

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEARS ENDED DECEMBER 31, 2014 AND 2013

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

THIS PAGE LEFT BLANK INTENTIONALLY

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

FINANCIAL REPORT
December 31, 2014

TABLE OF CONTENTS

		<u>Page</u>
INTRODUCTORY SECTION		
Transmittal letter		7-12
Organization chart		13
GFOA certificate of achievement		14
List of principal officials		15
FINANCIAL SECTION		
Independent auditor's report	<u>Exhibit</u>	19-21
Required Supplementary Information: Management's Discussion and Analysis		23-34
Basic financial statements:		
Comparative statements of net position	1	36-37
Comparative statements of revenues, expenses, and changes in net position	2	38
Comparative statements of cash flows	3	39-40
Notes to financial statements		41-67
Required supplementary information: Schedule of funding progress for Lake Charles Harbor and Terminal District's Retiree Health Plan		70
Supplementary Information: Comparative schedules of revenues, expenses, and changes in net position-budget and actual (budgetary basis)		72-75
Schedule of compensation, benefits and other payments to Executive Director		76
Schedule of insurance in force		77
STATISTICAL SECTION		
	<u>Table</u>	
Net position by component	1	81
Summary of revenues and expenses	2	82-83
Vessel and cargo revenues/shipping activities	3	84-85
Tax revenues for business type activities	4	87
Assessed value and estimated actual value of taxable property	5	88-89
Property tax millage rates - direct and overlapping governments	6	90-91
Principal property taxpayers	7	92-93
Top customers	8	95
Property tax levies and collections	9	96-97
Ratios of outstanding debt	10	99
Revenue backed debt coverage	11	100-101
Legal debt margin information	12	102-103
Demographic statistics in the parish	13	104-105
Principal employers in Calcasieu Parish	14	106
Full-time employees by function	15	107
Capital asset statistics by function	16	108-109

THIS PAGE LEFT BLANK INTENTIONALLY

INTRODUCTORY SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

June 17, 2015

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

Dear Commissioners:



**Lake Charles
Harbor
& Terminal
District**

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

The Comprehensive Annual Financial Report (CAFR) of the Lake Charles Harbor and Terminal District (District) for the year ended December 31, 2014 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 34:201-217. 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.

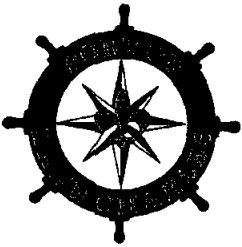
Cargoes shipped through District facilities are classified into bulk cargoes, break-bulk cargoes and containerized cargoes. Bulk cargoes include primarily dry bulk commodities such as petroleum coke, barite, rutile and grains. These cargoes are loaded through one of the District's bulk terminals, with 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 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 5,000 employees, generates monthly average gaming revenues of approximately \$59.3 million and generates monthly average sales taxes of approximately \$14.2 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. The total cost of the facility is estimated to be \$600 million.

- 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. 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 2015 it was announced that Cameron LNG were 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 2018. 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 rolover, truck and rail hoppers, pits and chutes, conveyor systems, scales, silos and open-air storage pads.

General Cargo Docks

The City Docks area has 13 transit sheds, 15 back warehouses and one open berth and can accommodate 12 ships in port simultaneously. The City Docks have approximately 1.8 million sq ft of covered storage. City Docks is an intermodal facility accessible via road, rail, or water.

Cargo Diversity

During 2010, the District was successful in attracting Francis Drilling Fluids (FDF) to City Docks. FDF imports frac sand from China which is used primarily in mining natural gas. The primary reasons FDF was attracted to the District related to the available transit shed space, access to deep water and inland distribution channel.

Real Estate

The District owns approximately 4,000 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 2014, lease revenues accounted for approximately \$11.5 million, or 34% 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 \$206 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

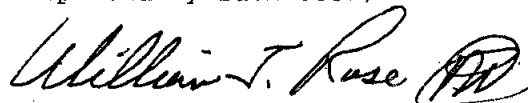


The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial reporting to the Lake Charles Harbor and Terminal District for its comprehensive annual financial report for the fiscal year ended December 31, 2013. In 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.

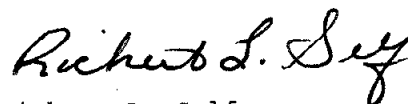
A Certificate of Achievement is valid for one year only. We believe our current report continues to meet Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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,

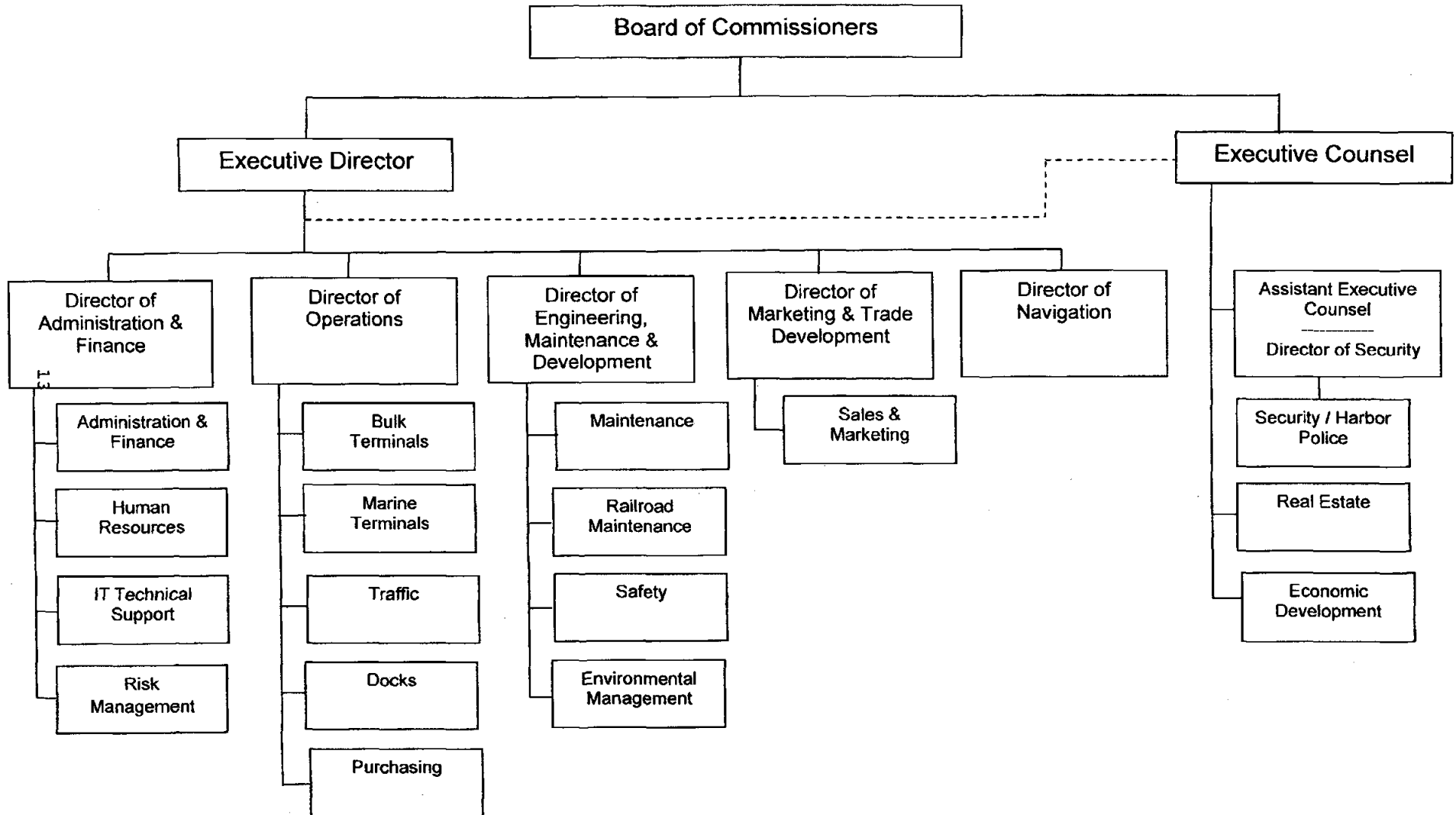


William J. Rase, III
Executive Director



Richard L. Self
Director of Administration
and Finance

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
Effective July 1, 2014





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, 2013

Executive Director/CEO

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

BOARD OF COMMISSIONERS

Elcie J. Guillory	President
Barbara M. McManus	Vice President
Daryl V. Burckel	Secretary/Treasurer
Dudley R. Dixon	Assistant Secretary/Treasurer
Michael G. Eason	Commissioner
John L. LeBlanc	Commissioner
Walter M. Sanchez	Commissioner

EXECUTIVE DIRECTOR

William J. Rase, III

THIS PAGE LEFT BLANK INTENTIONALLY

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

INDEPENDENT AUDITOR'S 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 of the Lake Charles Harbor and Terminal District (District), Lake Charles, Louisiana, as of and for the years ended December 31, 2014 and 2013, 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 of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana as of December 31, 2014 and 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and schedule of funding progress on pages 23-34 and 70 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 schedules, 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 schedules, 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 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 17, 2015, 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.

Mc Elroy, Quirk & Burch

Lake Charles, Louisiana
June 17, 2015

THIS PAGE LEFT BLANK INTENTIONALLY

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 years ended December 31, 2014 and 2013. It provides an introduction to the District's 2014 and 2013 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, 2014 by \$306.3 million (*net position*). Net position totaled \$306.1 million as of December 31, 2013.
- As a result of the excess revenues over expenses, the District's net position increased \$0.2 million during 2014 compared to a \$6.7 million increase during 2013.
- During 2014, operating revenues were \$34.0 million, an increase of \$0.9 million (3%) from 2013. Operating expenses were \$41.0 million, an increase of \$6.6 million (19%) compared to 2013.

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 comparative statements of fund net position, comparative statements of revenues, expenses, and changes in fund net position, and comparative statements of cash flows.

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

The basic financial statements can be found on pages 36-40 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 41-67 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 70-109 of this report.

Financial Analysis of the District

The following table presents the condensed statements of fund net position as of December 31, 2014, 2013 and 2012:

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

	2014	2013	2012
	<u>(in thousands)</u>	<u>(in thousands)</u>	<u>(in thousands)</u>
Current and other assets	\$ 86,870	\$ 91,821	\$ 61,081
Capital assets	<u>275,587</u>	<u>273,127</u>	<u>252,609</u>
Total assets	<u>362,457</u>	<u>364,948</u>	<u>313,690</u>
Current liabilities	11,974	17,216	12,007
Non-current liabilities	<u>44,215</u>	<u>41,658</u>	<u>2,263</u>
Total liabilities	<u>56,189</u>	<u>58,874</u>	<u>14,270</u>
Net position:			
Invested in capital assets, net			
of related debt	235,682	233,191	252,574
Restricted	31,286	42,601	-
Unrestricted	<u>39,300</u>	<u>30,282</u>	<u>46,846</u>
Total net position	<u>\$ 306,268</u>	<u>\$ 306,074</u>	<u>\$ 299,420</u>

2014:

The assets of the Lake Charles Harbor and Terminal District exceeded its liabilities as of December 31, 2014 by \$306.3 million compared to \$306.1 million as of December 31, 2013 (*net position*).

The largest portion of the District's net position reflects its investment in capital assets in the amount of \$275.6 million as of December 31, 2014 compared to \$273.1 million as of December 31, 2013. 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. Although restricted net position total \$31.3 million and \$42.6 million for 2014 and 2013, respectively, it should be noted that the resources needed to repay the debt must be provided from operations, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's restricted net position of \$31.3 million and \$42.6 million as of December 31, 2014 and 2013, respectively, represent amounts restricted for debt service in accordance with existing bond covenants. The Board of Commissioners has designated \$19.7 million in unrestricted net position as of December 31, 2014 to be used for commitments on construction contracts compared to \$22.5 million in unrestricted net position as of December 31, 2013 to be used for commitments on construction contracts. The remaining \$19.6 million and \$7.8 million as of December 31, 2014 and 2013, respectively, of unrestricted net position may be used to meet the District's ongoing obligations to creditors.

2013:

The assets of the Lake Charles Harbor and Terminal District exceeded its liabilities as of December 31, 2013 by \$306.1 million compared to \$299.4 million as of December 31, 2012 (*net position*).

The largest portion of the District's net position reflects its investment in capital assets in the amount of \$273.1 million as of December 31, 2013 compared to \$252.6 million as of December 31, 2012. 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. Although restricted net position total \$42.6 million and \$-0-million for 2013 and 2012, respectively, it should be noted that the resources needed to repay the debt must be provided from operations, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's restricted net position of \$42.6 million and \$-0- million as of December 31, 2013 and 2012, respectively, represent amounts restricted for debt service in accordance with existing bond covenants. The Board of Commissioners has designated \$22.5 million in unrestricted net position as of December 31, 2013 to be used for commitments on construction contracts compared to \$18.4 million in

unrestricted net position as of December 31, 2012 to be used for commitments on construction contracts. The remaining \$7.8 million and \$28.4 million as of December 31, 2013 and 2012, respectively, 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, 2014, 2013 and 2012:

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating revenues:			
Vessel and cargo services	\$ 21,848,099	\$ 20,221,173	\$ 21,209,754
Rental of equipment and facilities	11,541,637	12,198,732	11,915,297
Other	<u>659,246</u>	<u>767,285</u>	<u>501,739</u>
Total operating revenues	<u>34,048,982</u>	<u>33,187,190</u>	<u>33,626,790</u>
Operating expenses:			
Personnel services	11,797,026	10,932,884	9,866,485
Contractual services	4,284,892	5,020,770	4,157,185
Supplies, maintenance and operation of facilities	10,726,248	6,060,458	5,066,254
Heat, light and power	984,161	804,935	691,498
Depreciation and amortization	<u>13,177,135</u>	<u>11,530,355</u>	<u>10,983,984</u>
Total operating expenses	<u>40,969,462</u>	<u>34,349,402</u>	<u>30,765,406</u>
Operating income (loss)	<u>(6,920,480)</u>	<u>(1,162,212)</u>	<u>2,861,384</u>
Nonoperating revenues (expenses):			
Property taxes	3,038,377	2,870,308	2,812,823
Intergovernmental revenue	90,289	90,947	91,132
Interest income	215,918	212,199	241,935
Interest expense and fiscal charges	(34,177)	(546,445)	(4,145)
Retirement of assets	(1,599,804)	(127,457)	(522,144)
Other	<u>(212,545)</u>	<u>(5,000)</u>	<u>(10,000)</u>
Net nonoperating revenues (expenses)	<u>1,498,058</u>	<u>2,494,552</u>	<u>2,609,601</u>
Net income before contributions	(5,422,422)	1,332,340	5,470,985
Capital contributions	<u>5,617,198</u>	<u>5,321,421</u>	<u>11,546,469</u>
Change in net position	<u>\$ 194,776</u>	<u>\$ 6,653,761</u>	<u>\$ 17,017,454</u>

2014:

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

- Total operating revenues increased \$0.9 million or 3% during 2014 as compared to 2013. The increase is partially due to increased volumes of petroleum coke with each of the three primary petroleum coke customers at the District's Bulk Terminal No. 1. One of the customers undertook a major maintenance project during 2013 which resulted in a significant tonnage reduction during that year as compared to 2014 and prior years. Another customer experienced mechanical and scheduling issues during 2014 resulting in an increased volume of petroleum coke being handled and stored by the District rather than the limited storage capacity at the customer's facility. The third customer exported more tonnage during 2014 as compared to 2013, due to timing.

- An additional contributing factor to the increase in revenues relates to an increase in barite tonnage during 2014, due to a ship that was originally scheduled to arrive in December of 2013, but was delayed until January of 2014.

- Also contributing to the increase in revenues is the completion of construction on a 24,000 square-foot facility leased by Customs and Border Protection during 2014, resulting in full rent commencement. Additionally, the Golden Nugget Lake Charles Casino and Resort completed construction and commenced gaming on land leased from the District, resulting in full rent and head tax revenues. The final contributing factors include an amendment to a prior lease for additional acreage for the construction of an LNG export facility and an additional option agreement with a tenant who plans to convert natural gas to methanol, both of which resulted in increases in rental revenues.

- Partially offsetting the increase in revenues in 2014, as compared to 2013, is a decrease in rental revenues associated with a tenant who opted not to proceed with a planned petroleum coke and coal fueled poly-generation gasification facility on property owned by the District.

- Total operating expenses increased \$6.6 million or 19% during 2014 as compared to 2013. Three primary factors contributed to an increase in personnel expenses. The first is associated with higher wages as a result of increased petroleum coke and barite tonnage, as noted earlier. Secondly, there is an increase in overall headcount during 2014, as compared to 2013. The final contributing factor relates to an increase in employer required contribution by the District to the Louisiana State Employees' Retirement System (LASERS) from 31.3% during the first six months of 2014 to 37.0% during the final six months of 2014.

- Also contributing to the increase in expenses during 2014 is higher claims expenses associated with the settlement of a lawsuit filed by a stevedore arising out of the termination of an agreement between the two parties.
- The District also incurred additional stevedoring expenses during 2014, as compared to 2013, associated with increases in petroleum coke and barite tonnage, as noted earlier.
- Additionally, the District experienced an increase in professional services expenses, as compared to 2013, associated with the aforementioned petroleum coke and coal fueled poly-generation gasification facility. The services were originally recorded in construction-in-progress, until the tenant opted not to proceed with the project, at which point the professional services were expensed.
- Heat, light and power expenses also increased during 2014, as compared to 2013, due primarily to the completion of construction of a 24,000 square-foot facility leased by Customs and Border Protection and the Command and Control Center during 2014. The increased petroleum coke tonnages noted earlier also increased overall operating expenses, including heat, light and power.
- 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 2013 and 2014.
- Partially offsetting the overall increase in expenses is a decrease in legal expenses associated with the settlement of a lawsuit filed by a prior stevedore arising out of the termination of an agreement between the two parties.
- An additional contributing factor partially offsetting the increase is a decrease in overall dredging expenses associated with dredging City Docks, which occurred in 2013.
- The final contributing factor partially offsetting the increase in expenses is a decrease in overall workers compensation expenses, which is in part, due to a dividend received by the District's workers compensation carrier.
- Net nonoperating revenues decreased \$1.0 million during 2014 as compared to 2013. One contributing factor related to the decrease is the retirement of assets associated with writing off the net book value of assets demolished at Bulk Terminal No. 2 to make way for the new bulk grain facility at City Docks. Additional contributing factors to the decrease relate to the cost sharing arrangement with Sowela Technical Community College for the construction of a student success building and the cost sharing arrangement with several governmental entities to extend the operating hours of the saltwater barrier.

- Partially offsetting the decrease in net nonoperating revenues are expenses associated with the \$39.6 million bond issue incurred during 2013 which are not allowed to be amortized over the life of the bond issue. No such expenses were incurred during 2014. The District also received an increase in property taxes as compared to 2013.

- The District received \$5.6 million in Federal, State and private capital contributions for the year ended December 31, 2014 compared to \$5.3 million for the year ended 2013. The majority of the grant funding received during 2014 relates to the Wharf and Transit Shed 1 Reconstruction Project at City Docks. The contributions received during 2013 related to the Railroad Improvement Project at City Docks, the Relocation of the Main Gate at City Docks and the New Command and Control Center at City Docks. There is no assurance that capital contributions will continue in the future.

- The District's net position increased \$0.2 million and \$6.7 million during the twelve months ended December 31, 2014 and 2013, respectively. The decrease during 2014 as compared to 2013 is due partially to decrease in rental revenues associated with a tenant who opted not to proceed with a planned petroleum coke and coal fueled poly-generation gasification facility on property owned by the District, increases in personnel expenses and other operating expenses as a result of increased tonnage, an increase in overall headcount and an increase in the employer required contribution by the District to LASERS from 31.3% during the first six months of 2014 to 37.0% during the final six months of 2014. Additional contributing factors include an increase in expenses associated with the settlement of a lawsuit, increases in professional services expenses associated with the aforementioned petroleum coke and coal fueled poly-generation gasification facility, and increases in heat, light and power expenses due primarily to the completion of construction of a 24,000 square-foot facility leased by Customs and Border Protection. The final contributing factor relates to the increase in depreciation expense associated with the completion of several capital projects during 2013 and 2014.

- Partially offsetting these decreases are improved volumes of petroleum coke and barite tonnage and related revenue, rental revenue associated with the completion of construction on a 24,000 square-foot facility leased by Customs and Border Protection, the commencement of gaming operations at the Golden Nugget Lake Charles Casino and Resort, an amendment to a prior lease for additional acreage for the construction of an LNG export facility and an additional option agreement with a tenant who plans to convert natural gas to methanol. Additionally, the District experienced a decrease in legal expenses associated with the settlement of a lawsuit, a decrease in overall dredging expenses associated with dredging City Docks in 2013, and a decrease in overall workers compensation expenses, which is in part, due to a dividend received by the District's workers compensation carrier.

2013:

- The District generates revenue utilizing marine terminal facilities designed to accommodate a wide range of bulk, break-bulk and containerized cargoes.
- Total operating revenues decreased \$0.4 million or 1% during 2013 as compared to 2012. The decrease is partially due to decreased volumes of calcine coke at Bulk Terminal No. 1 due to mechanical issues at one of the District's primary producers of calcine coke. An additional contributing factor to the decrease relates to lower petroleum coke tonnage as a result of a major maintenance project at the customer's facility.
- An additional contributing factor to the decrease in revenues relates to a reduction in the volumes of bulk grains at the District's Bulk Terminal No. 2. This reduction in volume is the result of a major upgrade to the grain terminal which continued throughout 2013.
- The final contributing factor to the decrease in revenues relates to a decline in volume of proppants (frac sand) at City Docks. Proppants are used in drilling for natural gas in shale rock. The decline in proppants volume is the result of lower drilling activity due to an abundance of domestic natural gas.
- Partially offsetting the decrease in revenues during 2013 is rental revenue associated with land leased to the Golden Nugget Lake Charles Casino Resort and Spa that is projected to be completed by the end of 2014. Also contributing is the option agreements and associated revenue with Magnolia LNG who plans to export natural gas and G2X who plans to convert natural gas to liquids.
- An additional contributing factor partially offsetting the decrease in revenues is revenue associated with a pipeline right of way located near the Industrial Canal.
- The final contributing factor partially offsetting the decrease in revenues is additional petroleum coke for a customer utilizing the District's Bulk Terminal No. 1. During 2012, the customer reduced refining capacity but returned to normal capacity during 2013 which resulted in an increase in petroleum coke exports.
- Total operating expenses increased \$3.6 million or 12% during 2013 as compared to 2012. One contributing factor to the increase relates to an increase in legal expenses associated with a lawsuit filed by a prior stevedore arising out of the termination of an agreement between the two parties.

- An additional contributing factor relates to an increase in dredging expenses associated with dredging City Docks, which occurred in 2013. The District did not dredge in 2012.

- Also contributing to the increase in expenses is higher personnel services as a result of higher overall medical claims for the District's self-insured medical plan. During 2013 the District had two employees with significant health claims which contributed to higher costs for the year. Additionally, the employer required contribution by the District to the Louisiana State Employees' Retirement System (LASERS) increased from 29.1% during the first six months of 2013 to 31.3% during the final six months of 2013.

- 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 2012 and 2013.

- Net nonoperating revenues decreased \$0.1 million during 2013 as compared to 2012. The decrease is due primarily to expenses associated with the \$39.6 million bond issue during 2013 which are not allowed to be amortized over the life of the bond issue.

- The District received \$5.3 million in Federal, State and private capital contributions for the year ended December 31, 2013 compared to \$11.5 million for the year ended 2012. The majority of the grant funding received during 2013 relates to the Railroad Improvements Project at City Docks, the Relocation of the Main Gate at City Docks and the New Command and Control Center at City Docks. The contributions received during 2012 related to the New Stacker Reclaimer Project at Bulk Terminal No. 1, the Railroad Improvements Project at City Docks and the Relocation of the Main Gate at City Docks. There is no assurance that capital contributions will continue in the future.

- The District's net position increased \$6.7 million and \$17.0 million during the twelve months ended December 31, 2013 and 2012, respectively. The decrease during 2013 as compared to 2012 is due partially to decreased volumes of calcine coke at Bulk Terminal No. 1 due to mechanical issues at one of the District's primary producers of calcine coke, lower petroleum coke tonnage as a result of a major maintenance project at a customer's facility, a reduction in the volumes of bulk USDA cargo at the District's Bulk Terminal No. 2 due to a major upgrade to the grain terminal which continued throughout 2013, a decline in the volume of proppants (frac sand) at City Docks which are used in drilling for natural gas in shale rock, and a decline in grant revenue. Also decreasing net assets during 2013 is higher legal expenses associated with a lawsuit filed by a prior stevedore arising out of the termination of an agreement between the two parties, an increase in dredging expenses associated with dredging City Docks, higher personnel services as a result of higher overall medical claims for the District's self-insured medical plan, an increase in the employer required contribution by the District to LASERS increased from 29.1% during the first six

months of 2013 to 31.3% during the final six months of 2013, and an increase in depreciation expense associated with the completion of several capital projects during 2012 and 2013. Partially offsetting these decreases is rental revenue associated with land leased to the Golden Nugget Lake Charles Casino Resort and Spa that is projected to be completed by the end of 2014, option agreements and associated revenue with Magnolia LNG who plans to export natural gas and G2X who plans to convert natural gas to liquids, revenue associated with a pipeline right of way located near the Industrial Canal, and additional petroleum coke handling for a customer utilizing the District's Bulk Terminal No. 1.

Capital and Debt Administration

Capital assets. The District's capital assets were \$275.6 million and \$273.1 million (net of accumulated depreciation) as of December 31, 2014 and 2013, respectively. These balances include land, buildings, improvements, equipment, and construction in progress.

Major capital asset events during the year ended December 31, 2014 included the following:

- Construction continued on additional facilities for the District; construction in progress as of December 31, 2014 was \$20.2 million compared to \$40.6 million as of December 31, 2013.
- The Ladder Tracks, Command and Control Center and the electrical upgrades to the Automated Ship Loader at City Docks were completed during the second quarter of 2014. Also during the second quarter of 2014, the District completed the Motor Control Center project at Bulk Terminal No. 1 and acquired a new man lift.
- The road repairs along the warehouses and the construction of a new facility leased to Customs and Border Protection at City Docks were completed during the third quarter of 2014. The new Ship Unloader project at Bulk Terminal No. 1 was also completed during the third quarter of 2014.

Major capital asset events during the year ended December 31, 2013 included the following:

- Construction continued on additional facilities for the District; construction in progress as of December 31, 2013 was \$40.6 million compared to \$43.0 million as of December 31, 2012.
- Three Liebherr dozers were purchased during first quarter of 2013. The Bag House was acquired from a previous tenant at the termination of the lease during the first quarter of 2013.

- The New Ship Unloader electrical modifications project at Bulk Terminal No. 1 was completed during the second quarter of 2013.
- Construction on the truck unloading system at Bulk Terminal No. 1 and the mechanical upgrades to the Old Ship Loader at Bulk Terminal No. 1 were completed during the third quarter of 2013.
- Construction on the road adjacent to Bulk Terminal No. 2, the relocation of the Main Gate, the new Stacker Reclaimer and the Rollover enhancements were completed during the fourth quarter of 2013.

Additional information on the Lake Charles Harbor and Terminal District's capital assets can be found in note 7 on page 53-54.

Lake Charles Harbor and Terminal District
Capital Assets

	2014 <u>(in thousands)</u>	2013 <u>(in thousands)</u>	2012 <u>(in thousands)</u>
Land	\$ 35,791	\$ 32,158	\$ 30,335
Buildings and facilities	329,243	334,916	311,100
Equipment	54,079	36,491	28,250
Construction in progress	20,235	40,565	42,994
Accumulated depreciation	<u>(163,761)</u>	<u>(171,003)</u>	<u>(160,070)</u>
	<u>\$ 275,587</u>	<u>\$ 273,127</u>	<u>\$ 252,609</u>

Debt Administration

As of December 31, 2014, the District had \$44.2 million in non-current liabilities as compared to \$41.7 million as of December 31, 2013. Approximately 89% of the total is bonded debt and approximately 27% 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.

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 10 which begins on page 56 of this report.

Economic Factors

The following factors were considered in preparing the District's budget for 2015:

- An increase in rental and through-put revenues associated with the commencement of operations by several current tenants and option agreements with potential new tenants.
- An increase in professional services associated with the development of an economic impact study and payments to the Army Corps of Engineers associated with Section 214 of the Water Resources Development Act related to expedited permit processing.
- An increase in wages and benefits associated with hiring additional staff and an increase in the LASERS employer contribution percentage.
- A decrease in legal and related expenses associated with the settlement of a lawsuit during 2014.
- An increase in depreciation expense associated with the completion of several 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, Director of Administration and Finance, Lake Charles Harbor and Terminal District, 751 Bayou Pines East, Suite P, Lake Charles, LA 70601.

BASIC FINANCIAL STATEMENTS

Exhibit 1

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF NET POSITION

ENTERPRISE FUND

December 31, 2014 and 2013

ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 33,263,693	\$ 28,091,121
Restricted current assets:		
Cash and cash equivalents	35,491,466	47,601,198
Receivables:		
Trade, net of allowance for doubtful accounts	7,234,795	6,288,890
Intergovernmental	2,366,758	1,556,149
Interest	44,492	326
Property taxes, net of allowance for doubtful accounts	3,046,075	2,917,288
Inventory	1,945,027	1,680,214
Prepaid expenses	659,631	643,530
Insurance deposits	<u>2,818,207</u>	<u>3,042,163</u>
Total current assets	<u>86,870,144</u>	<u>91,820,879</u>
NONCURRENT ASSETS		
Capital assets, net of depreciation	<u>275,587,362</u>	<u>273,126,713</u>
Total assets	<u>362,457,506</u>	<u>364,947,592</u>

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF NET POSITION
ENTERPRISE FUND

December 31, 2014 and 2013

LIABILITIES	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES (payable from current assets)		
Current maturities of long-term debt	\$ 767,159	\$ 784,574
Accounts payable	950,704	1,872,244
Contracts payable	3,211,169	6,306,182
Claims payable	333,776	591,604
Accrued expenses	2,202,996	2,097,246
Accrued interest payable	952,394	156,465
Unearned revenues	<u>3,555,722</u>	<u>5,407,622</u>
Total current liabilities (payable from current assets)	<u>11,973,920</u>	<u>17,215,937</u>
NONCURRENT LIABILITIES (payable from unrestricted assets)		
Compensated absences, less current portion	612,947	548,741
OPEB liability	2,122,874	1,827,531
Unearned revenues, less current portion	2,340,776	130,971
Long-term debt, less current maturities	<u>39,138,650</u>	<u>39,150,849</u>
Total noncurrent liabilities (payable from unrestricted assets)	<u>44,215,247</u>	<u>41,658,092</u>
Total liabilities	<u>56,189,167</u>	<u>58,874,029</u>
NET POSITION		
Net investments in capital assets	235,681,554	233,191,290
Restricted for required cash deposits and debt service	31,286,297	42,600,618
Unrestricted	<u>39,300,488</u>	<u>30,281,655</u>
Total net position	<u>\$ 306,268,339</u>	<u>\$ 306,073,563</u>

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

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ENTERPRISE FUND

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Vessel and cargo services	\$ 21,848,099	\$ 20,221,173
Rental of equipment and facilities	11,541,637	12,198,732
Other	659,246	767,285
Total operating revenues	<u>34,048,982</u>	<u>33,187,190</u>
Operating expenses:		
Personnel services	11,797,026	10,932,884
Contractual services	4,284,892	5,020,770
Supplies, maintenance and operation of facilities	10,726,248	6,060,458
Heat, light and power	984,161	804,935
Depreciation and amortization	13,177,135	11,530,355
Total operating expenses	<u>40,969,462</u>	<u>34,349,402</u>
Operating income (loss)	<u>(6,920,480)</u>	<u>(1,162,212)</u>
Nonoperating revenues (expenses):		
Property taxes	3,038,377	2,870,308
Intergovernmental revenue	90,289	90,947
Interest income	215,918	212,199
Interest expense and fiscal charges	(34,177)	(546,445)
Retirement of assets	(1,599,804)	(127,457)
Other	(212,545)	(5,000)
Net nonoperating revenues (expenses)	<u>1,498,058</u>	<u>2,494,552</u>
Net income before contributions	<u>(5,422,422)</u>	<u>1,332,340</u>
Capital contributions:		
Federal government	-	2,638,179
Private parties	96,780	830,757
State government	5,520,418	1,852,485
Total capital contributions	<u>5,617,198</u>	<u>5,321,421</u>
Change in net position	194,776	6,653,761
Net position, beginning of year	<u>306,073,563</u>	<u>299,419,802</u>
Net position, end of year	<u>\$ 306,268,339</u>	<u>\$ 306,073,563</u>

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

Exhibit 3

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF CASH FLOWS
ENTERPRISE FUND

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers and users	\$ 33,460,982	\$ 36,246,451
Payments to employees and related benefits	(11,341,175)	(10,531,873)
Payments to suppliers	<u>(17,434,723)</u>	<u>(11,114,451)</u>
Net cash provided by operating activities	<u>4,685,084</u>	<u>14,600,127</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating subsidies received from other governments	<u>90,289</u>	<u>90,947</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Property taxes collected	2,909,590	2,737,046
Capital grants collected	4,806,589	5,888,579
Payments for capital acquisitions	(18,448,386)	(31,707,683)
Proceeds from sale of capital assets	6,967	23,993
Proceeds from issuance of debt	-	39,917,968
Principal payments on long-term debt	(29,615)	(17,454)
Interest and fiscal charges paid (net of amount capitalized)	<u>(1,129,430)</u>	<u>(389,980)</u>
Net cash provided by (used in) capital and related financing activities	<u>(11,884,285)</u>	<u>16,452,469</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipts of interest	<u>171,752</u>	<u>211,873</u>
Net increase in cash and cash equivalents	(6,937,160)	31,355,416
Cash and cash equivalents:		
Beginning of year	<u>75,692,319</u>	<u>44,336,903</u>
End of year	<u>\$ 68,755,159</u>	<u>\$ 75,692,319</u>

(continued on next page)

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF CASH FLOWS
ENTERPRISE FUND

Years Ended December 31, 2014 and 2013

(Continued)

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (6,920,480)	\$ (1,162,212)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	13,177,135	11,530,355
Changes in assets and liabilities:		
(Increase) decrease in customer receivables	(945,905)	557,113
Decrease in inventory	(264,813)	12,717
(Increase) in prepaid expenses and other assets	207,855	(387,338)
Increase in accounts payable and accrued expenses	(714,068)	1,552,344
Increase (decrease) in deferred revenue	357,905	2,502,148
Other	(212,545)	(5,000)
Total adjustments	<u>11,605,564</u>	<u>15,762,339</u>
Net cash provided by operating activities	<u>\$ 4,685,084</u>	<u>\$ 14,600,127</u>
Schedule of noncash investing, capital, and financing activities:		
(Loss) on property dispositions	\$ (1,599,804)	\$ (151,450)
Donated assets received by the District	96,780	830,757

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, 2014 and 2013

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 two 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 second term.

The District is reported as a stand-alone entity as defined by GASB Statement No. 14, *The Financial Reporting Entity*. The District is neither fiscally dependent on any other local government nor does it provide specific financial benefits to or impose specific financial burdens on any other government. No other potential component units meet the criteria for inclusion in the financial statements 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. Changes in fair market value of investment securities are not budgeted by the District. Capital contributions (grants) received by the District also are not budgeted.

During the year ended December 31, 2013, the District made no changes to the originally adopted budget. During the year ended December 31, 2014, the District increased budgeted expenditures by \$5.3 million as a result of a legal settlement during the year.

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 the principal office in the State of Louisiana. The state statutes also authorize the District to invest in any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. Investing is performed in accordance with investment policies complying with State Statutes and those adopted by the Board of Commissioners.

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the District has stated their investments at fair value at December 31, 2014 and 2013. 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 the lower of cost (first-in, first-out) or market.

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 fair market value 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.

Q. New Accounting Pronouncements

During the fiscal year ended December 31, 2012, the District adopted GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. In April 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 65, Items Previously Reported as Assets and Liabilities. The statement clarifies the appropriate reporting of deferred outflows of resources or deferred inflows of resources to ensure consistency in financial reporting. The provisions of GASB No. 65 were implemented by the District for the year ending December 31, 2013. The effect of implementation on the District's financial statements was not material.

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 Port 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 market 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, 2014, all of the Port'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 market 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, 2014 and 2013, consist of \$100,608 and \$100,583, respectively, 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, 2014 and 2013, cash equivalents and investments were restricted as shown below:

	<u>2014</u>	<u>2013</u>
Wetlands restoration escrow accrual	\$ 1,205,088	\$ 3,000,580
Marsh creation demo project fund	81	-
Cash pledged to the National Hurricane Museum	3,000,000	2,000,000
Trust funds pursuant to the issuance of the 2013 Port Improvement Revenue Bonds:		
Construction Fund	26,427,024	39,234,587
Debt Service Reserve Fund	3,151,804	3,151,489
Debt Service Fund	<u>1,707,469</u>	<u>214,542</u>
Total	<u>\$ 35,491,466</u>	<u>\$ 47,601,198</u>

Note 4. Allowances for Doubtful Accounts

The changes in allowances for doubtful accounts during 2014 follow:

	<u>Trade Receivables</u>	<u>Property Taxes</u>
Balance January 1, 2014	\$ 42,290	\$ 29,468
Additions	-	1,300
Recoveries	<u>(42,290)</u>	<u>-</u>
Balance December 31, 2014	<u>\$ -</u>	<u>\$ 30,768</u>

The changes in allowances for doubtful accounts during 2013 follow:

	<u>Trade Receivables</u>	<u>Property Taxes</u>
Balance January 1, 2013	\$ -	\$ 28,121
Additions	139,341	1,347
Recoveries	<u>(97,051)</u>	<u>-</u>
Balance December 31, 2013	<u>\$ 42,290</u>	<u>\$ 29,468</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 2014 assessed millage is 2.53 mills. The 2013 assessed millage was 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, 2014 were \$3,176,191 on property with assessed valuation totaling \$1,408,980,767 less exempt valuation of \$153,576,143, for a net valuation of \$1,255,404,624.

Total taxes levied for the year ended December 31, 2013 were \$3,042,451 on property with assessed valuation totaling \$1,356,412,261 less exempt valuation of \$154,001,091, for a net valuation of \$1,202,411,170.

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 \$99,347 for 2014 and \$95,361 for 2013.

Note 6. Intergovernmental Receivable

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

	<u>2014</u>	<u>2013</u>
State of Louisiana capital outlay program	\$ 11,147	\$ 14,700
FEMA Public Assistance Grant	200,383	200,383
Capital projects-State of Louisiana Ports Priority Program	<u>2,155,228</u>	<u>1,341,066</u>
	<u>\$ 2,366,758</u>	<u>\$ 1,556,149</u>

These amounts are shown on the statements of fund net position as:

	<u>2014</u>	<u>2013</u>
Intergovernmental receivable, current	\$ 2,366,758	\$ 1,556,149
Intergovernmental receivable, noncurrent	<u>-</u>	<u>-</u>
	<u>\$ 2,366,758</u>	<u>\$ 1,556,149</u>

Note 7. Capital Assets

A summary of changes in capital assets for the years ended December 31, 2014 and 2013 is as follows:

<u>2014</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>
Capital assets not being depreciated:				
Land	\$ 32,158,123	\$ 3,632,641	\$ -	\$ 35,790,764
Construction in progress	<u>40,565,088</u>	<u>14,002,600</u>	<u>(34,332,928)</u>	<u>20,234,760</u>
Total capital assets not being depreciated	<u>72,723,211</u>	<u>17,635,241</u>	<u>(34,332,928)</u>	<u>56,025,524</u>
Capital assets being depreciated:				
Buildings and operating facilities	334,916,197	12,331,676	(18,005,146)	329,242,727
Equipment, furniture and fixtures	<u>36,491,188</u>	<u>21,610,567</u>	<u>(4,022,184)</u>	<u>54,079,571</u>
Total capital assets being depreciated	<u>371,407,385</u>	<u>33,942,243</u>	<u>(22,027,330)</u>	<u>383,322,298</u>
Less accumulated depreciation for:				
Buildings and operating facilities	150,942,091	10,512,630	(16,655,443)	144,799,278
Equipment, furniture and fixtures	<u>20,061,792</u>	<u>2,664,506</u>	<u>(3,765,116)</u>	<u>18,961,182</u>
Total accumulated depreciation	<u>171,003,883</u>	<u>13,177,136</u>	<u>(20,420,559)</u>	<u>163,760,460</u>
Total capital assets being depreciated, net	<u>200,403,502</u>	<u>20,765,107</u>	<u>(1,606,771)</u>	<u>219,561,838</u>
Total capital assets, net	<u>\$ 273,126,713</u>	<u>\$ 38,400,348</u>	<u>\$ (35,939,699)</u>	<u>\$ 275,587,362</u>

(continued on next page)

<u>2013</u>	<u>Beginning Of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>
Capital assets not being depreciated:				
Land	\$ 30,335,348	\$ 2,102,775	\$ (280,000)	\$ 32,158,123
Construction in progress	<u>42,993,628</u>	<u>28,994,475</u>	<u>(31,423,015)</u>	<u>40,565,088</u>
Total capital assets not being depreciated	<u>73,328,976</u>	<u>31,097,250</u>	<u>(31,703,015)</u>	<u>72,723,211</u>
Capital assets being depreciated:				
Buildings and operating facilities	311,100,196	24,075,712	(259,711)	334,916,197
Equipment, furniture and fixtures	<u>28,249,824</u>	<u>8,729,897</u>	<u>(488,533)</u>	<u>36,491,188</u>
Total capital assets being depreciated	<u>339,350,020</u>	<u>32,805,609</u>	<u>(748,244)</u>	<u>371,407,385</u>
Less accumulated depreciation for:				
Buildings and operating facilities	141,489,120	9,561,316	(108,345)	150,942,091
Equipment, furniture and fixtures	<u>18,581,286</u>	<u>1,969,039</u>	<u>(488,533)</u>	<u>20,061,792</u>
Total accumulated depreciation	<u>160,070,406</u>	<u>11,530,355</u>	<u>(596,878)</u>	<u>171,003,883</u>
Total capital assets being depreciated, net	<u>179,279,614</u>	<u>21,275,254</u>	<u>(151,366)</u>	<u>200,403,502</u>
Total capital assets, net	<u>\$ 252,608,590</u>	<u>\$ 52,372,504</u>	<u>\$ (31,854,381)</u>	<u>\$ 273,126,713</u>

Depreciation expense was \$13,177,135 for the year ended December 31, 2014 and \$11,530,355 for the year ended December 31, 2013.

Capitalized interest was \$1,891,182 for the year ended December 31, 2014 and \$-0- for the year ended December 31, 2013.

Note 8. 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, 2014:

	<u>2014</u>	<u>2013</u>
Land	\$ 3,773,726	\$ 5,600,134
Buildings	<u>22,631,637</u>	<u>17,690,686</u>
	26,405,363	23,290,820
Less accumulated depreciation	<u>10,601,895</u>	<u>10,757,311</u>
	<u>\$ 15,803,468</u>	<u>\$ 12,533,509</u>

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

2015	\$ 9,716,306
2016	9,264,984
2017	8,566,742
2018	6,738,970
2019	5,151,049
After 2019	<u>18,890,155</u>
	<u>\$ 58,328,206</u>

Of the above, the amount of \$2,683,396 was paid in full at the inception of the lease by the lessee, and is included in deferred revenues at December 31, 2014. The amount of \$179,692 is included in deferred revenues at December 31, 2013.

Note 9. Compensated Absences

Compensated absences are included in personnel services expenses for 2014. The District's liabilities for accumulated compensated absences as of December 31, 2014 and 2013 are as follows:

Beginning of Year	<u>2014</u>		End of Year	Due Within <u>One Year</u>
	<u>Additions</u>	<u>Reductions</u>		
\$ 609,712	\$ 93,691	\$ 22,350	\$ 681,053	\$ 68,105

Beginning of Year	2013		End of Year	Due Within One Year
	Additions	Reductions		
\$ 559,370	\$ 82,646	\$ 32,304	\$ 609,712	\$ 60,971

Note 10. Long-Term Bonded Debt

Bonds payable at December 31, 2014 and 2013 are comprised of the following:

	<u>2014</u>	<u>2013</u>
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	\$ 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, 2015; interest rate ranging from 3% to 5.5% for the life of the bonds maturing January 1, 2037	<u>32,620,000</u>	<u>32,620,000</u>
Total bonds payable	<u>\$ 39,615,000</u>	<u>\$ 39,615,000</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, 2014 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 755,000	\$ 1,893,463
2016	920,000	1,863,737
2017	955,000	1,826,238
2018	995,000	1,782,262
2019	1,045,000	1,731,263
2020-2024	5,845,000	8,045,231
2025-2029	7,370,000	6,434,050
2030-2034	9,545,000	4,231,125
2035-2039	<u>12,185,000</u>	<u>1,526,456</u>
	<u>\$ 39,615,000</u>	<u>\$ 29,333,825</u>

Certificates of Indebtedness:

The District entered into a certificate of indebtedness during 2008. The certificate was issued in the amount of \$104,167 payable in six (6) principal installments beginning in 2008 and bearing interest at a variable rate of no less than 7% or greater than 15%. This was paid in full during 2014

Changes in Long-Term Debt:

Noncurrent liabilities activity for the years ended December 31, 2014 and 2013 are as follows:

	<u>January 1,</u>			<u>December 31,</u>	<u>Due Within</u>
	<u>2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>2014</u>	<u>One Year</u>
Certificates of indebtedness	\$ 17,455	\$ -	\$ 17,455	\$ -	\$ -
Revenue bonds	39,615,000	-	-	39,615,000	755,000
Premium on revenue bonds	<u>302,968</u>	<u>-</u>	<u>12,159</u>	<u>290,809</u>	<u>12,159</u>
	<u>\$ 39,935,423</u>	<u>\$ -</u>	<u>\$ 29,614</u>	<u>\$ 39,905,809</u>	<u>\$ 767,159</u>

	January 1, 2013	Additions	Reductions	December 31, 2013	Due Within One Year
Certificates of indebtedness	\$ 34,909	\$ -	\$ (17,454)	\$ 17,455	\$ 17,455
Revenue bonds	-	39,615,000	-	39,615,000	755,000
Premium on revenue bonds	-	302,968	-	302,968	12,119
	<u>\$ 34,909</u>	<u>\$ 39,917,968</u>	<u>\$ (17,454)</u>	<u>\$ 39,935,423</u>	<u>\$ 784,574</u>

Note 11. Port Facilities Revenue Bonds

On occasion, the District facilitates the issuance of tax-exempt bonds to finance the construction of industrial facilities within the District's boundaries. The facilities constructed or assets purchased with the bond proceeds are not owned by the District nor are the bonds themselves guaranteed in any manner by the District. These bonds are not included in the financial statements nor in the preceding schedules in Note 10 pertaining to noncurrent liabilities. The bonds and the interest coupons appertaining thereto do not constitute an indebtedness of the issuer within the meaning of any state constitutional or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the issuer or a charge against its general credit or taxing powers.

Following is a summary of port facilities revenue bonds outstanding at December 31, 2014 and 2013:

	2014	2013
Polycom-Huntsman, Inc. Project, Series 1995	\$ -	\$ 8,000,000
Lake Charles Cogeneration, LLC, Series 2008	1,000,000,000	1,000,000,000
Lake Charles Cogeneration, LLC, Series 2010	90,000,000	90,000,000
Lake Charles Cogeneration, LLC, Series 2010A	161,000,000	161,000,000
Lake Charles Cogeneration, LLC, Series 2011	1,000,000	1,000,000
Lake Charles Cogeneration, LLC, Series 2012	309,000,000	309,000,000

Note 12. Retirement Benefits

Defined benefit pension plan:

Plan description:

The District contributes to the Louisiana State Employees' Retirement System (LASERS). The LASERS was established on July 1, 1947, and is the administrator of a cost-sharing multiple-employer public employee retirement system. The system was established and provided for within Title 11, Subtitle 11, Chapter 1 of the Louisiana Revised Statutes (LRS). Benefit provisions are authorized within LRS 11:441-501. The LASERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the LASERS, PO Box 44213, Baton Rouge, LA 70804-4213 or by calling 1-225-922-0600.

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

A person who is a member of LASERS prior to 7/1/2006 is eligible to retire after 10 years of service at age 60, 25 years at age 55, or after 30 years at any age. A person who becomes a member after 7/1/2006 is eligible to retire after ten (10) years of service at age 60. The system does provide for deferred benefits for vested members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable at a rate of 2.5% times the number of years of service times the average of the highest 3 consecutive years of creditable service. Once an employee has accumulated 10 years of service, disability benefits apply based on the regular benefit formula without age restrictions.

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

Funding policy:

Covered employees were required by Louisiana state statute to contribute 7.5% or 8%, depending on their hire date, of their salary to the plan. The current employer rate is 37% of annual covered payroll. Starting in 2011, Harbor police are treated as a separate group. Harbor police are required to contribute 9.5% of their salary to the plan. The current employer rate for Harbor police is 35.6% of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The District's contributions to the Louisiana State Employees' Retirement System for each of the years ending December 31, 2014, 2013 and 2012 are presented below:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Employer's contribution	\$ 1,998,527	\$ 1,607,484	\$ 1,415,173
Employees' contribution	<u>456,532</u>	<u>416,506</u>	<u>398,084</u>
Total	<u>\$ 2,455,059</u>	<u>\$ 2,023,990</u>	<u>\$ 1,813,257</u>

The required employer contribution percentage as of December 31, 2014, 2013 and 2012 were 37%, 31.3% and 29.1%, respectively. The required employer contribution percentage for Harbor police as of December 31, 2014, 2013 and 2012 was 35.6%, 30.7% and 28%, respectively. The required employee contribution percentage was 7.5% for employees hired before July 1, 2006. The required employee contribution for employees hired after July 1, 2006 was 8%. The required employee contribution percentage for Harbor police was 9.5%. The District's contributions equaled the required contribution for each of the three years.

Post-retirement benefits:

By action of the Board of Commissioners, in addition to the pension benefits described in Note 12, the District provides postretirement health care insurance benefits for retired employees. In 2013 and 2014, the District paid 0% of the retirees' and retirees' dependents' premiums.

During 2014, twenty-five (25) retired employees were receiving benefits under this plan. During 2013, twenty-four (24) retired employees participated. These postretirement benefits are financed on a "pay-as-you-go basis" and the District recognizes the cost by expensing the annual insurance premiums. Total net cost to the District amounted to \$-0- for 2014 and \$-0- for 2013. The participants' share of the costs totaled \$142,457 for 2014 and \$141,126 for 2013.

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, 2014 consisted of \$314,351 from employees and \$258,379 from the District. Contributions for the year ended December 31, 2013 consisted of \$275,352 from employees and \$233,731 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, 2013	\$ 287,863
Incurred and adjusted claims	1,419,268
Claim payments	<u>(1,115,527)</u>
Unpaid claims, January 1, 2014	591,604
Incurred and adjusted claims	1,236,355
Claim payments	<u>(1,494,183)</u>
Total unpaid claims, December 31, 2014	<u>\$ 333,776</u>

The District's insurance reserves to fund future claims on deposit with the Calcasieu Parish Police Jury totaled \$2,818,207 and \$3,042,163 in 2014 and 2013, respectively.

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, 2014, the District had committed approximately \$19.7 million for the purchase of equipment, the expansion of facilities, and repairs and maintenance of existing facilities. Such commitments at December 31, 2013 totaled approximately \$22.5 million.

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 12/31/14</u>	<u>Unearned 12/31/13</u>
Wetland Restoration			\$ 1,200,000	\$ 3,000,000
Trunkline LNG land lease	40	741,907	37,095	55,643
Trunkline LNG land lease	40	1,208,430	93,876	124,049
GSA lease	10	2,683,396	2,526,865	-
Cash deposit on land - Pinnacle			952,204	1,474,679
Unearned grant			214,426	214,426
Various short-term leases			841,885	639,700
Homestead exemption settlement			<u>30,147</u>	<u>30,096</u>
Total			<u>\$ 5,896,498</u>	<u>\$ 5,538,593</u>

Note 16. Budgetary - GAAP Reporting Reconciliation

The accompanying Statements 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 years ended December 31, 2014 and 2013 are presented on the budgetary comparison statement.

Note 17. Major Customers

A significant portion of the District's operating revenue has been derived from two major customers in 2014 and two in 2013:

each of the two customers accounted for 25% and 8%, respectively, in 2014;

each of the two customers accounted for 23% and 9%, respectively, in 2013.

Trade receivables due from these customers as of December 31, 2014 and 2013 represented the following percentage of total trade receivables.

each of the two customers accounted for 23% and 25%, respectively, in 2014;

each of the two customers accounted for 24% and 9%, respectively, in 2013.

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 \$440 per month for retiree-only coverage and \$690 per month for retiree and spouse coverage to age 65, and \$238 and \$476 per month, respectively, thereafter.

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, 2013 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	\$ 562,075
Interest on net OPEB obligation	61,288
Adjustment to ARC	<u>(98,078)</u>
Annual OPEB cost	525,285
District contributions made	<u>(229,942)</u>
Increase in net OPEB obligation	295,343
Net OPEB obligation - beginning of year	<u>1,827,531</u>
Net OPEB obligation - end of year	<u>\$ 2,122,874</u>

Table 2

Year Ended	Trend Information for OPEB Plan		
	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/12	\$ 483,889	34.77%	\$1,562,362
12/31/13	495,111	43.8%	1,827,531
12/31/14	525,285	43.7%	2,122,874

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:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Payroll	UAAL as a % of Covered Payroll
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%

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, 2013 actuarial valuation using the following methods and assumptions:

Actuarial cost method	Projected unit credit
Amortization method	Level annual payments, closed
Remaining amortization period	30 years
Discount rate for valuing liabilities	4%
Health care cost trend rate	5.2%

Note 19. Reclassification

Certain transactions have been made to the 2013 financial statements to be in conformity with the 2014 method of presentation. The reclassifications had no effect on the change in net position or net position for the year ended December 31, 2013.

Note 20. Subsequent Events

Subsequent to year end, the District entered into a Cooperative Endeavor Agreement with Port Rail, Inc. for an initial investment by the District of \$1,000,000 with possible additional financial contributions as Port Rail, Inc. requires to maintain its rail operations. Port Rail, Inc. will reimburse the District all monies advanced by the District including annualized interest at the rate of two percent within five years of becoming operational and/or as funds become available from operations, not to exceed a period of twenty years.

Subsequent events have been evaluated through June 17, 2015, the date the financial statements were available to be issued.

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2014

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%

Only three 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.

SUPPLEMENTARY INFORMATION

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL (BUDGETARY BASIS) - ENTERPRISE FUND
 Years Ended December 31, 2014 and 2013

	2014			Variance With Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Operating revenue:				
Vessel and cargo services	\$ 20,530,692	\$ 20,530,692	\$ 21,848,099	\$ 1,317,407
Rental of equipment and facilities	11,858,713	11,858,713	11,541,637	(317,076)
Other	390,500	390,500	659,246	268,746
Total operating revenue	<u>32,779,905</u>	<u>32,779,905</u>	<u>34,048,982</u>	<u>1,269,077</u>
Operating expenses:				
Personnel services	11,794,969	11,794,969	11,797,026	(2,057)
Contractual services	5,769,056	5,769,056	4,284,892	1,484,164
Supplies, maintenance and operation of facilities	5,004,881	10,304,881	9,876,248	428,633
Heat, light and power	801,400	801,400	984,161	(182,761)
Depreciation and amortization	14,092,365	14,092,365	13,177,135	915,230
Dredging	850,000	850,000	850,000	-
Total operating expenses	<u>38,312,671</u>	<u>43,612,671</u>	<u>40,969,462</u>	<u>2,643,209</u>
Operating income (loss)	<u>(5,532,766)</u>	<u>(10,832,766)</u>	<u>(6,920,480)</u>	<u>3,912,286</u>
Nonoperating revenue (expenses):				
Property taxes	2,820,000	2,820,000	3,038,377	218,377
Intergovernmental revenue	90,000	90,000	90,289	289
Interest income	288,000	288,000	215,918	(72,082)
Interest expense and fiscal charges	(10,548)	(10,548)	(34,177)	(23,629)
Retirement/impairment of assets	-	-	(1,599,804)	(1,599,804)
Other	(5,000)	(5,000)	(212,545)	(207,545)
Net nonoperating revenue (expenses)	<u>3,182,452</u>	<u>3,182,452</u>	<u>1,498,058</u>	<u>(1,684,394)</u>
Net income (loss) before contributions (budget basis)	<u>(2,350,314)</u>	<u>(7,650,314)</u>	<u>(5,422,422)</u>	<u>\$ 2,227,892</u>

2013

Budgeted Amounts		Actual	Variance With Final Budget
Original	Final		
\$ 20,351,587	\$ 20,351,587	\$ 20,221,173	\$ (130,414)
11,352,627	11,352,627	12,198,732	846,105
394,000	394,000	767,285	373,285
<u>32,098,214</u>	<u>32,098,214</u>	<u>33,187,190</u>	<u>1,088,976</u>
11,503,820	11,503,820	10,932,884	570,936
4,455,322	4,455,322	5,020,770	(565,448)
5,001,599	5,001,599	4,733,248	268,351
756,992	756,992	804,935	(47,943)
13,586,430	13,586,430	11,530,355	2,056,075
<u>849,986</u>	<u>849,986</u>	<u>1,327,210</u>	<u>(477,224)</u>
<u>36,154,149</u>	<u>36,154,149</u>	<u>34,349,402</u>	<u>1,804,747</u>
<u>(4,055,935)</u>	<u>(4,055,935)</u>	<u>(1,162,212)</u>	<u>2,893,723</u>
2,640,000	2,640,000	2,870,308	230,308
90,000	90,000	90,947	947
144,000	144,000	212,199	68,199
(3,660)	(3,660)	(546,445)	(542,785)
-	-	(127,457)	(127,457)
<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>
<u>2,870,340</u>	<u>2,870,340</u>	<u>2,494,552</u>	<u>(375,788)</u>
(1,185,595)	(1,185,595)	1,332,340	<u>\$ 2,517,935</u>

(continued on next page)

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL (BUDGETARY BASIS) - ENTERPRISE FUND
 Years Ended December 31, 2014 and 2013
 (Continued)

	2014			Variance With Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Net income (loss) before contributions (budget basis)	<u>\$ (2,350,314)</u>	<u>\$ (7,650,314)</u>	(5,422,422)	<u>\$ 2,227,892</u>
Capital contributions			<u>5,617,198</u>	
Net income (GAAP basis)			194,776	
Net position, beginning of year			<u>306,073,563</u>	
Net position, end of year			<u>\$ 306,268,339</u>	

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

2013

<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Original</u>	<u>Final</u>		
<u>\$ (1,185,595)</u>	<u>\$ (1,185,595)</u>	1,332,340	<u>\$ 2,517,935</u>
		<u>5,321,421</u>	
		6,653,761	
		<u>299,419,802</u>	
		<u>\$ 306,073,563</u>	

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO EXECUTIVE DIRECTOR
Year Ended December 31, 2014

Agency Head Name: William Rase, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 273,491
Benefits - insurance	8,694
Benefits - retirement (LASERS)	98,017
Benefits - deferred compensation	17,184
Car allowance	13,388
Travel	3,271
Registration fees	2,675
Conference travel	9,339

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF INSURANCE IN FORCE
December 31, 2014

Insurance policies in force as of December 31, 2014:

<u>Policy Type</u>	<u>Policy Number</u>	<u>Policy Provider</u>	<u>Policy Period</u>
Business travel	ETB101464	Hartford	10/3/12-10/2/15
Commercial automobile	AS7-Z91-433903-014	Liberty Mutual Insurance Company	4/15/14-4/15/15
Crime	CCP002364707	The Fidelity and Deposit Co. of Maryland	10/1/13-10/1/16
Equipment breakdown coverage	R4030391227	Continental Casualty Company	1/1/14-1/1/15
General liability	NY494348009	Liberty Mutual Insurance Company	10/1/14-10/1/15
Excess liability	LC1XL-100114	Liberty Mutual Insurance Company	10/1/14-10/1/15
Excess liability	LC2XL-100114	Starr Indemnity	10/1/14-10/1/15
Inland marine employers liability	RRP1365-8	Essex Insurance Company	4/21/14-4/21/15
Maritime employers liability	B0823ALOU00001	Hiscox Syndicate 33 at Lloyd's of London	1/1/14-1/1/15
Police professional liability	0202-1493	Darwin Select Insurance Corporation	6/18/14-6/18/15
Primary property	B0823PP1408007	Lloyd's of London	1/1/14-1/1/15
Primary property	B0823PP1408525	Lloyd's of London	1/1/14-1/1/15
Excess property	B0823PP1408008	Lloyd's of London	1/1/14-1/1/15
Excess property	B0823PP1408527	Lloyd's of London	1/1/14-1/1/15
Terrorism	B0823PP1408009	Lloyd's of London	1/1/14-1/1/15
Public officials liability	G23632500009	Illinois Union Insurance Company	10/1/14-10/1/15
Railroad liability	SCO9319035-03	Steadfast Insurance Company	10/1/14-10/1/15
Workers compensation	100510-S	Louisiana Worker Compensation Corporation	6/18/14-6/18/15
Health care	Self insured with CPPJ	Stop loss carrier through CPPJ	1/1/14-1/1/15

THIS PAGE LEFT BLANK INTENTIONALLY

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.

THIS PAGE LEFT BLANK INTENTIONALLY

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			
	<u>Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
2005	\$ 171,040	\$ 6,350	\$ 39,340	\$ 216,730
2006	191,430	6,391	37,125	234,946
2007	200,356	6,611	39,085	246,052
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

Table 2

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SUMMARY OF REVENUES AND EXPENSES
 Years Ended December 31, 2005 through 2014
 (Unaudited)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
OPERATING REVENUES				
Charges for services	\$ 19,351,888	\$ 21,073,220	\$ 21,040,668	\$ 21,841,492
Rentals	5,023,533	7,871,065	8,034,696	8,564,493
Other	375,375	379,341	260,484	672,272
Total	<u>24,750,796</u>	<u>29,323,626</u>	<u>29,335,848</u>	<u>31,078,257</u>
NONOPERATING REVENUES				
Property taxes	1,491,824	2,300,615	2,197,493	2,370,487
Intergovernmental revenue	89,318	89,166	89,102	91,827
Interest income	1,173,282	1,991,916	1,898,195	1,215,960
Other income	19,751	61,827	212,541	128,604
Total	<u>2,774,175</u>	<u>4,443,524</u>	<u>4,397,331</u>	<u>3,806,878</u>
OPERATING EXPENSES				
General and administrative	6,653,471	7,128,631	7,527,770	9,086,400
Maintenance and operation	8,752,833	10,627,105	11,399,575	11,907,649
Depreciation	6,601,979	7,724,388	8,804,644	9,531,318
Total	<u>22,008,283</u>	<u>25,480,124</u>	<u>27,731,989</u>	<u>30,525,367</u>
NONOPERATING EXPENSES				
Interest expense and fiscal charges	171,645	168,401	21,631	21,866
Intergovernmental expense	-	-	-	-
Other expenses	822,071	(347,485)	(886,908)	(218,347)
Total	<u>993,716</u>	<u>(179,084)</u>	<u>(865,277)</u>	<u>(196,481)</u>
Net income (loss) before contributions	<u>4,522,972</u>	<u>8,466,110</u>	<u>6,866,467</u>	<u>4,556,249</u>
Capital contributions:				
Federal government	1,433,812	529,061	40,907	500,000
State government	5,558,945	9,221,249	4,198,125	2,057,751
Other	-	-	-	-
Total capital contributions	<u>6,992,757</u>	<u>9,750,310</u>	<u>4,239,032</u>	<u>2,557,751</u>
Change in net position	<u>\$ 11,515,729</u>	<u>\$ 18,216,420</u>	<u>\$ 11,105,499</u>	<u>\$ 7,114,000</u>

Table 2

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 19,408,860	\$ 23,564,920	\$ 22,673,086	\$ 21,209,754	\$ 20,221,173	\$ 21,848,099
8,764,583	10,807,934	10,059,975	11,915,297	12,198,732	11,541,637
852,667	1,406,193	4,197,140	501,739	767,285	659,246
<u>29,026,110</u>	<u>35,779,047</u>	<u>36,930,201</u>	<u>33,626,790</u>	<u>33,187,190</u>	<u>34,048,982</u>
2,318,463	2,634,642	2,623,133	2,812,823	2,870,308	3,038,377
92,875	90,114	90,741	91,132	90,947	90,289
298,711	280,535	248,971	241,935	212,199	215,918
(83,629)	(11,094)	-	-	-	6,968
<u>2,626,420</u>	<u>2,994,197</u>	<u>2,962,845</u>	<u>3,145,890</u>	<u>3,173,454</u>	<u>3,351,552</u>
8,583,507	9,727,094	10,344,600	9,866,485	10,932,884	11,649,140
10,353,634	11,461,563	12,424,259	9,914,937	11,886,163	16,143,187
10,338,613	10,694,862	10,868,415	10,983,984	11,530,355	13,177,135
<u>29,275,754</u>	<u>31,883,519</u>	<u>33,637,274</u>	<u>30,765,406</u>	<u>34,349,402</u>	<u>40,969,462</u>
37,890	39,278	317,470	4,145	546,445	34,177
-	-	-	-	-	167,545
(286,587)	(692,481)	(1,744,190)	532,144	132,457	1,651,772
<u>(248,697)</u>	<u>(653,203)</u>	<u>(1,426,720)</u>	<u>536,289</u>	<u>678,902</u>	<u>1,853,494</u>
<u>2,625,473</u>	<u>7,542,928</u>	<u>7,682,492</u>	<u>5,470,985</u>	<u>1,332,340</u>	<u>(5,422,422)</u>
2,334,638	323,098	544,248	1,692,016	2,638,179	-
2,988,308	767,275	4,427,736	9,854,453	1,852,485	5,520,418
-	-	-	-	830,757	96,780
<u>5,322,946</u>	<u>1,090,373</u>	<u>4,971,984</u>	<u>11,546,469</u>	<u>5,321,421</u>	<u>5,617,198</u>
<u>\$ 7,948,419</u>	<u>\$ 8,633,301</u>	<u>\$ 12,654,476</u>	<u>\$ 17,017,454</u>	<u>\$ 6,653,761</u>	<u>\$ 194,776</u>

Table 3

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
VESSEL AND CARGO REVENUES
Years Ended December 31, 2005 through 2014
(Unaudited)

	<u>Dockage</u>	<u>Wharfage</u>	<u>Storage</u>	<u>Cargo Handling</u>
2005	\$ 3,365,562	\$ 1,002,350	\$ 1,399,026	\$ 13,584,950
2006	3,532,713	1,010,328	1,757,223	14,772,956
2007	3,102,139	1,068,156	1,128,523	15,741,850
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

SHIPPING ACTIVITIES
TONNAGE
(Unaudited)

2014 CARGO IMPORTS/EXPORTS
(Tons)

<u>Cargo</u>	<u>Imports</u>	<u>Exports</u>	<u>Totals</u>
General cargo	113,130	257,479	370,609
Bulk	1,771,383	2,603,642	4,375,025
Totals	<u>1,884,513</u>	<u>2,861,121</u>	<u>4,745,634</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>
\$ 19,351,888	\$ 0.68	\$ 0.20	\$ 0.28	\$ 2.74	\$ 3.90
21,073,220	0.71	0.20	0.35	2.97	4.23
21,040,668	0.64	0.22	0.23	3.23	4.32
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	3.67	4.84
20,221,173	0.78	0.23	0.19	3.74	4.94
21,848,099	0.79	0.25	0.18	4.03	5.25

TEN YEAR CARGO
IMPORT/EXPORT TONNAGE

	<u>Imports</u>	<u>Exports</u>	<u>Totals</u>
2005	4,264,583	3,552,555	7,817,138
2006	5,420,466	3,270,760	8,691,226
2007	8,156,562	3,002,325	11,158,887
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

THIS PAGE LEFT BLANK INTENTIONALLY

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>
2005	\$ 1,491,824	\$ 89,318	\$ 1,581,142
2006	2,300,615	89,166	2,389,781
2007	2,197,493	89,102	2,286,595
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
	<u>\$ 24,658,165</u>	<u>\$ 905,511</u>	<u>\$ 25,563,676</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:
	Residential Property	Public Services	Other	Tax Exempt Real Property
2005	\$ 230,705,641	\$ 123,471,370	\$ 326,935,009	\$ 139,750,000
2006	261,771,883	122,992,500	231,499,680	141,183,060
2007	274,250,190	60,996,297	508,161,757	143,112,086
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

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

Note: Starting in 2006, the values for all not-for-profit agencies were not included in the Total Taxable Assessed Value calculation.

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>
\$ 541,362,020	2.74	\$ 4,813,048,373	17.19%
616,264,063	2.74	5,298,097,993	16.80%
843,408,244	2.74	6,412,911,778	13.15%
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%

Table 6

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Fiscal Year	Lake Charles Harbor and Terminal District		Calcasieu Parish School Board		
	Operating Millage	Total	General Fund	Debt Service Funds	Total
2005	2.74	2.74	18.72	36.50	55.22
2006	2.74	2.74	18.72	25.00	43.72
2007	2.74	2.74	18.72	25.50	44.22
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

Table 6

Calcasieu Parish				City of Lake Charles			Total Direct & Overlapping Rates
Parish Police Jury	Special Districts	Airport Harbor & Terminal	Total	General & Special Revenue Funds	Debt Service Fund	Total	
44.19	38.50	8.80	91.49	16.09	0.00	16.09	165.54
44.99	48.49	8.80	102.28	16.09	0.00	16.09	164.83
47.21	49.00	8.80	105.01	16.09	0.00	16.09	168.06
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

Table 7

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Taxpayer	Type of Business	2014		Percentage of Total Valuation
		Assessed Valuation 2014	Rank	
Phillips 66 (formerly Conoco)	Refinery	\$ 75,020,845	1	5.98%
CITGO Petroleum Corporation	Refinery	51,800,850	2	4.13%
SASOL North America, Inc.	Chemical plant	45,024,530	3	3.59%
Axial Corporation (formerly PPG Industries)	Chemical plant	39,125,021	4	3.12%
Entergy Gulf States, Inc.	Electric Co.	37,043,540	5	2.95%
Excel Paralubes	Lubricants	36,636,330	6	2.92%
Pinnacle Entertainment	Hotel & casino	32,465,750	7	2.59%
R S Cogen, LLC	Power plant	20,325,170	8	1.62%
Crowley Marine Service	Shipping & logistics	19,300,750	9	1.54%
Equistar (formerly Lyondell Basell)	Chemical plant	17,747,440	10	1.41%
Bellsouth Telecommunication	Telephone company			
Westlake Petrochemicals	Chemical plant			
Hibernia National Bank	Bank			
Louisiana Pigment Co.	Chemical plant			
Totals		<u>\$ 374,490,226</u>		<u>29.85%</u>

Source: Calcasieu Parish Assessor

Table 7

2005		
Assessed Valuation 2005	Rank	Percentage of Total Valuation
\$ 45,305,830	2	8.37%
17,132,210	5	3.16%
19,216,780	4	3.55%
35,067,570	3	6.48%
65,041,500	1	12.01%
12,945,980	7	2.39%
16,547,960	6	3.06%
12,273,150	8	2.27%
10,441,880	9	1.93%
9,928,700	10	1.83%
<u>\$ 243,901,560</u>		<u>45.05%</u>

THIS PAGE LEFT BLANK INTENTIONALLY

Table 8

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

TOP CUSTOMERS
For the Current Year and Nine Years Ago
(Unaudited)

<u>Customer</u>	<u>2014</u>		<u>2005</u>	
	<u>Revenue</u>	<u>Percent of Operating Revenue</u>	<u>Revenue</u>	<u>Percent of Operating Revenue</u>
Citgo Petroleum Corporation	\$ 8,673,500	25.47%	\$ 5,640,855	22.79%
Pinnacle Entertainment	2,886,343	8.48%	1,741,236	7.04%
Phillips 66 (formerly Conoco, Inc.)	2,659,661	7.81%	2,298,490	9.29%
Alcoa, Inc.	2,548,158	7.48%		
Halliburton	2,330,445	6.84%	2,870,750	11.60%
	<u>\$ 19,098,107</u>	<u>56.08%</u>	<u>\$ 12,551,331</u>	<u>50.72%</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>	<u>Collected within the Fiscal Year of the Levy</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>
2005	\$ 1,866,251	\$ 1,747,084	93.61%
2006	2,052,496	1,759,850	85.74%
2007	2,284,697	1,610,842	70.51%
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%

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>
\$ 4,164	\$ 1,751,249	93.84%
17,632	1,777,482	86.60%
22,608	1,633,450	71.50%
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%
-	2,302,726	72.50%

THIS PAGE LEFT BLANK INTENTIONALLY

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>Bonds and Certificates of Indebtedness</u>	<u>Percentage of Personal Income</u> ¹	<u>Per Capita</u> ¹
2005	\$ 17,500,000	0.45	93.99
2006	16,250,000	0.40	86.89
2007	15,000,000	0.38	81.48
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

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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Gross revenues	\$ 27,505,220	\$ 33,705,323	\$ 33,520,638	\$ 34,756,531
Deductible operating expenses	<u>16,398,763</u>	<u>17,555,817</u>	<u>18,060,856</u>	<u>19,823,472</u>
Net revenues available	<u>11,106,457</u>	<u>16,149,506</u>	<u>15,459,782</u>	<u>14,933,059</u>
Current maturities long-term debt	1,250,000	1,250,000	1,250,000	1,250,000
Certificates of indebtedness	-	-	-	-
Interest expense	<u>478,281</u>	<u>658,776</u>	<u>693,239</u>	<u>455,421</u>
CMLTD plus interest expense	<u>1,728,281</u>	<u>1,908,776</u>	<u>1,943,239</u>	<u>1,705,421</u>
Debt service coverage ratio	6.43	8.46	7.96	8.76

Table 11

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 31,736,159	\$ 38,784,338	\$ 39,893,046	\$ 36,772,680	\$ 36,360,644	\$ 37,400,534
<u>18,660,069</u>	<u>20,532,356</u>	<u>23,096,329</u>	<u>19,795,567</u>	<u>22,277,602</u>	<u>27,803,150</u>
<u>13,076,090</u>	<u>18,251,982</u>	<u>16,796,717</u>	<u>16,977,113</u>	<u>14,083,042</u>	<u>9,597,384</u>
1,250,000	1,250,000	-	-	767,119	767,159
17,361	17,361	17,361	17,547	17,455	-
<u>180,198</u>	<u>177,797</u>	<u>317,471</u>	<u>4,145</u>	<u>546,445</u>	<u>2,047,646</u>
<u>1,447,559</u>	<u>1,445,158</u>	<u>334,832</u>	<u>21,692</u>	<u>1,331,019</u>	<u>2,814,805</u>
9.03	12.63	50.16	782.64	10.58	3.41

Table 12

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 82,086	\$ 89,051	\$ 101,000	\$ 108,567
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 82,086</u>	<u>\$ 89,051</u>	<u>\$ 101,000</u>	<u>\$ 108,567</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 2014

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 115,039	\$ 120,163	\$ 121,175	\$ 130,135	\$ 135,641	\$ 140,898
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 115,039</u>	<u>\$ 120,163</u>	<u>\$ 121,175</u>	<u>\$ 130,135</u>	<u>\$ 135,641</u>	<u>\$ 140,898</u>
0%	0%	0%	0%	0%	0%

\$ 1,255,404,625

153,576,143

1,408,980,768

140,898,077

39,905,808

100,992,269

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>
2005	186,181	\$ 3,924,323,118	\$ 21,078
2006	187,017	4,089,687,756	21,868
2007	184,092	3,916,189,116	21,273
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

Data sources:

- 1 SWLA Chamber of Commerce
- 2 Calcasieu Parish School Board
- 3 U.S. Department of Labor

Table 13

<u>Median Age</u>	<u>Average ACT Score Core²</u>	<u>School Enrollment²</u>	<u>Unemployment Rate³</u>
34	20.1	33,294	7.1
34	20.4	32,821	3.4
36	20.3	32,975	3.7
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	7.0

Table 14

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Employers	Type of Business	2014			2006		
		Rank	Number of Employees	Percentage	Rank	Number of Employees	Percentage
Calcasieu Parish School Board	Education	1	4,840	24%	1	4,000	20%
Pinnacle Entertainment	Gaming	2	2,400	12%	2	2,500	12%
Brock Services, LLC	Fabrication	3	2,000	10%			
CITGO Petroleum Corporation	Oil products	4	1,934	10%	8	1,206	6%
Axiall Corporation (formerly PPG Industries)	Basic chemical plant	5	1,700	9%	5	1,500	8%
Turner Industries	Fabrication	6	1,650	8%	3	2,000	10%
Golden Nugget	Gaming	7	1,500	8%			
Lake Charles Memorial Hospital	Health care	8	1,470	7%	4	1,700	8%
Isle of Capri	Gaming	9	1,155	6%	7	1,400	7%
City of Lake Charles	Government	10	1,093	6%			
Christus St. Patrick Hospital	Health care				5	1,500	8%
ConocoPhillips	Refinery products				9	1,200	6%
Harras's Riverboat Casino	Gaming				10	1,000	5%
Delta Downs	Gaming				10	1,000	5%
Northrop-Grumman	Military aircraft				10	1,000	5%
Total			<u>19,742</u>	<u>100%</u>		<u>20,006</u>	<u>100%</u>

Source: SWLA Alliance

*2006 was used as a comparison as 2005 employment statistics were unavailable.

Table 15

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Function	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Board of Commissioners	7	7	7	7	7	7	6	7	7	7
Executive	2	2	2	2	2	2	2	2	2	2
Administrative	15	15	14	14	14	15	15	14	13	13
Legal	3	3	3	3	3	2	2	2	3	3
Engineering	4	4	3	3	3	3	3	3	3	3
Sales and Marketing	3	3	3	3	3	3	2	2	2	2
Navigation and Security	13	14	15	16	17	17	14	18	16	17
Traffic	3	3	2	2	2	2	2	2	2	2
Safety	1	2	2	2	2	2	2	2	2	2
Maintenance	36	29	24	18	25	22	22	23	24	24
Operation	<u>39</u>	<u>48</u>	<u>47</u>	<u>54</u>	<u>54</u>	<u>54</u>	<u>50</u>	<u>50</u>	<u>48</u>	<u>47</u>
Total	<u>126</u>	<u>130</u>	<u>122</u>	<u>124</u>	<u>132</u>	<u>129</u>	<u>120</u>	<u>125</u>	<u>122</u>	<u>122</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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Transit sheds - square feet	1,021,760	1,021,760	1,221,760	1,221,760
Warehouses - square feet	538,000	538,000	538,000	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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
1,221,760	1,221,760	1,221,760	1,221,760	1,221,760	1,221,760
520,400	520,400	520,400	520,400	520,400	520,400
11	11	11	11	11	11
3	3	3	3	3	3
1	1	1	1	1	1
1	1	1	1	1	1
37	37	37	37	39	39

THIS PAGE LEFT BLANK INTENTIONALLY

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

**GOVERNMENT AUDITING STANDARDS
SUPPLEMENTARY REPORTS**

YEAR ENDED DECEMBER 31, 2014

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

LAKE CHARLES, LOUISIANA

C O N T E N T S

	Page
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Schedule of Findings and Responses	5-6
Summary Schedule of Prior Audit Findings Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	7

INDEPENDENT AUDITOR'S 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, 2014, 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 17, 2015.

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 and 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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.

M^s Elroy Quind & Beach

Lake Charles, Louisiana
June 17, 2015

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2014

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, 2014

(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, 2014

No prior year findings.