$ 1,409,816</u>

The interfund balance represents a long-term loan between the funds. Of the balance, \$1,107,387 is not expected to be repaid in the next fiscal year. The balances are included on the proprietary fund financial statements but are eliminated in the government-wide presentation.

Note 8. Capital Assets

A summary of changes in capital assets for the years ended December 31, 2017 is as follows:

<u>2017</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>
Capital assets not being depreciated:				
Land	\$ 56,276,314	\$ 246,032	\$ -	\$ 56,522,346
Construction in progress	<u>3,073,209</u>	<u>13,119,349</u>	<u>9,989,607</u>	<u>6,202,951</u>
Total capital assets not being depreciated	<u>59,349,523</u>	<u>13,365,381</u>	<u>9,989,607</u>	<u>62,725,297</u>
Capital assets being depreciated:				
Buildings and operating facilities	364,887,451	594,819	-	365,482,270
Equipment, furniture and fixtures	<u>68,327,777</u>	<u>10,088,267</u>	<u>362,966</u>	<u>78,053,078</u>
Total capital assets being depreciated	<u>433,215,228</u>	<u>10,683,086</u>	<u>362,966</u>	<u>443,535,348</u>
Less accumulated depreciation for:				
Buildings and operating facilities	165,813,243	11,514,802	-	177,328,045
Equipment, furniture and fixtures	<u>25,635,377</u>	<u>3,728,342</u>	<u>178,910</u>	<u>29,184,809</u>
Total accumulated depreciation	<u>191,448,620</u>	<u>15,243,144</u>	<u>178,910</u>	<u>206,512,854</u>
Total capital assets being depreciated, net	<u>241,766,608</u>	<u>(4,560,058)</u>	<u>184,056</u>	<u>237,022,494</u>
Total capital assets, net	<u>\$ 301,116,131</u>	<u>\$ 8,805,323</u>	<u>\$ 10,173,663</u>	<u>\$ 299,747,791</u>

Depreciation expense was \$15,243,144 for the year ended December 31, 2017.

Capitalized interest was \$1,807,137 for the year ended December 31, 2017.

Note 9. Operating Leases

Leases which the District has entered into as lessor are classified as operating leases. Following is a summary of property held for lease at December 31, 2017:

Land	\$ 23,538,842
Buildings	<u>43,854,095</u>
	67,392,937
Less depreciation	<u>23,008,875</u>
	<u>\$ 44,384,062</u>

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

2018	\$ 10,741,251
2019	8,719,531
2020	6,559,071
2021	5,251,899
2022	5,051,111
After 2022	<u>35,261,643</u>
	<u>\$ 71,584,506</u>

Of the above, the amount of \$1,721,846 was paid in full at the inception of the lease by the lessee, and is included in unearned revenues at December 31, 2017.

Note 10. Compensated Absences

Compensated absences are included in personnel services expenses for 2017. The District's liabilities for accumulated compensated absences as of December 31, 2017 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>
\$ 675,454	\$ 63,430	\$ 48,134	\$ 690,750	\$ 69,075

Note 11. Long-Term Bonded Debt

Bonds payable at December 31, 2017 comprised of the following:

Revenue bonds:

\$6,995,000 Lake Charles Harbor and Terminal District State of Louisiana Revenue Bonds 2014A (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, 2016; interest rate ranging from 3% to 5.5% for the life of the bonds maturing January 1, 2037	<u>29,990,000</u>
Total bonds payable	<u>\$ 36,985,000</u>

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.

Debt service requirements related to bonds outstanding as of December 31, 2017 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 995,000	\$ 1,782,263
2019	1,045,000	1,731,263
2020	1,095,000	1,688,712
2021	1,130,000	1,653,925
2022	1,165,000	1,615,175
2023-2027	6,640,000	7,192,956
2028-2032	8,630,000	5,155,638
2033-2037	11,055,000	2,679,181
2038-2039	5,230,000	251,275
	<u>\$ 36,985,000</u>	<u>\$ 23,750,388</u>

Changes in Long-Term Debt:

Noncurrent liabilities activity for the year ended December 31, 2017 is as follows:

	<u>January 1,</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u>	<u>Due Within</u>
	<u>2017</u>			<u>2017</u>	<u>One Year</u>
Revenue bonds	\$ 37,940,000	\$ -	\$ 955,000	\$ 36,985,000	\$ 995,000
Premium on revenue bonds	266,490	-	12,159	254,331	12,159
Net pension liability	25,793,355	-	1,800,096	23,993,259	-
OPEB liability	2,603,607	185,390	-	2,788,997	-
Compensated absences	675,454	63,430	48,134	690,750	69,075
Unearned revenue	2,023,716	-	298,513	1,725,203	271,609
	<u>\$ 69,302,622</u>	<u>\$ 248,820</u>	<u>\$ 3,113,902</u>	<u>\$ 66,437,540</u>	<u>\$ 1,347,843</u>

Note 12. 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 \$2,304,479 for the year ended December 31, 2017. Contribution rates for the year ended December 31, 2017 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%	37.90%
Hired after 6/30/2006	8.0%	37.90%
Hired after 12/31/2010	8.0%	37.90%
Hired after 7/1/2016	8.0%	37.90%
Optional Retirement Plan (ORP):		
Hired before 7/1/2006	7.5%	33.80%
Hired after 6/30/2006	8.0%	33.80%
Hazardous Duty	9.5%	38.30%

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

At December 31, 2017, the Lake Charles Harbor and Terminal District reported a liability for LASERS of \$23,993,259 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 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, 2017, the Lake Charles Harbor and Terminal District's proportion for LASERS was 0.34087%. This reflects an increase for LASERS of 0.0124% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Lake Charles Harbor and Terminal District recognized pension expense, for which there were no forfeitures, of \$2,640,393.

At December 31, 2017, 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	\$ -	\$ 440,242
Changes in assumptions	94,787	-
Net difference between projected and actual earnings on investments	780,206	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	924,419	70,252
Employer contributions subsequent to the measurement date	<u>1,195,227</u>	<u>-</u>
Total	<u>\$ 2,994,639</u>	<u>\$ 510,494</u>

During the year ended December 31, 2017, employer contributions totaling \$1,195,227 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, 2018. 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:	
2018	\$ 482,838
2019	976,891
2020	312,224
2021	(483,035)
2022	<u>-</u>
Total	<u>\$ 1,288,918</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, 2017 are as follows:

	<u>LASERS</u>
Total pension liability	\$ 18,792,105,561
Plan fiduciary net position	<u>11,753,275,850</u>
Total net pension liability	<u>\$ 7,038,829,711</u>

The Lake Charles Harbor and Terminal District's allocation is 0.34087% of the total net pension liability for LASERS.

The total pension liabilities for LASERS in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

LASERS

Actuarial cost method	Entry age normal
Expected remaining service lives	3 years
Investment rate of return	7.70% per annum, net of investment expense
Inflation rate	2.75% per annum
Projected salary increases	Regular 3.8%-12.8%; hazardous duty 3.4%-14.3%
Cost of living adjustments	None
Mortality	Non-disabled members - Mortality rates based on the RP-2000 Combined Mortality Table with mortality improvement Projected to 2015 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 8.69% for 2017.

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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
	<u>LASERS</u>
Cash	-0.24%
Domestic equity	4.31%
International equity	5.35%
Domestic fixed income	1.73%
International fixed income	2.49%
Alternative investments	7.41%
Global tactical asset allocation	2.84%
Total fund	5.26%

Discount Rates

The discount rate used to measure the total pension liability for LASERS was 7.70%. 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 7.70% 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 (6.70%) or one percentage-point higher (8.70%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
LASERS	\$ 30,120,816	\$ 23,993,259	\$ 18,783,384

Payable to the Pension Plans

At December 31, 2017, payable to LASERS was \$325,904 for December, 2017 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 11, the District provides postretirement health care insurance benefits for retired employees. In 2017, the District paid 0% of the retirees' and retirees' dependents' premiums.

During 2017, twenty-four (24) 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 2017. The participants' share of the costs totaled \$126,780 for 2017.

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, 2017 consisted of \$391,914 from employees and \$274,245 from the District.

Note 13. Risk Management

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

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

Unpaid claims, January 1, 2016	\$ 320,685
Incurred and adjusted claims	1,841,179
Claim payments	<u>(1,731,027)</u>
Unpaid claims, January 1, 2017	430,837
Incurred and adjusted claims	1,770,744
Claim payments	<u>(1,684,987)</u>
Total unpaid claims, December 31, 2017	<u>\$ 516,594</u>

The District's insurance reserves to fund future claims on deposit with the Calcasieu Parish Police Jury totaled \$1,853,186 in 2017.

Note 14. Contingent Liabilities and Commitments

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for the risks of losses to which it is exposed, including general liability, property and casualty, workers' compensation, employee health and accident, and environmental.

At December 31, 2017, the District had committed approximately \$2.4 million for the purchase of equipment, the expansion of facilities, and repairs and maintenance of existing facilities.

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

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

Note 15. Unearned Revenue

	<u>Term Years</u>	<u>Total Rent</u>	<u>Unearned 12/31/17</u>
PRM site-C&E			\$ 522,897
PRM site-LTM			302,541
Wetland restoration			1,868,632
Trunkline LNG land lease	40	\$ 1,208,430	3,357
GSA lease	10	2,683,396	1,721,846
Unearned grant			107,704
Various short-term leases			2,046,849
Homestead exemption settlement			<u>30,309</u>
Total			<u>\$ 6,604,135</u>

Note 16. Budgetary - GAAP Reporting Reconciliation

The accompanying Schedule of Revenues, Expenses, and Changes in Net Position Budget and Actual (Budgetary Basis)-Enterprise Fund presents comparisons of the legally adopted budget (more fully described in Note 1) with actual data on a budgetary basis. The change in fair value of investment securities was not budgeted. Capital contributions were also not budgeted. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), reconciliations of resultant basis and perspective differences in net income for the year ended December 31, 2017 is presented on the budgetary comparison statement.

Note 17. Major Customers

A significant portion of the District's operating revenue has been derived from one major customer that accounted for 19% of the District's operating revenue in 2017.

A significant portion of the District's accounts receivable has been derived from (3) customers that accounted for 26%, 10% and 10% of total trade receivables outstanding at December 31, 2017.

Note 18. Postemployment Healthcare Plan

Plan description:

As noted in Note 12, the District participates in a combined health and medical self-insurance plan with the Calcasieu Parish Police Jury. The

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

Funding policy:

The contribution requirements are determined by the District. Members receiving benefits contribute \$462 per month for retiree-only coverage and \$725 per month for retiree and spouse coverage to age 65.

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

Annual OPEB cost and Net OPEB obligations:

The District's annual OPEB costs were calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding which if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over the actuarial amortization period. The ARC was calculated as part of the January 1, 2017 actuarial valuation performed by an outside actuary consultant. The following table shows the components of the District's annual OPEB costs for the year and the amount estimated to have been contributed to the plan during the year:

Table 1

Annual required contribution	\$ 394,945
Interest on net OPEB obligation	96,729
Adjustment to ARC	<u>(145,618)</u>
Annual OPEB cost	346,056
District contributions made	<u>160,666</u>
Increase in net OPEB obligation	185,390
Net OPEB obligation - beginning of year	<u>2,603,607</u>
Net OPEB obligation - end of year	<u>\$ 2,788,997</u>

Table 2

<u>Year Ended</u>	<u>Trend Information for OPEB Plan</u>		
	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/15	525,285	43.7%	2,418,217
12/31/16	324,337	42.8%	2,603,607
12/31/17	346,056	46.4%	2,788,997

Table 3

Funding Status and Funding Progress:

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
1/1/2009	\$ -	\$ 3,748,446	\$ 3,748,446	0%	\$ 6,111,309	61.3%
1/1/2011	-	5,367,308	5,367,308	0%	6,708,135	80.0%
1/1/2013	-	5,689,795	5,689,795	0%	6,954,304	81.8%
1/1/2016	-	3,865,069	3,865,069	0%	7,401,965	52.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and

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

The ARC for the plan was determined as part of the January 1, 2017 actuarial valuation using the following methods and assumptions:

Actuarial cost method	Projected unit credit
Amortization method	Level annual payments, closed
Remaining amortization period	21 years
Discount rate for valuing liabilities	4%
Health care cost inflation rate Pre-65	5.3%
Health care cost inflation rate Post 65	5.9%

Note 18. Subsequent Events

Subsequent events have been evaluated through June 25, 2018, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR LAKE CHARLES HARBOR
AND TERMINAL DISTRICT'S RETIREE HEALTH PLAN
Year Ended December 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as of Percentage of Covered Payroll ((b-a)/c)
1/1/09	-	\$ 3,748,446	\$3,748,446	0%	\$ 6,111,309	61.3%
1/1/11	-	5,367,308	5,367,308	0%	6,708,135	80.0%
1/1/13	-	5,689,795	5,689,795	0%	6,954,304	81.8%
1/1/16	-	3,865,069	3,865,069	0%	7,401,965	52.2%

Only four years of trend information is available for presentation since 2009 was the first year for implementation of Government Accounting Standards Board (GASB) Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", and actuarial valuations are only required every two years. As of 1/1/15, the District's participants decreased below the 200 participant threshold and will obtain actuarial valuations on a triennial basis. The District will obtain its next valuation as of 1/1/18.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY
Year Ended December 31, 2017

<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 Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of It's Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
LASERS:					
2017	0.34087%	\$ 23,993,259	\$ 6,329,316	379.1%	62.5%
2016	0.32847%	25,793,355	5,968,274	452.2%	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
 Year Ended December 31, 2017

<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 Employee Payroll</u>	<u>Contributions as a Percent of Covered Employee Payroll</u>
LASERS:					
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.

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, 2017

	2017			Variance With Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Operating revenue:				
Vessel and cargo services	\$ 21,437,266	\$ 21,437,266	\$ 21,987,430	\$ 550,164
Rental of equipment and facilities	17,358,777	17,358,777	17,284,286	(74,491)
Other	342,000	342,000	2,330,980	1,988,980
Total operating revenue	<u>39,138,043</u>	<u>39,138,043</u>	<u>41,602,696</u>	<u>2,464,653</u>
Operating expenses:				
Personnel services	13,513,660	13,513,660	12,957,332	556,328
Contractual services	4,671,708	4,671,708	5,490,283	(818,575)
Dredging	1,500,000	1,500,000	1,500,000	-
Supplies, maintenance and operation of facilities	4,782,052	4,782,052	4,875,327	(93,275)
Heat, light and power	948,644	948,644	928,899	19,745
Depreciation and amortization	15,913,214	15,913,214	15,238,494	674,720
Total operating expenses	<u>41,329,278</u>	<u>41,329,278</u>	<u>40,990,335</u>	<u>338,943</u>
Operating income (loss)	<u>(2,191,235)</u>	<u>(2,191,235)</u>	<u>612,361</u>	<u>2,803,596</u>
Nonoperating revenue (expenses):				
Property taxes	3,200,000	3,200,000	3,633,932	433,932
Intergovernmental revenue	90,000	90,000	90,978	978
Interest income	312,000	312,000	653,401	341,401
Interest expense and fiscal charges	(24,000)	(24,000)	(9,610)	14,390
Retirement/impairment of assets	-	-	(5,858)	(5,858)
Other	(750,840)	(750,840)	(736,355)	14,485
Net nonoperating revenue (expenses)	<u>2,827,160</u>	<u>2,827,160</u>	<u>3,626,488</u>	<u>799,328</u>
Net income (loss) before contributions (budget basis)	635,925	635,925	4,238,849	<u>\$ 3,602,924</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, 2017

(Continued)

	2017			Variance With Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Net income (loss) before contributions (budget basis)	<u>\$ 635,925</u>	<u>\$ 635,925</u>	4,238,849	<u>\$ 3,602,924</u>
Capital contributions			<u>612,596</u>	
Net income (GAAP basis)			4,851,445	
Net position, beginning of year			<u>298,081,697</u>	
Net position, end of year			<u>\$ 302,933,142</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, 2017

Agency Head Name: William Rase, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 309,424
Benefits - insurance	11,967
Benefits - retirement (LASERS)	119,074
Benefits - deferred compensation	12,000
Car allowance	13,756
Travel	207
Registration fees	3,300
Conference travel	2,901

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF INSURANCE IN FORCE
December 31, 2017

Insurance policies in force as of December 31, 2017:

<u>Policy Type</u>	<u>Policy Number</u>	<u>Policy Provider</u>	<u>Policy Period</u>
Business travel	ETB101464	Hartford	10/3/15-10/2/18
Commercial automobile	AS7-Z91-433903-017	Liberty Mutual Insurance Company	4/15/17-4/15/18
Crime	CCP002364708	The Fidelity and Deposit Co. of Maryland	10/1/16-10/1/19
Equipment breakdown coverage	4030391227	Continental Casualty Company	1/1/17-1/1/18
General liability	MLIB-1000484-12	Liberty Mutual Insurance Company	10/1/17-10/1/18
Bumbershoot	SL17XS2M11437	Stonington Insurance Co.	10/1/17-10/1/18
Bumbershoot	LC2XL-100117	Starr Indemnity	10/1/17-10/1/18
Bumbershoot	MASILNW00099317	Star Indemnity	10/1/17-10/1/18
Inland marine equipment floater	RRP1365-11	Evanston Insurance Company	4/21/17-4/21/18
Maritime employers liability	BOUMA171372	Star Net Insurance Co.	6/18/17-6/18/18
Police professional liability	PPL0950202	Indian Harbor Insurance Company	6/18/17-6/18/18
Primary property	MALIA1700004	Lloyd's of London	1/1/17-1/1/18
Terrorism	MALIA1700006	Lloyd's of London	1/1/17-1/1/18
Public officials' liability	2528202	Ironshore Specialty Insurance Co.	10/1/17-10/1/18
Railroad liability	SCO9319035-06	Steadfast Insurance Company Zurich	10/1/17-10/1/18
Workers compensation	100510-D	Louisiana Worker Compensation Corporation	6/18/17-6/18/18
Health care	Self-insured with CPPJ	Stop loss carrier through CPPJ	1/1/17-1/1/18

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STATISTICAL SECTION

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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Table 1

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

	Net Investment in Capital Assets	Restricted	Unrestricted	Total
2008	\$ 208,860	\$ 6,583	\$ 37,723	\$ 253,166
2009	221,495	6,471	33,149	261,115
2010	225,586	2,032	42,130	269,748
2011	235,167	55	47,180	282,402
2012	252,574	-	46,846	299,420
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

Table 2

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SUMMARY OF REVENUES AND EXPENSES
Years Ended December 31, 2008 through 2017
(Unaudited)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
OPERATING REVENUES				
Charges for services	\$ 21,841,492	\$ 19,408,860	\$ 23,564,920	\$ 22,673,086
Rentals	8,564,493	8,764,583	10,807,934	10,059,975
Other	672,272	852,667	1,406,193	4,197,140
Total	<u>31,078,257</u>	<u>29,026,110</u>	<u>35,779,047</u>	<u>36,930,201</u>
NONOPERATING REVENUES				
Property taxes	2,370,487	2,318,463	2,634,642	2,623,133
Intergovernmental revenue	91,827	92,875	90,114	90,741
Interest income	1,215,960	298,711	280,535	248,971
Other income	128,604	(83,629)	(11,094)	-
Total	<u>3,806,878</u>	<u>2,626,420</u>	<u>2,994,197</u>	<u>2,962,845</u>
OPERATING EXPENSES				
General and administrative	9,086,400	8,583,507	9,727,094	10,344,600
Maintenance and operation	11,907,649	10,353,634	11,461,563	12,424,259
Depreciation	9,531,318	10,338,613	10,694,862	10,868,415
Total	<u>30,525,367</u>	<u>29,275,754</u>	<u>31,883,519</u>	<u>33,637,274</u>
NONOPERATING EXPENSES				
Interest expense and fiscal charges	21,866	37,890	39,278	317,470
Intergovernmental expense	-	-	-	-
Other expenses	(218,347)	(286,587)	(692,481)	(1,744,190)
Total	<u>(196,481)</u>	<u>(248,697)</u>	<u>(653,203)</u>	<u>(1,426,720)</u>
Net income (loss) before contributions	<u>4,556,249</u>	<u>2,625,473</u>	<u>7,542,928</u>	<u>7,682,492</u>
Capital contributions:				
Federal government	500,000	2,334,638	323,098	544,248
State government	2,057,751	2,988,308	767,275	4,427,736
Other	-	-	-	-
Total capital contributions	<u>2,557,751</u>	<u>5,322,946</u>	<u>1,090,373</u>	<u>4,971,984</u>
Change in net position	<u>\$ 7,114,000</u>	<u>\$ 7,948,419</u>	<u>\$ 8,633,301</u>	<u>\$ 12,654,476</u>

Table 2

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 21,209,754	\$ 20,221,173	\$ 21,848,099	\$ 19,429,820	\$ 21,060,478	\$ 23,097,333
11,915,297	12,198,732	11,541,637	16,025,616	18,305,150	17,284,286
501,739	767,285	659,246	875,513	1,492,785	2,330,980
<u>33,626,790</u>	<u>33,187,190</u>	<u>34,048,982</u>	<u>36,330,949</u>	<u>40,858,413</u>	<u>42,712,599</u>
2,812,823	2,870,308	3,038,377	3,286,210	3,476,800	3,633,932
91,132	90,947	90,289	90,441	86,901	90,978
241,935	212,199	215,918	307,442	403,205	653,401
-	-	6,968	607	13	-
<u>3,145,890</u>	<u>3,173,454</u>	<u>3,351,552</u>	<u>3,684,700</u>	<u>3,966,919</u>	<u>4,378,311</u>
9,866,485	10,932,884	11,649,140	10,769,611	12,638,544	13,625,954
9,914,937	11,886,163	16,143,187	8,690,191	12,773,160	13,489,026
10,983,984	11,530,355	13,177,135	14,011,819	14,781,219	15,243,144
<u>30,765,406</u>	<u>34,349,402</u>	<u>40,969,462</u>	<u>33,471,621</u>	<u>40,192,923</u>	<u>42,358,124</u>
4,145	546,445	34,177	18,697	66,241	38,792
-	-	167,545	4,044,732	3,200,140	696,354
532,144	132,457	1,651,772	85,665	72,027	45,859
<u>536,289</u>	<u>678,902</u>	<u>1,853,494</u>	<u>4,149,094</u>	<u>3,338,408</u>	<u>781,005</u>
<u>5,470,985</u>	<u>1,332,340</u>	<u>(5,422,422)</u>	<u>2,394,934</u>	<u>1,294,001</u>	<u>3,951,781</u>
1,692,016	2,638,179	-	-	548,000	612,596
9,854,453	1,852,485	5,520,418	4,357,112	362,221	-
-	830,757	96,780	4,100,000	388,000	-
<u>11,546,469</u>	<u>5,321,421</u>	<u>5,617,198</u>	<u>8,457,112</u>	<u>1,298,221</u>	<u>612,596</u>
<u>\$ 17,017,454</u>	<u>\$ 6,653,761</u>	<u>\$ 194,776</u>	<u>\$ 10,852,046</u>	<u>\$ 2,592,222</u>	<u>\$ 4,564,377</u>

Table 3

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
VESSEL AND CARGO REVENUES
Years Ended December 31, 2008 through 2017
(Unaudited)

	<u>Dockage</u>	<u>Wharfage</u>	<u>Storage</u>	<u>Cargo Handling</u>
2008	\$ 3,900,503	\$ 1,564,268	\$ 598,616	\$ 15,778,105
2009	3,709,754	1,110,636	660,631	13,927,839
2010	3,671,637	1,332,864	621,922	17,938,497
2011	3,157,617	1,186,285	735,987	17,593,197
2012	3,298,082	1,214,559	586,193	16,110,920
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

SHIPPING ACTIVITIES
TONNAGE
(Unaudited)

2017 CARGO IMPORTS/EXPORTS
(Tons)

<u>Cargo</u>	<u>Imports</u>	<u>Exports</u>	<u>Totals</u>
General cargo	201,597	128,290	329,887
Bulk	<u>2,089,113</u>	<u>2,034,122</u>	<u>4,123,235</u>
Totals	<u>2,290,710</u>	<u>2,162,412</u>	<u>4,453,122</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>
\$ 21,841,492	\$ 0.74	\$ 0.30	\$ 0.11	\$ 3.00	\$ 4.15
19,408,860	0.83	0.25	0.15	3.12	4.35
23,564,920	0.77	0.28	0.13	3.74	4.92
22,673,086	0.69	0.26	0.16	3.86	4.98
21,209,754	0.75	0.28	0.13	3.68	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

TEN YEAR CARGO
IMPORT/EXPORT TONNAGE

	<u>Imports</u>	<u>Exports</u>	<u>Totals</u>
2008	2,602,599	3,397,882	6,000,481
2009	2,848,714	3,176,306	6,025,020
2010	3,201,428	3,396,998	6,598,426
2011	2,628,685	3,051,075	5,679,760
2012	2,058,297	3,101,941	5,160,238
2013	1,786,797	2,417,871	4,204,668
2014	1,884,513	2,861,121	4,745,634
2015	2,311,474	3,114,870	5,426,344
2016	2,276,449	2,684,602	4,961,051
2017	2,290,710	2,162,412	4,453,122

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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>
2008	\$ 2,370,487	\$ 91,827	\$ 2,462,314
2009	2,318,463	92,875	2,411,338
2010	2,634,642	90,114	2,724,756
2011	2,623,133	90,741	2,713,874
2012	2,812,823	91,132	2,903,955
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	<u>3,633,932</u>	<u>90,978</u>	<u>3,724,910</u>
	<u>\$ 29,065,175</u>	<u>\$ 906,245</u>	<u>\$ 29,971,420</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	
2008	\$ 340,730,510	\$ 64,628,447	\$ 531,748,403	\$ 148,564,836
2009	353,374,500	67,125,422	578,661,575	151,231,776
2010	362,117,416	91,626,557	595,786,454	152,098,006
2011	368,306,819	85,478,540	605,947,224	152,017,521
2012	423,983,521	90,809,059	632,641,547	153,911,075
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

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>
\$ 937,107,360	2.60	\$ 7,210,808,241	13.00%
999,161,497	2.60	7,293,149,613	13.70%
1,049,530,427	2.60	8,264,019,110	12.70%
1,059,732,583	2.60	8,410,576,056	12.60%
1,147,434,127	2.53	9,724,018,017	11.80%
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%

Table 6

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

<u>Fiscal Year</u>	<u>Lake Charles Harbor and Terminal District</u>		<u>Calcasieu Parish School Board</u>		
	<u>Operating Millage</u>	<u>Total</u>	<u>General Fund</u>	<u>Debt Service Funds</u>	<u>Total</u>
2008	2.60	2.60	18.72	27.50	46.22
2009	2.60	2.60	18.72	24.00	42.72
2010	2.60	2.60	18.72	24.00	42.72
2011	2.60	2.60	18.72	24.00	42.72
2012	2.53	2.53	18.72	24.00	42.72
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

Table 6

<u>Calcasieu Parish</u>				<u>City of Lake Charles</u>			<u>Total Direct & Overlapping Rates</u>
<u>Parish Police Jury</u>	<u>Special Districts</u>	<u>Airport Harbor & Terminal</u>	<u>Total</u>	<u>General & Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total</u>	
41.50	46.65	8.80	96.95	16.09	0.00	16.09	161.86
39.28	45.50	8.34	93.12	15.35	0.00	15.35	153.79
33.02	41.78	8.34	83.14	15.35	0.00	15.35	143.81
33.02	40.92	8.34	82.28	15.35	0.00	15.35	142.95
33.82	41.09	8.14	83.05	15.35	0.00	15.35	143.65
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

Table 7

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Taxpayer	Type of Business	2017		Percentage of Total Valuation
		Assessed Valuation 2017	Rank	
CITGO Petroleum Corporation	Refinery	\$ 86,347,800	1	5.81%
Phillips 66 (formerly Conoco)	Refinery	83,234,322	2	5.60%
Westlake Chemical*	Chemical plant	46,272,180	3	3.12%
Entergy Gulf States, Inc.	Electric Co.	42,563,720	4	2.87%
SASOL North America, Inc.	Chemical plant	40,944,601	5	2.76%
Golden Nugget	Hotel & casino	37,297,420	6	2.51%
Pinnacle Entertainment	Hotel & casino	32,517,800	7	2.19%
Energy Transfer Equity	Liquified natural gas	30,680,740	8	2.07%
Excel Paralubes	Lubricants	28,502,730	9	1.92%
Lyondell Basell (formerly Basell USA Inc.)	Chemical plant	21,779,370	10	1.47%
PPG Industries*	Chemical plant	-		
Entergy Texas, Inc.	Electric Co.	-		
Bellsouth Telecommunication	Telephone company	-		
Totals		<u>\$ 450,140,683</u>		<u>30.31%</u>

Source: Calcasieu Parish Assessor

* Westlake Chemical acquired Axiall (formerly PPG) in 2016

Table 7

2008		
Assessed Valuation 2008	Rank	Percentage of Total Valuation
\$ 42,971,860	4	4.59%
69,306,710	1	7.40%
14,098,710	10	1.50%
61,082,590	2	6.52%
28,464,780	7	3.04%
-		
35,946,860	5	3.84%
-		
31,730,310	6	3.39%
-		
47,489,970	3	5.07%
16,396,770	8	1.75%
15,224,800	9	1.62%
<u>\$ 362,713,360</u>		<u>38.71%</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>2017</u>		<u>2008</u>	
	<u>Revenue</u>	<u>Percent of Operating Revenue</u>	<u>Revenue</u>	<u>Percent of Operating Revenue</u>
Citgo Petroleum Corporation	\$ 7,930,976	18.80%	\$ 6,159,840	19.82%
Golden Nugget	3,304,524	7.83%		
Pinnacle Entertainment	3,174,158	7.52%	2,992,941	9.63%
Global Logistics	2,778,846	6.59%	2,346,151	7.55%
Phillips 66 (formerly Conoco, Inc.)	2,604,535	6.17%	2,278,587	7.33%
Cameron LNG	1,738,472	4.12%	-	
Basden	-		1,853,581	5.96%
	<u>\$ 21,531,511</u>	<u>51.04%</u>	<u>\$ 15,631,100</u>	<u>50.29%</u>

Table 9

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Fiscal Year Ended <u>December 31</u>	Total <u>Tax Levy</u>	Collected within the <u>Fiscal Year of the Levy</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>
2008	\$ 2,436,497	\$ 1,545,071	63.41%
2009	2,567,398	1,916,152	74.63%
2010	2,723,861	2,175,430	79.87%
2011	2,751,501	2,288,624	83.18%
2012	2,903,024	2,405,337	82.86%
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%

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>
\$ 2,622	\$ 1,547,693	63.52%
6,639	1,922,791	74.89%
8,365	2,183,795	80.17%
10,557	2,288,624	83.18%
27,130	2,405,337	83.79%
(16,857)	2,451,211	80.57%
3,908	2,306,634	72.62%
5,283	2,578,993	76.33%
6,009	2,932,887	81.06%
-	2,821,222	75.07%

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Table 10

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

RATIOS OF OUTSTANDING DEBT
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Business Type Activities</u>		<u>Percentage of Personal Income 1</u>	<u>Per Capita 1</u>
	<u>Bonds and Certificates of Indebtedness</u>			
2008	\$	14,020,767	0.36	75.97
2009		12,857,572	0.31	69.24
2010		6,839,818	0.15	35.48
2011		52,364	0.00	0.27
2012		34,909	0.00	0.18
2013		39,935,423	0.84	204.29
2014		39,905,808	0.84	203.34
2015		39,138,649	0.87	197.79
2016		38,206,490	0.77	190.47
2017		37,239,331	0.73	182.28

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

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

Table 11

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

REVENUE BACKED DEBT COVERAGE
Last Ten Fiscal Years
(Unaudited)

	<u>2008</u>	<u>2008</u>	<u>2010</u>	<u>2011</u>
Gross revenues	\$ 34,756,531	\$ 31,736,159	\$ 38,784,338	\$ 39,893,046
Deductible operating expenses	<u>19,823,472</u>	<u>18,660,069</u>	<u>20,532,356</u>	<u>23,096,329</u>
Net revenues available	<u>14,933,059</u>	<u>13,076,090</u>	<u>18,251,982</u>	<u>16,796,717</u>
Current maturities long-term debt	1,250,000	1,250,000	1,250,000	-
Certificates of indebtedness	-	17,361	17,361	17,361
Interest expense	<u>455,421</u>	<u>180,198</u>	<u>177,797</u>	<u>317,471</u>
CMLTD plus interest expense	<u>1,705,421</u>	<u>1,447,559</u>	<u>1,445,158</u>	<u>334,832</u>
Debt service coverage ratio	8.76	9.03	12.63	50.16

Table 11

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 36,772,680	\$ 36,360,644	\$ 37,400,534	\$ 40,015,649	\$ 44,825,332	\$ 45,981,007
<u>19,795,567</u>	<u>22,277,602</u>	<u>27,803,150</u>	<u>19,481,105</u>	<u>25,385,463</u>	<u>26,503,664</u>
<u>16,977,113</u>	<u>14,083,042</u>	<u>9,597,384</u>	<u>20,534,544</u>	<u>19,439,869</u>	<u>19,477,343</u>
-	767,119	767,159	920,000	955,000	995,000
17,547	17,455	-	-	-	-
<u>4,145</u>	<u>546,445</u>	<u>2,047,646</u>	<u>1,882,138</u>	<u>1,845,338</u>	<u>1,807,138</u>
<u>21,692</u>	<u>1,331,019</u>	<u>2,814,805</u>	<u>2,802,138</u>	<u>2,800,338</u>	<u>2,802,138</u>
782.64	10.58	3.41	7.33	6.94	6.95

Table 12

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$ 108,567	\$ 115,039	\$ 120,163	\$ 121,175
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 108,567</u>	<u>\$ 115,039</u>	<u>\$ 120,163</u>	<u>\$ 121,175</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 2017

Assessed value

Add back: Exempt real property

Total assessed value

Debt limit (10% of total assessed value)

Total restricted assets available for principal payment

Legal capacity of Lake Charles Harbor and Terminal District

Note:

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

Table 12

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 130,135	\$ 135,641	\$ 140,898	\$ 148,967	\$ 158,542	\$ 164,171
-	-	-	-	-	-
<u>\$ 130,135</u>	<u>\$ 135,641</u>	<u>\$ 140,898</u>	<u>\$ 148,967</u>	<u>\$ 158,542</u>	<u>\$ 164,171</u>

0% 0% 0% 0% 0% 0%

\$ 1,485,317,750

156,396,254

1,641,714,004

164,171,400

37,239,331

126,932,069

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>
2008	184,563	\$ 3,935,252,286	\$ 21,322
2009	185,697	4,136,957,766	22,278
2010	192,768	4,488,988,416	23,287
2011	192,777	4,626,069,669	23,997
2012	194,493	4,670,360,409	24,013
2013	195,486	4,762,234,446	24,361
2014	196,248	4,745,669,136	24,182
2015	197,877	4,487,850,360	22,680
2016	200,588	4,979,998,276	24,827
2017	204,296	5,108,421,480	25,005

Data sources:

1 Calcasieu Parish School Board

Table 13

<u>Median Age</u>	<u>Average ACT Score Core²</u>	<u>School Enrollment²</u>	<u>Unemployment Rate²</u>
36	20.3	32,500	4.8
36	20.2	32,651	6.4
35	20.3	32,939	7.0
35	20.4	33,134	8.3
36	20.4	33,003	8.8
36	19.3	32,563	7.0
36	18.7	32,694	5.7
36	19.7	32,565	5.0
38	19.5	32,748	5.6
36	20.0	32,946	4.4

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	2017			2008		
		Rank	Number of Employees	Percentage	Rank	Number of Employees	Percentage
Calcasieu Parish School Board	Education	1	4,899	29%	1	4,850	28%
Lake Charles Memorial Health System	Health care	2	2,148	13%	4	1,039	6%
Westlake Chemical*	Basic chemical plant	3	1,693	10%			
Turner Industries	Fabrication	4	1,650	10%	3	2,250	13%
Golden Nugget	Gaming	5	1,413	8%			
Pinnacle Entertainment	Gaming	6	1,300	8%	2	2,400	14%
CITGO Petroleum Corporation	Oil products	7	1,113	7%	5	1,275	7%
Christus St. Patrick Hospital	Health care	8	915	5%	8	1,085	6%
Calcasieu Parish Sheriff's Office	Government	9	869	5%			
City of Lake Charles	Government	10	810	5%			
PPG Industries, Inc.*	Basic chemical plant				4	1,296	7%
Isle of Capri	Gaming				7	1,171	7%
Calcasieu Parish Police Jury	Government				6	1,173	7%
McNeese State University	Colleges & Universities				10	844	5%
Total			<u>16,810</u>	<u>100%</u>		<u>17,383</u>	<u>100%</u>

Source: SWLA Alliance

Table 15

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Function	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Board of Commissioners	7	7	7	7	7	6	7	7	7	7
Executive	2	2	2	2	2	2	2	2	2	2
Administrative	14	14	15	15	14	13	13	13	13	13
Legal	3	3	3	3	2	2	2	3	3	3
Engineering	3	3	3	3	3	3	3	3	3	3
Sales and Marketing	3	3	3	2	2	2	2	2	2	2
Navigation and Security	16	17	17	14	18	16	17	16	17	19
Traffic	2	2	2	2	2	2	2	2	1	1
Safety	2	2	2	2	2	2	2	3	3	1
Maintenance	18	25	22	22	23	24	24	25	26	31
Operation	<u>54</u>	<u>54</u>	<u>54</u>	<u>50</u>	<u>50</u>	<u>48</u>	<u>47</u>	<u>44</u>	<u>42</u>	<u>39</u>
Total	<u>124</u>	<u>132</u>	<u>129</u>	<u>120</u>	<u>125</u>	<u>122</u>	<u>122</u>	<u>120</u>	<u>119</u>	<u>121</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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Transit sheds - square feet	1,221,760	1,221,760	1,221,760	1,221,760
Warehouses - square feet	520,400	520,400	520,400	520,400
Docks - number amount:				
Dry cargo	11	11	11	11
Bulk materials	3	3	3	3
Open berth	1	1	1	1
Grain elevator	1	1	1	1
Track - miles	37	37	37	37

Sources: Various District departments

Table 16

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
1,221,760	1,221,760	1,221,760	1,221,760	1,056,840	1,056,840
520,400	520,400	520,400	520,400	520,400	520,400
11	11	11	11	9	10
3	3	3	3	3	3
1	1	1	1	2	2
1	1	1	1	1	1
37	39	39	39	39	39

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

**GOVERNMENT AUDITING STANDARDS
SUPPLEMENTARY REPORTS**

YEAR ENDED DECEMBER 31, 2017

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

LAKE CHARLES, LOUISIANA

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05103.000 Audit 12/31/2017 1100.002 2013 single audit report

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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Lake Charles Harbor and Terminal District (the District), Lake Charles, Louisiana as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 25, 2018.

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) to determine the 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 the 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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

Mr. Eray Quik + Benah

Lake Charles, Louisiana
June 25, 2018

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency identified not considered to be material weakness?	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to financial statements noted	<u> </u> Yes	<u> X </u> No

(continued on next page)

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2017

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings to report.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2017

No prior year findings.

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

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

We have performed the procedures enumerated below, which were agreed to by the Lake Charles Harbor and Terminal District (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:

- a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget

No exceptions noted.

- b) **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.

- c) **Disbursements**, including processing, reviewing, and approving

No exceptions noted.

- d) **Receipts**, including receiving, recording, and preparing deposits

No exceptions noted.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

No exceptions noted.

- f) **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

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage

No exceptions noted.

- h) **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.

- i) **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) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

No exceptions noted.

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

No exceptions noted.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

No exceptions noted.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

No exceptions noted.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

No exceptions noted.

Bank Reconciliations

- 3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

No exceptions noted.

- 4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

No exceptions noted.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

No exceptions noted.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

No exceptions noted.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

No exceptions noted

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement. For each cash collection location selected:*

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

No exceptions noted.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

No exceptions noted.

c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

No exceptions noted.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

No exceptions noted.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

No exceptions noted.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

No exceptions noted

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Two disbursements were not supported by an approved purchase order.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Two disbursements were not supported by an approved purchase order.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Two disbursements were not supported by an approved purchase order.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

No exceptions noted

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

No exceptions noted

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

No exceptions noted

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

No exceptions noted

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

No exceptions noted

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

No exceptions noted

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

No exceptions noted.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Two charges for meals did not list all the participants of the meal.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

No exceptions noted.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

No exceptions noted.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

No exceptions noted

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

No exceptions noted

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

A total of 7 hotel room charges tested exceeded the published GSA rate for the location of the stay. The exceptions are described in the following table.

<u>Date</u>	<u>Hotel Name</u>	<u>Location</u>	<u>Actual Rate</u>	<u>GSA Rate</u>
6/8/2017	Hampton Inn	Barstow, CA	123	92
6/9/2017	Hampton Inn	Monterey, CA	237	140
6/16/2017	Hampton Inn	Tucson, AZ	97	91
6/17/2017	Hampton Inn	Stockton, TX	119	91
5/9/2017	Hilton New York	New York, NY	429	267
5/10/2017	Hilton New York	New York, NY	429	267
5/11/2017	Hilton New York	New York, NY	302	267

b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

No exceptions noted.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

No exceptions noted

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

No exceptions noted

c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions noted.

d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

No exceptions noted

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

No exceptions noted

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

No exceptions noted

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

No exceptions noted

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

No exceptions noted

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

No exceptions noted

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

No exceptions noted

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

No exceptions noted

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

No exceptions noted

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

No exceptions noted.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

No exceptions noted.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

No exceptions noted

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

No exceptions noted

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

We noted that the federal withholding for the first payroll in March was submitted after the due date for submission.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

No exceptions noted.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

No exceptions noted

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

No exceptions noted.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

No exceptions noted.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

No exceptions noted

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

No exceptions noted

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions noted

Management's Response and Corrective Action

Management's response and corrective action plan for exceptions noted in the above agreed-upon procedures:

Cash Disbursements

The District has revised the purchasing policy to allow Directors to authorize purchases, within the respective Director's delegation of authority, using a credit card without requiring a purchase order.

Credit Cards

The District has reiterated to employees, the importance of fully documenting the business purpose and individuals participating for meal charges to ensure compliance with the existing District policies

Travel

The District has revised the travel policy to address the exceptions associated with rates for lodging.

Payroll and Personnel

The District has revised the procedure associated with payroll tax submissions to comply with the filing deadline.

We were not engaged to and did not conduct an examination or review, 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.

The purpose of this report is 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.

McElroy Quirk & Benach

Lake Charles, Louisiana
June 25, 2018