

Comprehensive Annual Financial Report For The Year Ended December 31, 2016



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

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2016

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

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LAKE CHARLES HARBOR AND TERMINAL DISTRICT

FINANCIAL REPORT
December 31, 2016

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INTRODUCTORY SECTION

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**Lake Charles
Harbor
& Terminal
District**

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

May 22, 2017

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

Dear Commissioners:

The Comprehensive Annual Financial Report (CAFR) of the Lake Charles Harbor and Terminal District (District) for the year ended December 31, 2016 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 23-32. 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 4,000 employees, generates monthly average gaming revenues of approximately \$59.3 million and generates monthly average sales taxes of approximately \$14.1 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. In January 2016 it was announced that construction had begun on a new tower for Golden Nugget Lake Charles that will add 300 rooms and is expected to be completed by the third quarter of 2017.
- 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 2016 it was announced that Cameron LNG was applying for an expansion of the existing project, adding two additional trains and increasing the export capability to 20-22 million tons annually. Cameron LNG expects to commence operating the facility in 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 rollover, truck and rail hoppers, pits and chutes, conveyor systems, scales, silos and open-air storage pads.

General Cargo Docks

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

Cargo Diversity

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



Real Estate

The District owns approximately 5,400 acres in Southwest Louisiana. These properties include leased acreage to both traditional and non-traditional port related tenants, spoil disposal sites, and acreage available for future development. During 2016, lease revenues accounted for approximately \$18.3 million, or 45% 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 \$196.2 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.

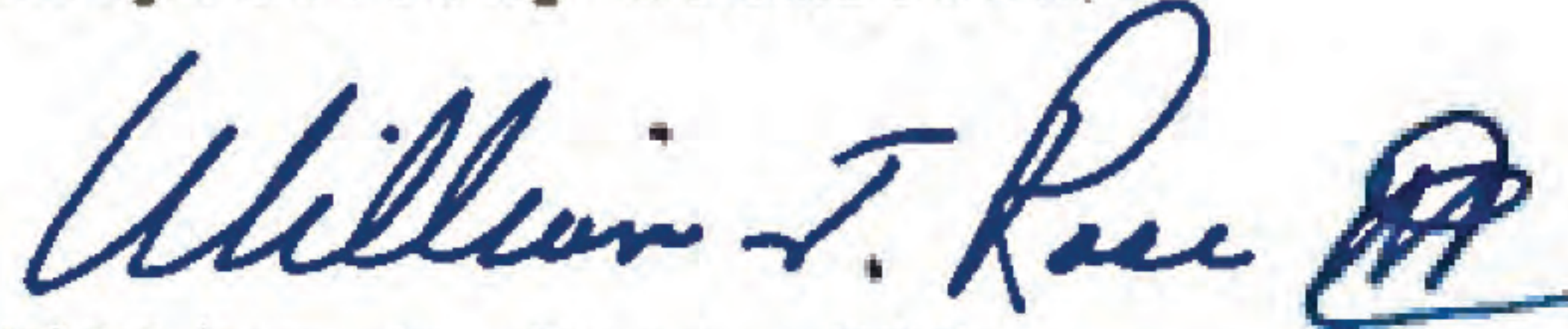
Awards and Acknowledgments

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, 2015. In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. Such reports must satisfy both GAAP and applicable legal requirements.

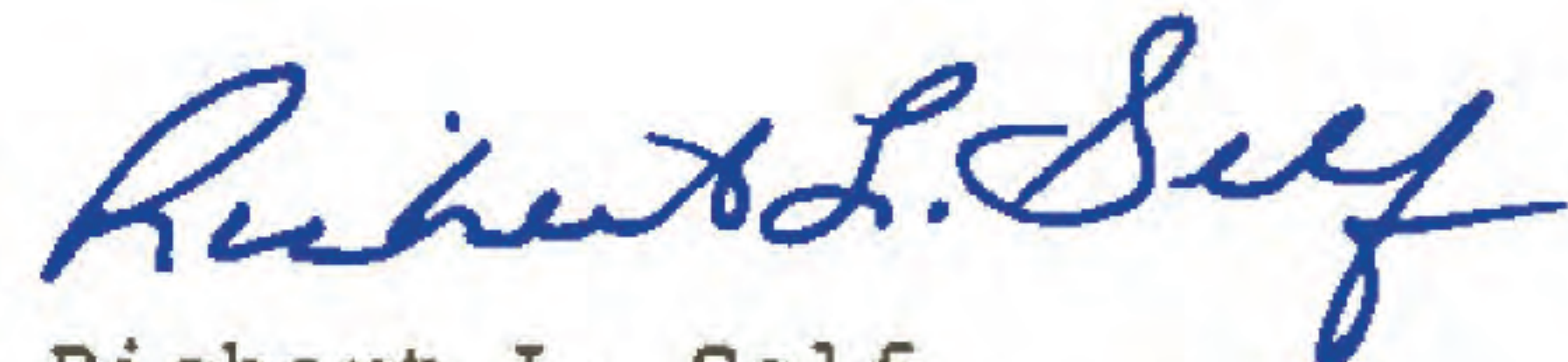
A Certificate of Achievement is valid for one year only. We believe our current report continues to meet Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,

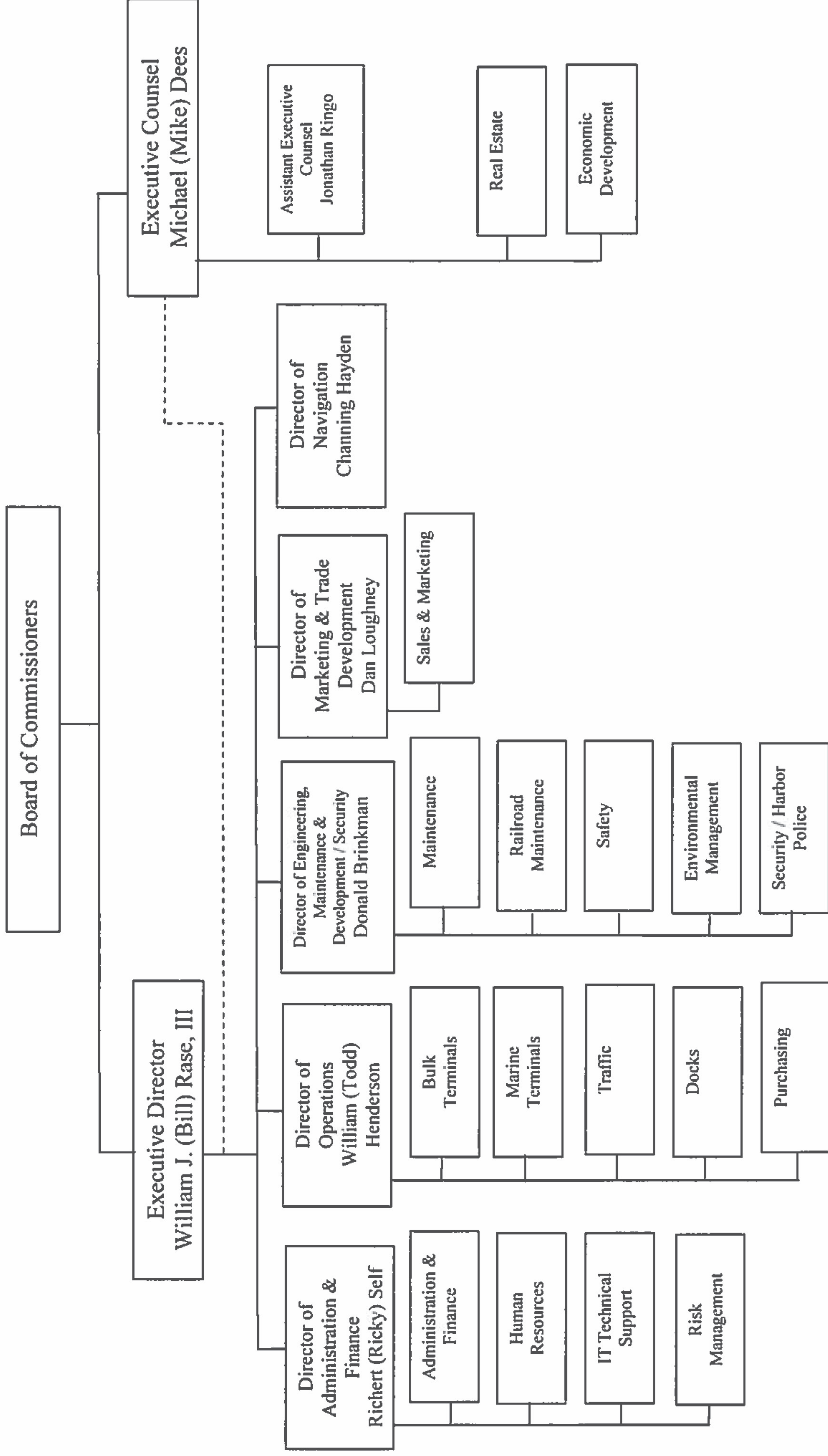


William J. Rase, III
Executive Director



Richert L. Self
Director of Administration
and Finance







Government Finance Officers Association

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

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is fluid and cursive.

Executive Director/CEO

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

BOARD OF COMMISSIONERS

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

EXECUTIVE DIRECTOR

William J. Rase, III

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

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 year ended December 31, 2016, 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, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

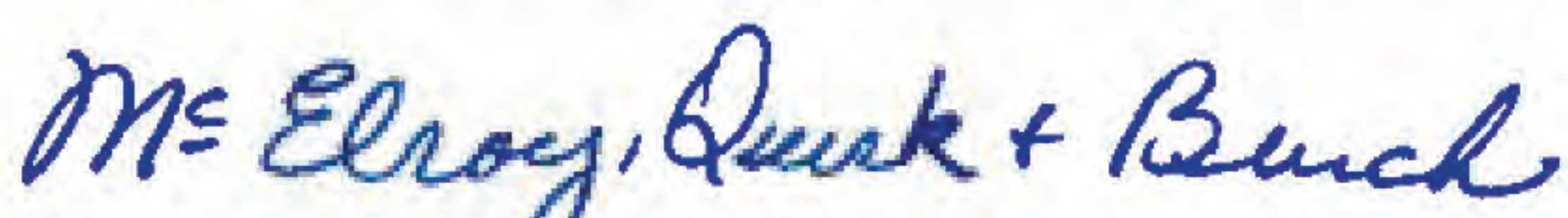
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Charles Harbor and Terminal District, Lake Charles, Louisiana's basic financial statements. The introductory section, the budgetary comparison schedules, schedule of compensation, benefits 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules, schedule of compensation, benefits and other payments to Executive Director, and the insurance in force schedule are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2017, 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.


Lake Charles, Louisiana
May 22, 2017

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Management's Discussion and Analysis

The following is the Lake Charles Harbor and Terminal District's Management Discussion and Analysis (MD&A) of the financial activities and performance for the year ended December 31, 2016. It provides an introduction to the District's 2016 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, 2016 by \$298.1 million (net position). Net position totaled \$295.5 million as of December 31, 2015.
- As a result of the excess revenues over expenses, the District's net position increased \$2.6 million during 2016 compared to a \$10.9 million increase during 2015.
- During 2016, operating revenues were \$40.9 million, an increase of \$4.6 million (12%) from 2015. Operating expenses were \$40.2 million, an increase of \$6.7 million (20%) compared to 2015.

Overview of the Financial Statements

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

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

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

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

The basic financial statements can be found on pages 36-41 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 42-70 of this report.

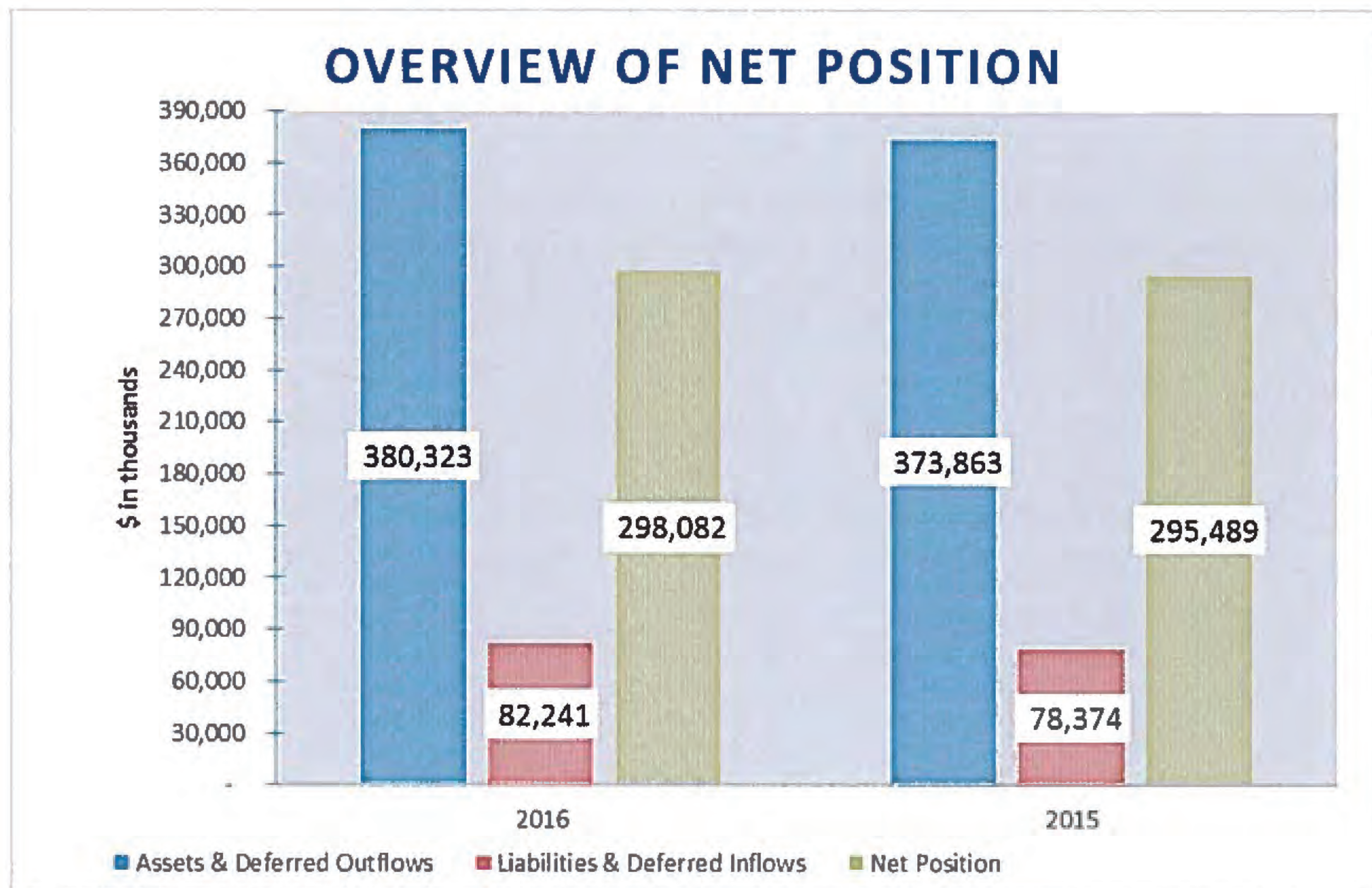
In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. This supplementary information can be found on pages 76-111 of this report.

Financial Analysis of the District

The following table presents the condensed statements of fund net position as of December 31, 2016 and 2015:

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

| | 2016 (in thousands) | 2015 (in thousands) |
|--|------------------------|------------------------|
| Current and other assets | \$ 74,137 | \$ 85,412 |
| Capital assets | 301,100 | 287,330 |
| Total assets | <u>375,237</u> | <u>372,742</u> |
| Deferred outflow of resources | <u>5,086</u> | <u>1,121</u> |
| Current liabilities | 13,805 | 13,357 |
| Non-current liabilities | 67,970 | 64,554 |
| Total liabilities | <u>81,775</u> | <u>77,911</u> |
| Deferred inflows of resources | <u>466</u> | <u>462</u> |
| Net position: | | |
| Invested in capital assets, net of related debt | 262,894 | 248,192 |
| Restricted | 13,886 | 20,793 |
| Unrestricted | <u>21,302</u> | <u>26,505</u> |
| Total net position | <u>\$ 298,082</u> | <u>\$ 295,490</u> |



2016:

The assets and deferred outflows of the Lake Charles Harbor and Terminal District exceeded its liabilities and deferred inflows as of December 31, 2016 by \$298.1 million compared to \$295.5 million as of December 31, 2015 (*net position*).

The largest portion of the District's net position reflects its investment in capital assets in the amount of \$262.9 million as of December 31, 2016 compared to \$248.2 million as of December 31, 2015. These capital assets include land, buildings, improvements, equipment and construction in progress, less any related outstanding debt used to acquire those assets. These assets are not available for future spending.

The District's restricted net position of \$13.9 million and \$20.8 million as of December 31, 2016 and 2015, respectively, represent amounts restricted for debt service in accordance with existing bond covenants. The Board of Commissioners has designated \$1.0 million in unrestricted net position as of December 31, 2016 to be used for commitments on construction contracts compared to \$6.4 million in unrestricted net position as of December 31, 2015 to be used for commitments on construction contracts. The remaining \$12.9 million as of December 31, 2016 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, 2016 and 2015:

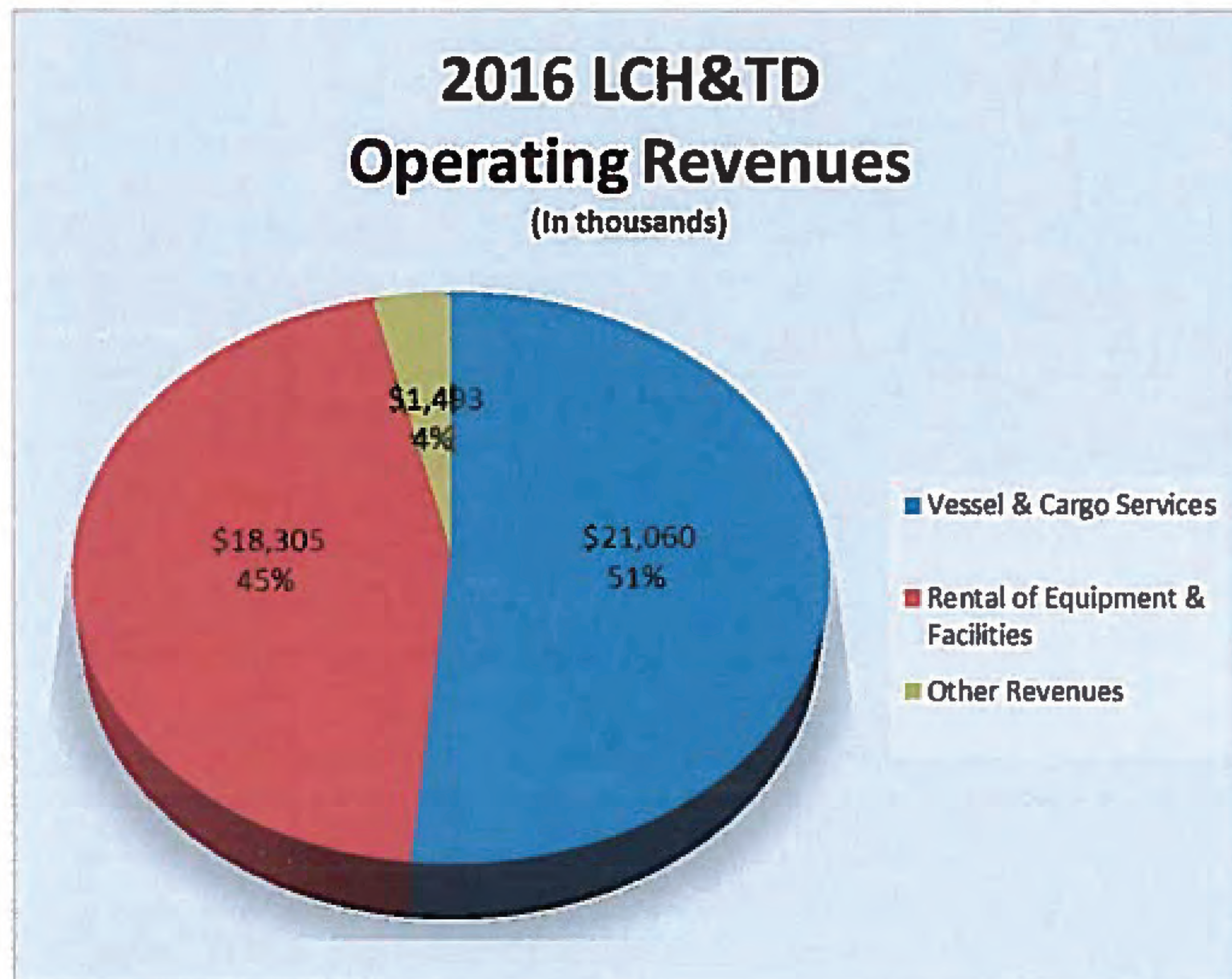
Lake Charles Harbor and Terminal District
Comparative Statements of Revenues, Expenses,
and Changes in Net Position

| | <u>2016</u> | <u>2015</u> |
|---|---------------------|----------------------|
| Operating revenues: | | |
| Vessel and cargo services | \$ 21,060,479 | \$ 19,429,820 |
| Rental of equipment and facilities | 18,305,150 | 16,025,616 |
| Other | <u>1,492,785</u> | <u>875,513</u> |
| Total operating revenues | <u>40,858,414</u> | <u>36,330,949</u> |
| Operating expenses: | | |
| Personnel services | 12,771,273 | 10,915,841 |
| Contractual services | 5,779,960 | 4,408,830 |
| Supplies, maintenance and operation of facilities | 6,003,511 | 3,279,440 |
| Heat, light and power | 856,960 | 855,691 |
| Depreciation and amortization | <u>14,781,219</u> | <u>14,011,819</u> |
| Total operating expenses | <u>40,192,923</u> | <u>33,471,621</u> |
| Operating income (loss) | <u>665,491</u> | <u>2,859,328</u> |
| Nonoperating revenues (expenses): | | |
| Property taxes | 3,476,800 | 3,286,210 |
| Intergovernmental revenue | 86,901 | 90,441 |
| Interest income | 403,205 | 307,442 |
| Interest expense and fiscal charges | (66,242) | (18,697) |
| Retirement of assets | (32,014) | (45,058) |
| Other | <u>(3,240,140)</u> | <u>(4,084,732)</u> |
| Net nonoperating revenues (expenses) | <u>628,510</u> | <u>(464,394)</u> |
| Net income before contributions | 1,294,001 | 2,394,934 |
| Capital contributions | <u>1,298,221</u> | <u>8,457,112</u> |
| Change in net position | <u>\$ 2,592,222</u> | <u>\$ 10,852,046</u> |
| Net position - beginning balance | \$ 295,489,475 | \$ 284,637,429 |
| Net position - ending balance | 298,081,697 | 295,489,475 |

2016:

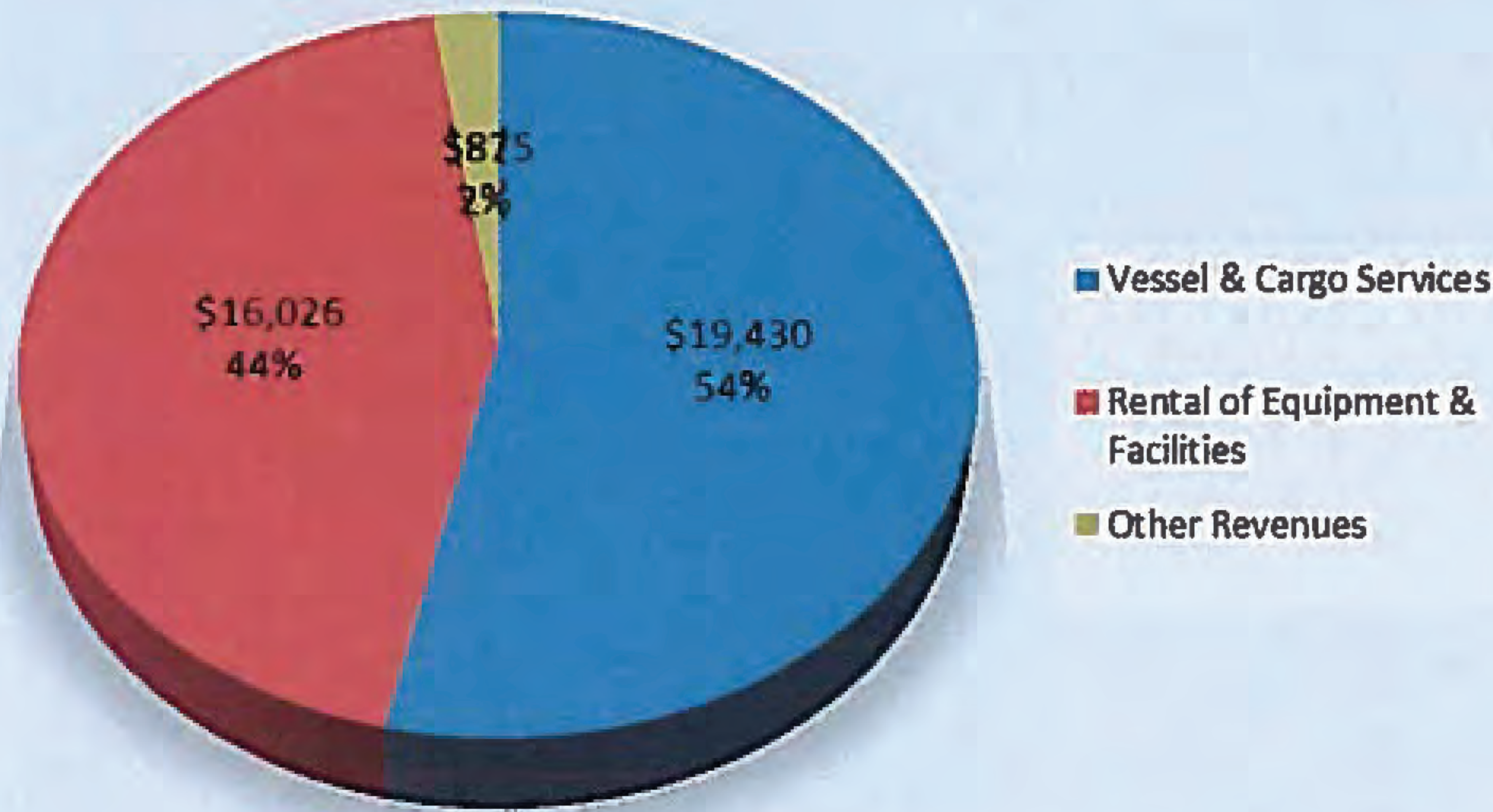
- The District generates revenue utilizing marine terminal facilities designed to accommodate a wide range of bulk, break-bulk and containerized cargoes.

Operating Revenues



2015 LCH&TD Operating Revenues

(In thousands)

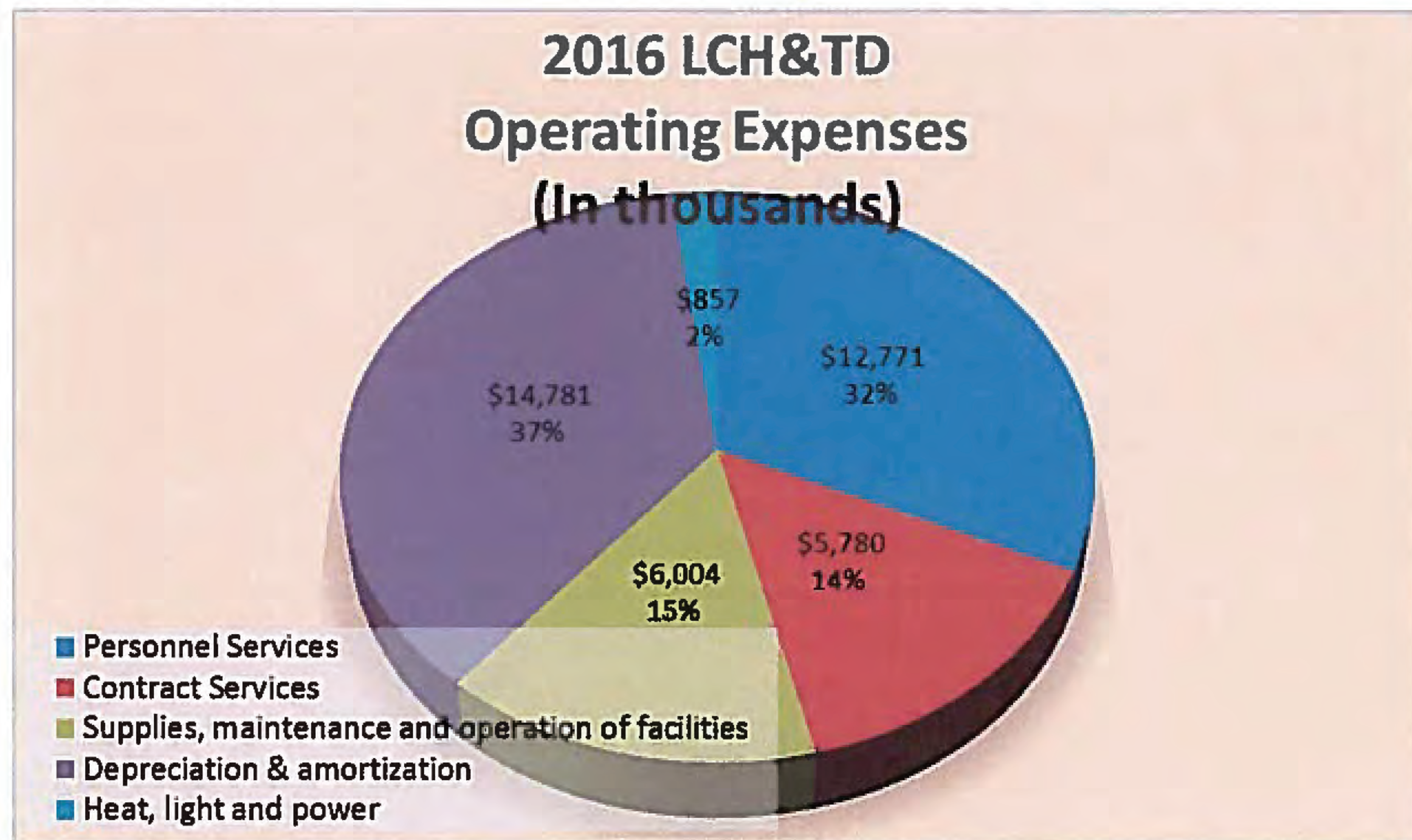


- Total operating revenues increased \$4.5 million or 12% during 2016 as compared to 2015. The increase is partially due to an increase in bulk grains at the District's City Docks location related to a full year of operation at the leased terminal. Barite tonnage also increased during 2016, as compared to 2015, resulting in an increase in cargo handling revenues. Also during 2016, the District secured a new tenant at the City Docks location for the company's movement of Alumina Trihydrate. Additionally, an increase in the volume of project cargo for several of the area's megaprojects resulted in an increase in revenues in 2016, as compared to 2015.

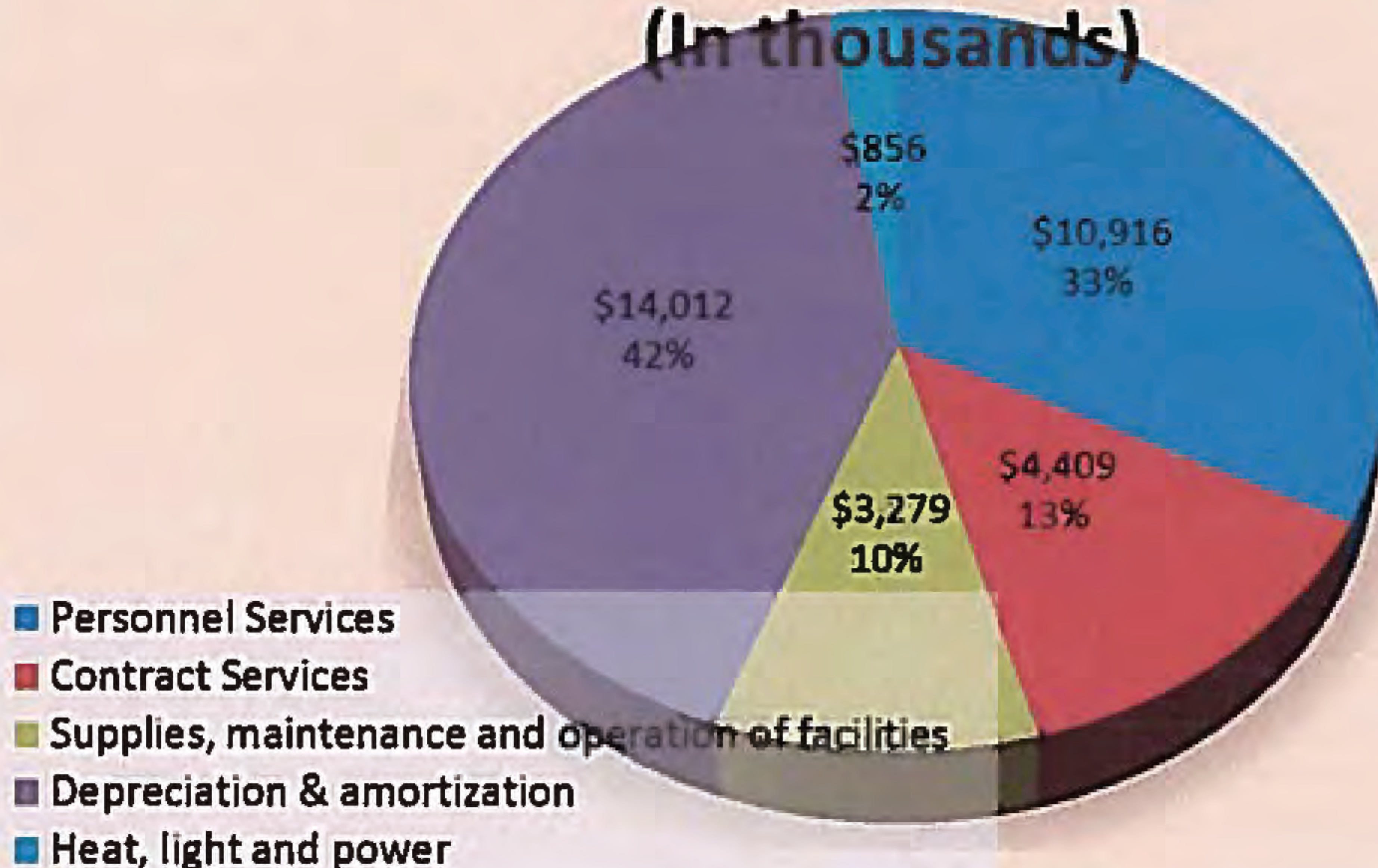
- An additional contributing factor to the increase during 2016 relates to the District initiating a lease with a tenant for a prospective LNG export terminal. The District also leased additional laydown area related to project cargo for one of the area's megaprojects during 2016. Also during 2016, the District initiated a lease with a tenant that provides cryogenic insulation for LNG related activities. The final contributing factor for the increase in revenues relates to proceeds received from a tenant for the use of the District's spoil area to dispose of dredged material.

- Partially offsetting the overall increase in revenues are decreased volumes of petroleum coke for one of the District's primary customers. Also partially offsetting the increase in revenues was one of the District customer's discontinuing handling crushed anodes during 2016. The final contributing factor partially offsetting the increase in revenues relates to a decrease in leased space by one of the District's tenants at the City Docks location associated with a lower volume of proppants.

Operating Expenses



2015 LCH&TD Operating Expenses (In thousands)



- Total operating expenses increased \$6.7 million or 20% during 2016 as compared to 2015. The primary factor contributing to the increase in expenses as compared to 2015 was a favorable settlement the District received in 2015 associated with an earlier lawsuit filed by a stevedore arising out of the termination of an agreement.
- There were two secondary factors to the increase in expenses in 2016, compared to 2015, related to personnel expenses. Firstly, the District experienced an increase in expenses, associated with adjustments made in the calculation of pension requirements as necessitated by Governmental Accounting Standards Board (GASB) Number 68 - *Accounting for Financial Reporting and Pension* - an amendment of GASB Statement No. 27, and Statement Number 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an amendment of GASB Statement No. 68. Please see Note 11 for additional information. The second factor resulting in higher personnel expenses was higher overall medical claims for the District's self-insured medical plan.
- Professional services expenses increased in 2016, as compared to 2015, associated with the demolition of Transit Sheds 2 & 3 at the District's City Docks location as well as commissioning a comprehensive underwater dock inspection at each of its cargo handling facilities. The District also began contracting for railcar switching in 2016, resulting in an increase in professional services as compared to 2015.

- An additional contributing factor to the increase in expenses in 2016, as compared to 2015, was an increase in dock maintenance dredging expenses. Outside services also increased in 2016, as compared to 2015, associated with repairs to a berth at City Docks.
- 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 2015 and 2016.
- Partially offsetting the increase in expenses were lower operating expenses associated with a decrease in the volume of petroleum coke and discontinuing handling crushed anodes during 2016, as noted earlier.
- Net nonoperating revenues increased \$1.1 million during 2016 as compared to 2015. The primary contributing factor related to the cost sharing arrangement with the U.S. Army Corps of Engineers for the dredged material management plan. The District also received an increase in property taxes as compared to 2015.
- The District received \$1.3 million in Federal, State and private capital contributions for the year ended December 31, 2016 compared to \$8.5 for the year ended 2015. The capital contributions during 2016 relate partially to the District being designated as an Energy Port in the Water Resources Reform and Development Act, which provided federal funding for dredging related activities. The remaining contributions received during 2016 include grant funding related to the installation of a dockside monopole at the District's Industrial Canal, the new administration building and a railroad project near the local rice mill. The capital contributions from 2015 for private parties relates to the ownership of a building at the District's Industrial Park East location that was transferred to the District when the tenant terminated the lease. The remaining contributions received in 2015 were grant funding, the majority of which were for the Wharf and Transit Shed 1 Reconstruction Project at City Docks.
- The District's net position increased \$2.6 million during the twelve months ended December 31, 2016. The increase is partially due to an increase in bulk grains, increased Barite tonnage, a new tenant that handles Alumina Trihydrate, and an increase in the volume of project cargos for several of the areas megaprojects. An additional contributing factor to the increase during 2016 relates to a new tenant for a prospective LNG export terminal, additional lease space for laydown area related to project cargo, a new tenant that provides cryogenic insulation for LNG related activities and proceeds received from a tenant for the use of the District's spoil area to dispose of dredged material. The final contributing factors related to the increase in net position relates to lower operating expenses associated with a decrease in the volume of petroleum coke and discontinuing handling crushed anodes during 2016.

- Partially offsetting the overall increase in net position are increases in expenses associated with a favorable settlement the District received in 2015, an increase in expenses associated with GASB 68 and higher overall medical claims. Additionally, the District experienced increases in expenses associated with the demolition of Transit Sheds 2 & 3, the commissioning of the comprehensive underwater dock inspection, and contracting for railcar switching services during 2016. Increases in expenses associated with the maintenance dredging of District terminals, repairs to a berth at City Docks and increases in depreciation expense partially offset the overall increase in net position. The final contributing factors offsetting the overall increase in net position are lower volumes of petroleum coke, lower revenues associated with discontinuing handling crushed anodes, and a decrease in leased space by one of the District's tenants at the City Docks.

Capital and Debt Administration

Capital assets. The District's capital assets were \$301.1 million and \$287.3 million (net of accumulated depreciation) as of December 31, 2016 and 2015, respectively. These balances include land, buildings, improvements, equipment, and construction in progress.

Major capital asset events during the year ended December 31, 2016 included the following:

- Construction continued on additional facilities for the District; construction in progress as of December 31, 2016 was \$3.1 million compared to \$29.9 million as of December 31, 2015.
- Completion of the Wharf and Transit Shed 1 Project during the second quarter of 2016.
- Completion of the New Administration building in the fourth quarter of 2016.

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

| | 2016 <u>(in thousands)</u> | 2015 <u>(in thousands)</u> |
|--------------------------|-------------------------------|-------------------------------|
| Land | \$ 56,276 | \$ 36,937 |
| Buildings and facilities | 364,888 | 332,709 |
| Equipment | 68,305 | 65,016 |
| Construction in progress | 3,073 | 29,866 |
| Accumulated depreciation | <u>(191,442)</u> | <u>(177,198)</u> |
| | <u>\$ 301,100</u> | <u>\$ 287,330</u> |

Debt Administration

As of December 31, 2016, the District had \$68.5 million in non-current liabilities as compared to \$64.6 million as of December 31, 2015. Approximately 54% of the total is bonded debt and approximately 30% is due within ten years.

The District underwent a formal bond rating process for the first time in recent history during 2013. The District received an "A3" rating from Moody's and an "A-" rating from Standard and Poor's. In November of 2016, Moody's affirmed the "A3" rating.

During 2013 the District issued \$6.9 million in Non-AMT revenue bonds and \$32.6 million in AMT revenue bonds. The bonds are limited obligations of the District payable solely from and secured by a pledge of the revenue derived from the operation of the properties and facilities maintained and operated by the District. The purpose of the bonds is for the financing and reimbursing of the District for the costs of construction of a dock and wharf and related improvements on land owned by the District to facilitate shipping of various products as well as the construction of various capital improvements for the benefit of the District and paying the costs of issuance of the bonds.

Additional information on the District's long-term debt can be found in Note 10 which begins on page 55 of this report.

Economic Factors

The following factors were considered in preparing the District's budget for 2017:

- An increase in wharfage, dockage, and rental revenues associated with a new customer at City Docks.

- A decrease in petroleum coke tonnage and related revenue associated with one of the District's customers at Bulk Terminal No. 1.
- An increase in legal expenses associated with an ongoing lawsuit with a tenant.
- An increase in personnel services associated with hiring additional staff.
- An increase in depreciation expense associated with the completion of several large capital projects.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Exhibit 1

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

STATEMENT OF NET POSITION

ENTERPRISE FUND

December 31, 2016

ASSETS

CURRENT ASSETS

| | |
|--|-------------------|
| Cash and cash equivalents | \$ 38,794,727 |
| Restricted current assets: | |
| Cash and cash equivalents | 18,922,170 |
| Investments | 101,129 |
| Receivables: | |
| Trade, net of allowance for doubtful accounts | 6,560,702 |
| Intergovernmental | 323,914 |
| Property taxes, net of allowance for doubtful accounts | 3,470,585 |
| Inventory | 2,945,494 |
| Prepaid expenses | 748,749 |
| Insurance deposits | <u>2,269,079</u> |
| Total current assets | <u>74,136,549</u> |

NONCURRENT ASSETS

| | |
|-------------------------------------|--------------------|
| Capital assets, net of depreciation | <u>301,099,995</u> |
| Total assets | <u>375,236,544</u> |

DEFERRED OUTFLOW OF RESOURCES

| | |
|--|------------------|
| Deferred outflows related to net pension liability | <u>5,086,167</u> |
|--|------------------|

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

STATEMENT OF NET POSITION
ENTERPRISE FUND
December 31, 2016

LIABILITIES

| | |
|--|-----------------------|
| CURRENT LIABILITIES (payable from current assets) | |
| Current maturities of long-term debt | \$ 967,159 |
| Accounts payable | 2,430,249 |
| Contracts payable | 893,271 |
| Claims payable | 430,837 |
| Accrued expenses | 3,852,246 |
| Accrued interest payable | 922,669 |
| Unearned revenues | <u>4,309,167</u> |
| Total current liabilities (payable from current assets) | <u>13,805,598</u> |
| NONCURRENT LIABILITIES (payable from unrestricted assets) | |
| Compensated absences, less current portion | 607,909 |
| OPEB liability | 2,603,607 |
| Unearned revenues, less current portion | 1,725,202 |
| Net pension liability | 25,793,355 |
| Long-term debt, less current maturities | <u>37,239,331</u> |
| Total noncurrent liabilities (payable from unrestricted assets) | <u>67,969,404</u> |
| Total liabilities | <u>81,775,002</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>466,012</u> |
| NET POSITION | |
| Net investments in capital assets | 262,893,505 |
| Restricted for required cash deposits and debt service | 13,885,821 |
| Unrestricted | <u>21,302,371</u> |
| Total net position | <u>\$ 298,081,697</u> |

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

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LAKE CHARLES HARBOR AND TERMINAL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 ENTERPRISE FUND
 Year Ended December 31, 2016

| | |
|---|-----------------------|
| Operating revenues: | |
| Vessel and cargo services | \$ 21,060,479 |
| Rental of equipment and facilities | 18,305,150 |
| Other | <u>1,492,785</u> |
| Total operating revenues | <u>40,858,414</u> |
| Operating expenses: | |
| Personnel services | 12,771,273 |
| Contractual services | 5,779,960 |
| Supplies, maintenance and operation of facilities | 6,003,511 |
| Heat, light and power | 856,960 |
| Depreciation and amortization | <u>14,781,219</u> |
| Total operating expenses | <u>40,192,923</u> |
| Operating income (loss) | <u>665,491</u> |
| Nonoperating revenues (expenses): | |
| Property taxes | 3,476,800 |
| Intergovernmental revenue | 86,901 |
| Interest income | 403,205 |
| Interest expense and fiscal charges | (66,242) |
| Retirement of assets | (32,014) |
| Other | <u>(3,240,140)</u> |
| Net nonoperating revenues (expenses) | <u>628,510</u> |
| Net income before contributions | <u>1,294,001</u> |
| Capital contributions: | |
| Private parties | 388,000 |
| State government | 362,221 |
| Federal government | <u>548,000</u> |
| Total capital contributions | <u>1,298,221</u> |
| Change in net position | 2,592,222 |
| Net position, beginning of year | <u>295,489,475</u> |
| Net position, end of year | <u>\$ 298,081,697</u> |

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

Exhibit 3

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

STATEMENT OF CASH FLOWS
 ENTERPRISE FUND
 Year Ended December 31, 2016

| | |
|---|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Received from customers and users | \$ 39,911,951 |
| Payments to employees and related benefits | (12,019,994) |
| Payments to suppliers | <u>(14,366,280)</u> |
| Net cash provided by operating activities | <u>13,525,677</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Operating subsidies received from other governments | <u>86,901</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Property taxes collected | 3,246,491 |
| Capital grants collected | 1,720,940 |
| Payments for capital acquisitions | (30,153,356) |
| Proceeds from sale of capital assets | 107 |
| Principal payments on long-term debt | (932,159) |
| Interest and fiscal charges paid (net of amount capitalized) | <u>(84,642)</u> |
| Net cash provided by (used in) capital and related financing activities | <u>(26,202,619)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of investments | (463) |
| Receipts of interest | <u>403,205</u> |
| Net cash provided by investing activities | <u>402,742</u> |
| Net (decrease) in cash and cash equivalents | (12,187,299) |
| Cash and cash equivalents: | |
| Beginning of year | <u>69,904,196</u> |
| End of year | <u>\$ 57,716,897</u> |
| Cash and cash equivalents | |
| Restricted cash and cash equivalents | <u>18,922,170</u> |
| | <u>\$ 57,716,897</u> |

(continued on next page)

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

STATEMENT OF CASH FLOWS
 ENTERPRISE FUND
 Year Ended December 31, 2016
 (Continued)

| | |
|--|----------------------|
| RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO | |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating income | \$ 665,491 |
| Adjustments to reconcile operating income | |
| to net cash provided by operating activities: | |
| Depreciation and amortization | 14,781,219 |
| Changes in assets and liabilities: | |
| (Increase) in customer receivables | (1,016,539) |
| (Increase) in inventory | (635,389) |
| Decrease in prepaid expenses and other assets | 548,542 |
| (Increase) in deferred outflows | (3,965,561) |
| Increase in accounts payable and accrued expenses | 1,818,235 |
| Increase in deferred revenue | 70,076 |
| Increase in deferred inflows | 3,955 |
| Increase in net pension liability | 4,495,788 |
| Other | (3,240,140) |
| Total adjustments | <u>12,860,186</u> |
| Net cash provided by operating activities | <u>\$ 13,525,677</u> |

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

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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. Capital contributions (grants) received by the District also are not budgeted. During the year ended December 31, 2016, the District did not amend its budget.

E. Cash, Cash Equivalents, and Investments

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

Louisiana state statutes, as stipulated in R.S. 39:1271, authorize the District to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana. The state statutes also authorize the District to invest in any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. Investing is performed in accordance with investment policies complying with State Statutes and those adopted by the Board of Commissioners.

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the District has stated their investments at fair value at December 31, 2016. Fair value was determined by obtaining "quoted" year end market prices. Cash and cash equivalents, which include cash, demand deposits, and money market deposits are stated at cost.

F. Receivables

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

G. Property Taxes

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

H. Inventories

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

I. Prepaid Expenses

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

J. Restricted Assets

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

K. Capital Assets

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

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 fair value and yields shall be furnished to the Board of Commissioners.
- j. Other forms of investments as may be authorized by law for the investment of public funds of political subdivisions of the State of Louisiana.

As of December 31, 2016, 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 fair value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent.

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

Investments held at December 31, 2016, consist of \$101,129, 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, 2016, cash equivalents and investments were restricted as shown below:

| | |
|---|--------------------------|
| Wetlands restoration escrow accrual | \$ 1,214,843 |
| Marsh creation demo project fund | 81 |
| Cash pledged to the National Hurricane Museum | 3,000,000 |
| Trust funds pursuant to the issuance of the | |
| 2014 Port Improvement Revenue Bonds: | |
| Construction Fund | 8,844,452 |
| Debt Service Reserve Fund | 3,163,601 |
| Debt Service Fund | 1,877,768 |
| PRM-C&E | 521,183 |
| PRM-LTM | <u>300,242</u> |
| Total | <u>\$ 18,922,170</u> |

Note 4. Allowances for Doubtful Accounts

The changes in allowances for doubtful accounts during 2016 follow:

| | <u>Property Taxes</u> |
|---------------------------|---------------------------|
| Balance January 1, 2016 | \$ 32,730 |
| Additions | <u>2,326</u> |
| Balance December 31, 2016 | <u>\$ 35,056</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 2016 assessed millage is 2.53 mills.

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

Total taxes levied for the year ended December 31, 2016 were \$3,618,296 on property with assessed valuation totaling \$1,585,421,318 less exempt valuation of \$155,264,877, for a net valuation of \$1,430,156,441.

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 \$112,686 for 2016.

Note 6. Intergovernmental Receivable

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

| | <u>2016</u> |
|---|-------------------|
| State of Louisiana capital outlay program | \$ 133,801 |
| FEMA Public Assistance Grant | 190,113 |
| Capital projects-State of Louisiana Ports Priority Program | <u>-</u> |
| | <u>\$ 323,914</u> |

Note 7. Capital Assets

A summary of changes in capital assets for the years ended December 31, 2016 is as follows:

| <u>2016</u> | <u>Beginning of Year</u> | <u>Additions</u> | <u>Reductions</u> | <u>End of Year</u> |
|---|------------------------------|----------------------|----------------------|------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 36,936,655 | \$ 19,339,659 | \$ - | \$ 56,276,314 |
| Construction in progress | <u>29,865,857</u> | <u>11,949,921</u> | <u>38,742,569</u> | <u>3,073,209</u> |
| Total capital assets not being depreciated | <u>66,802,512</u> | <u>31,289,580</u> | <u>38,742,569</u> | <u>59,349,523</u> |
| Capital assets being depreciated: | | | | |
| Buildings and operating facilities | 332,709,379 | 32,645,289 | 467,217 | 364,887,451 |
| Equipment, furniture and fixtures | <u>65,016,247</u> | <u>3,390,863</u> | <u>102,581</u> | <u>68,304,529</u> |
| Total capital assets being depreciated | <u>397,725,626</u> | <u>36,036,152</u> | <u>569,798</u> | <u>433,191,980</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and operating facilities | 154,995,364 | 11,268,446 | 450,567 | 165,813,243 |
| Equipment, furniture and fixtures | <u>22,202,603</u> | <u>3,512,773</u> | <u>87,111</u> | <u>25,628,265</u> |
| Total accumulated depreciation | <u>177,197,967</u> | <u>14,781,219</u> | <u>537,678</u> | <u>191,441,508</u> |
| Total capital assets being depreciated, net | <u>220,527,659</u> | <u>21,254,933</u> | <u>32,120</u> | <u>241,750,472</u> |
| Total capital assets, net | <u>\$ 287,330,171</u> | <u>\$ 52,544,513</u> | <u>\$ 38,774,689</u> | <u>\$ 301,099,995</u> |

Depreciation expense was \$14,781,219 for the year ended December 31, 2016.

Capitalized interest was \$2,099,911 for the year ended December 31, 2016.

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, 2016:

| | |
|-------------------|----------------------|
| Land | \$ 23,281,926 |
| Buildings | <u>24,687,795</u> |
| | 47,969,721 |
| Less depreciation | <u>10,167,526</u> |
| | <u>\$ 37,802,195</u> |

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

| | |
|------------|----------------------|
| 2017 | \$ 11,489,324 |
| 2018 | 9,003,239 |
| 2019 | 7,415,318 |
| 2020 | 5,569,859 |
| 2021 | 4,556,709 |
| After 2021 | <u>30,871,160</u> |
| | <u>\$ 68,905,609</u> |

Of the above, the amount of \$1,990,186 was paid in full at the inception of the lease by the lessee, and is included in unearned revenues at December 31, 2016.

Note 9. Compensated Absences

Compensated absences are included in personnel services expenses for 2016. The District's liabilities for accumulated compensated absences as of December 31, 2016 are as follows:

| <u>Beginning of Year</u> | <u>Additions</u> | <u>Reductions</u> | <u>End of Year</u> | <u>Due Within One Year</u> |
|----------------------------------|------------------|-------------------|------------------------|--------------------------------|
| \$ 675,639 | \$ 65,035 | \$ 65,220 | \$ 675,454 | \$ 67,545 |

Note 10. Long-Term Bonded Debt

Bonds payable at December 31, 2016 comprised of the following:

Revenue bonds:

| | |
|--|--------------|
| \$6,995,000 Lake Charles Harbor and Terminal District State of Louisiana Revenue Bonds 2014A (Non-AMT), interest is due semi-annually beginning July 1, 2013 and principal amounts are due annually beginning January 1, 2037; interest rate 4.75% for the life of the bonds maturing January 1, 2039 | \$ 6,995,000 |
|--|--------------|

| | |
|--|-------------------|
| \$32,620,000 Lake Charles Harbor and Terminal District State of Louisiana Revenue Bonds 2013B (AMT), interest is due semi-annually beginning July 1, 2014 and principal amounts are due annually beginning January 1, 2015; interest rate ranging from 3% to 5.5% for the life of the bonds maturing January 1, 2037 | <u>30,945,000</u> |
|--|-------------------|

| | |
|---------------------|----------------------|
| Total bonds payable | <u>\$ 37,940,000</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, 2016 are as follows:

| <u>Year Ending December 31,</u> | <u>Principal</u> | <u>Interest</u> |
|---------------------------------|----------------------|----------------------|
| 2017 | \$ 955,000 | \$ 1,845,338 |
| 2018 | 995,000 | 1,807,138 |
| 2019 | 1,045,000 | 1,757,388 |
| 2020 | 1,095,000 | 1,705,138 |
| 2021 | 1,130,000 | 1,672,288 |
| 2022-2026 | 6,335,000 | 7,669,050 |
| 2027-2031 | 8,195,000 | 5,812,375 |
| 2032-2036 | 10,525,000 | 3,488,494 |
| 2037-2039 | 7,665,000 | 742,088 |
| | <u>\$ 37,940,000</u> | <u>\$ 26,499,297</u> |

Changes in Long-Term Debt:

Noncurrent liabilities activity for the year ended December 31, 2016 is as follows:

| | <u>January 1,</u> <u>2016</u> | <u>Additions</u> | <u>Reductions</u> | <u>December 31,</u> <u>2016</u> | <u>Due Within</u> <u>One Year</u> |
|--------------------------|----------------------------------|---------------------|---------------------|------------------------------------|--------------------------------------|
| Revenue bonds | \$ 38,860,000 | \$ - | \$ 920,000 | \$ 37,940,000 | \$ 955,000 |
| Premium on revenue bonds | 278,649 | - | 12,159 | 266,490 | 12,159 |
| Net pension liability | 21,297,567 | 4,495,788 | - | 25,793,355 | - |
| OPEB liability | 2,418,217 | 185,390 | - | 2,603,607 | - |
| Compensated absences | 675,639 | 65,035 | 65,220 | 675,454 | 67,545 |
| Unearned revenue | 2,322,229 | - | 298,513 | 2,023,716 | 298,513 |
| | <u>\$ 65,852,301</u> | <u>\$ 4,746,213</u> | <u>\$ 1,295,892</u> | <u>\$ 69,302,622</u> | <u>\$ 1,333,217</u> |

Note 11. Retirement Benefits

Defined benefit pension plan:

Plan Description

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

Benefits Provided

Retirement benefits - LASERS

The age and years of creditable service required in order for a member to retire with full benefits are established by statute, and vary depending on the member's hire date, employer, and job classification. The majority of rank and file members may either retire with full benefits at any age upon completing 30 years of creditable service or at age 60 upon completing five to ten years of creditable service depending on their plan. Additionally, members may also choose to retire with 20 years of service at any age, with an actuarially reduced benefit. The basic annual retirement benefit for members is equal to 2.5% to 3.5% of average compensation multiplied by the number of years of creditable service.

Average compensation is defined as the member's average annual earned compensation for the highest 36 consecutive months of employment for members employed prior to December 1, 2006. For members hired December 1, 2006 or later, average compensation is based on the member's average annual earned compensation for the highest 60 consecutive months of employment. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or a certain specified dollar amount of actuarially determined monetary limits, which vary depending upon the member's age at retirement. Judges, court officers, and certain elected officials receive an additional annual retirement benefit equal to 1.0% of average compensation multiplied by the number of years of

creditable service in their respective capacity. As an alternative to the basic retirement benefits, a member may elect to receive their retirement throughout their life, with certain benefits being paid to their designated beneficiary after their death.

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

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

Deferred Retirement Benefits

The State Legislature authorized LASERS to establish a Deferred Retirement Option Plan (DROP). When a member enters DROP, their status changes from active member to retiree even though they continue to work and draw their salary for a period of up to three years. The election is irrevocable once participation begins. During DROP participation, accumulated retirement benefits that would have been paid to each retiree are separately tracked. For members who entered DROP prior to January 1, 2004, interest at a rate of one-half percent less than the System's realized return on its portfolio (not to be less than zero) will be credited to the

retiree after participation ends. At that time, the member must choose among available alternatives for the distribution of benefits that have accumulated in the DROP account. Members who enter DROP on or after January 1, 2004, are required to participate in LASERS Self-Directed Plan (SDP) which is administered by a third-party provider. The SDP allows DROP participants to choose from a menu of investment options for the allocation of their DROP balances. Participants may diversify their investments by choosing from an approved list of mutual funds with different holdings, management styles, and risk factors.

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

Disability Benefits

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

Survivor's Benefit

Certain eligible LASERS surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased. The deceased member who was in state service at the time of death must have a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit regardless of when earned in order for a benefit to be paid to a minor or handicapped child. Benefits are payable to an unmarried child until age 18, or age 23 if the child remains a full-time student. The aforementioned minimum service credit requirement is ten years for a surviving spouse with no minor children, and benefits are to be paid for life to the spouse or qualified handicapped child.

Cost of Living Increases

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

Contributions

LASERS employer contribution rates are established annually under LA R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the system's actuary. Each plan pays a separate actuarially-determined employer contribution rate. However, all assets of each plan are used for the payment of benefits for all classes of members within each system, regardless of their plan membership. Employer contributions to LASERS were \$2,287,025 for the year ended December 31, 2016. Contribution rates for the year ended December 31, 2016 are as follows:

| <u>Plan</u> | <u>Employee Contribution Rate</u> | <u>Employer Contribution Rate</u> |
|--|---|---|
| Regular Employees and Appellate Law Clerks: | | |
| Hired before 7/1/2006 | 7.5% | 35.8% |
| Hired after 6/30/2006 | 8.0% | 35.8% |
| Hired after 12/31/2010 | 8.0% | 35.8% |
| Hired after 7/1/2015 | 8.0% | 35.8% |
| Optional Retirement Plan (ORP): | | |
| Hired before 7/1/2006 | 7.5% | 35.8% |
| Hired after 6/30/2006 | 8.0% | 35.8% |
| Hazardous Duty | 9.5% | 36.1% |

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

At December 31, 2016, the Lake Charles Harbor and Terminal District reported a liability for LASERS of \$25,793,355 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuations as of that date. The Lake Charles Harbor and Terminal District's long-term share of contributions to the pension plan relative to the projected contributions of all participating

employers, actuarially determined. At June 30, 2016, the Lake Charles Harbor and Terminal District's proportion for LASERS was 0.32847%. This reflects an increase for LASERS of 0.01534% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Lake Charles Harbor and Terminal District recognized pension expense, for which there were no forfeitures, of \$2,821,207.

At December 31, 2016, the Lake Charles Harbor and Terminal District reported deferred outflows of resources and deferred inflows of resources related to LASERS from the following sources:

| | <u>Deferred Outflow of Resources</u> | <u>Deferred Inflow of Resources</u> |
|---|--|---|
| Difference between expected and actual experience | \$ 14,933 | \$ 239,223 |
| Net difference between projected and actual earnings on investments | 3,212,607 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 700,964 | 226,789 |
| Employer contributions subsequent to the measurement date | <u>1,157,663</u> | <u>-</u> |
| Total | <u>\$ 5,086,167</u> | <u>\$ 466,012</u> |

During the year ended December 31, 2016, employer contributions totaling \$1,157,663 were made subsequent to the measurement date for LASERS. These contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|--------------------------|---------------------|
| Plan Year Ended June 30: | |
| 2017 | \$ 664,212 |
| 2018 | 783,456 |
| 2019 | 1,248,484 |
| 2020 | <u>766,340</u> |
| Total | <u>\$ 3,462,492</u> |

Actuarial Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. The components of the net pension liability of LASERS employers as of December 31, 2016 are as follows:

| | <u>LASERS</u> |
|-----------------------------|-------------------------|
| Total pension liability | \$ 18,576,266,623 |
| Plan fiduciary net position | <u>10,723,714,826</u> |
| Total net pension liability | <u>\$ 7,852,551,797</u> |

The Lake Charles Harbor and Terminal District's allocation is 0.32847% of the total net pension liability for LASERS.

The total pension liabilities for LASERS in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

| | <u>LASERS</u> |
|----------------------------------|---|
| Actuarial cost method | Entry age normal |
| Expected remaining service lives | 3 years |
| Investment rate of return | 7.75% per annum |
| Inflation rate | 3.0% per annum |
| Projected salary increases | Regular 4.0%-13.0%; hazardous duty 3.6%-14.5% |
| Cost of living adjustments | None |
| Mortality | Non-disabled members - Mortality rates based on the RP-2000 Combined Mortality Table with mortality improvement Projected to 2015 Disabled members - Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement |

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return for LASERS is 8.66% for 2016.

Best estimates of geometric real rates of return for each major asset class included in the target asset allocation for LASERS as of June 30, 2016 are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------------|---|
| | <u>LASERS</u> |
| Cash | -0.24% |
| Domestic equity | 4.31% |
| International equity | 5.48% |
| Domestic fixed income | 1.63% |
| International fixed income | 2.47% |
| Alternative investments | 7.42% |
| Global tactical asset allocation | 2.92% |
| Total fund | 5.30% |

Discount Rates

The discount rate used to measure the total pension liability for LASERS was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the actuary. Based on those assumptions, the net position of LASERS was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the Lake Charles Harbor and Terminal District's proportionate share of the net pension liability using the discount rate of 7.75% for LASERS, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75%) or one percentage-point higher (8.75%) than the current rate:

| | <u>1% Decrease</u> | <u>Current Discount</u> | <u>1% Increase</u> |
|--------|--------------------|-------------------------|--------------------|
| LASERS | \$ 31,689,524 | \$ 25,793,355 | \$ 20,783,460 |

Payable to the Pension Plans

At December 31, 2016, payable to LASERS was \$296,027 for December, 2016 employee and employer legally-required contributions.

Post-retirement Benefits

By action of the Board of Commissioners, in addition to the pension benefits described in Note 11, the District provides postretirement health care insurance benefits for retired employees. In 2016, the District paid 0% of the retirees' and retirees' dependents' premiums.

During 2016, twenty-four (24) retired employees were receiving benefits under this plan. These postretirement benefits are financed on a "pay-as-you-go basis" and the District recognizes the cost by expensing the annual insurance premiums. Total net cost to the District amounted to \$-0- for 2016. The participants' share of the costs totaled \$129,464 for 2016.

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, 2016 consisted of \$343,235 from employees and \$266,395 from the District.

Note 12. 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, 2015 | \$ 333,776 |
| Incurred and adjusted claims | 1,282,231 |
| Claim payments | <u>(1,295,322)</u> |
| Unpaid claims, January 1, 2016 | 320,685 |
| Incurred and adjusted claims | 1,841,179 |
| Claim payments | <u>(1,731,027)</u> |
| Total unpaid claims, December 31, 2016 | <u>\$ 430,837</u> |

The District's insurance reserves to fund future claims on deposit with the Calcasieu Parish Police Jury totaled \$2,269,079 in 2016.

Note 13. 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, 2016, the District had committed approximately \$1.0 million for the purchase of equipment, the expansion of facilities, and repairs and maintenance of existing facilities.

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

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

Note 14. Unearned Revenue

| | <u>Term Years</u> | <u>Total Rent</u> | <u>Unearned 12/31/16</u> |
|---------------------------------|-------------------|-------------------|------------------------------|
| PRM site-C&E | | | \$ 522,897 |
| PRM site-LTM | | | 300,242 |
| Wetland restoration | | | 1,200,000 |
| Trunkline LNG land lease | 40 | \$ 1,208,430 | 33,526 |
| GSA lease | 10 | 2,683,396 | 1,990,186 |
| Cash deposit on land - Pinnacle | | | 541,247 |
| Unearned grant | | | 107,704 |
| Various short-term leases | | | 1,308,242 |
| Homestead exemption settlement | | | <u>30,326</u> |
| Total | | | <u>\$ 6,034,370</u> |

Note 15. Budgetary - GAAP Reporting Reconciliation

The accompanying Schedule of Revenues, Expenses, and Changes in Net Position Budget and Actual (Budgetary Basis)-Enterprise Fund presents comparisons of the legally adopted budget (more fully described in Note 1) with actual data on a budgetary basis. The change in fair value of investment securities was not budgeted. Capital contributions were also not budgeted. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), reconciliations of resultant basis and perspective differences in net income for the year ended December 31, 2016 is presented on the budgetary comparison statement.

Note 16. Major Customers

A significant portion of the District's operating revenue has been derived from one major customer that accounted for 22% of the District's operating revenue in 2016.

Trade receivables due from two major customers as of December 31, 2016 represented the following percentage of total trade receivables.

each of the two customers accounted for 15% and 23%, respectively, in 2016;

Note 17. Postemployment Healthcare Plan

Plan description:

As noted in Note 12, the District participates in a combined health and medical self-insurance plan with the Calcasieu Parish Police Jury. The arrangement may be classified as an Agent Multiple-Employer Defined Benefit Healthcare Plan in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. By action of the Board of Commissioners, the District provides postemployment health care insurance benefits for retired employees. A separate financial report is not issued by the plan.

Funding policy:

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

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

Annual OPEB cost and Net OPEB obligations:

The District's annual OPEB costs were calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding which if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over the actuarial amortization period. The ARC was calculated as part of the January 1, 2016 actuarial valuation performed by an outside actuary consultant. The following table shows the components of the District's annual OPEB costs for the year and the amount estimated to have been contributed to the plan during the year:

Table 1

| | |
|---|---------------------|
| Annual required contribution | \$ 394,945 |
| Interest on net OPEB obligation | 96,729 |
| Adjustment to ARC | <u>(167,337)</u> |
| Annual OPEB cost | 324,337 |
| District contributions made | <u>(138,947)</u> |
| Increase in net OPEB obligation | 185,390 |
| Net OPEB obligation - beginning of year | <u>2,418,217</u> |
| Net OPEB obligation - end of year | <u>\$ 2,603,607</u> |

Table 2

| <u>Year Ended</u> | <u>Trend Information for OPEB Plan</u> | | |
|-----------------------|--|---|------------------------------------|
| | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
| 12/31/14 | 525,285 | 43.7% | 2,122,874 |
| 12/31/15 | 525,285 | 43.7% | 2,418,217 |
| 12/31/16 | 324,337 | 42.8% | 2,603,607 |

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 |
|--------------------------------|---------------------------------|--|---|-----------------|--------------|--|
| 1/1/2009 | \$ - | \$ 3,748,446 | \$ 3,748,446 | 0% | \$ 6,111,309 | 61.3% |
| 1/1/2011 | - | 5,367,308 | 5,367,308 | 0% | 6,708,135 | 80.0% |
| 1/1/2013 | - | 5,689,795 | 5,689,795 | 0% | 6,954,304 | 81.8% |
| 1/1/2016 | - | 3,865,069 | 3,865,069 | 0% | 7,401,965 | 52.2% |

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

Actuarial methods and assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used to include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The ARC for the plan was determined as part of the January 1, 2016 actuarial valuation using the following methods and assumptions:

| | |
|---|-------------------------------|
| Actuarial cost method | Projected unit credit |
| Amortization method | Level annual payments, closed |
| Remaining amortization period | 22 years |
| Discount rate for valuing liabilities | 4% |
| Health care cost inflation rate Pre-65 | 5.0% |
| Health care cost inflation rate Post 65 | 6.8% |

Note 18. Subsequent Events

Subsequent events have been evaluated through May 22, 2017, the date the financial statements were available to be issued.

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, 2016

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

Only four years of trend information is available for presentation since 2009 was the first year for implementation of Government Accounting Standards Board (GASB) Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", and actuarial valuations are only required every two years. As of 1/1/15, the District's participants decreased below the 200 participant threshold and will obtain actuarial valuations on a triennial basis. The District will obtain its next valuation as of 1/1/16.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY
Year Ended December 31, 2016

| Plan Year | Employer Proportionate % of the Net Pension Liability (Asset) | Employer Proportionate Share of the Net Pension Liability (Asset) | Employer's Covered Employee Payroll | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of It's Covered Employee Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--------------|--|---|--|--|--|
| LASERS: | | | | | |
| 2016 | 0.32847% | \$ 25,793,355 | \$ 5,968,274 | 452.2% | 57.7% |
| 2015 | 0.31313% | 21,297,567 | 5,935,106 | 358.8% | 62.7% |
| 2014 | 0.31758% | 19,857,745 | 5,611,145 | 353.9% | 65.0% |

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

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

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
Year Ended December 31, 2016

| <u>Fiscal Year</u> | <u>Contractually Required Contribution</u> | <u>Contributions in Relation to Contractually Required Contribution</u> | <u>Employer's Contribution Deficiency (Excess)</u> | <u>Covered Employee Payroll</u> | <u>Contributions as a Percent of Covered Employee Payroll</u> |
|------------------------|--|---|--|---|---|
| LASERS: | | | | | |
| 2016 | \$ 2,287,025 | \$ 2,287,025 | \$ - | \$ 6,266,472 | 36.5% |
| 2015 | 2,190,378 | 2,190,378 | - | 5,908,712 | 37.1% |
| 2014 | 1,998,527 | 1,998,527 | - | 5,857,444 | 34.1% |

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

SUPPLEMENTARY INFORMATION

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (BUDGETARY BASIS) - ENTERPRISE FUND
Year Ended December 31, 2016

| | 2016 | | | Variance |
|---|--------------------|--------------------|-------------------|---------------------|
| | Budgeted Amounts | | | With Final |
| | Original | Final | Actual | Budget |
| Operating revenue: | | | | |
| Vessel and cargo services | \$ 18,773,707 | \$ 18,773,707 | \$ 21,060,479 | \$ 2,286,772 |
| Rental of equipment and facilities | 16,088,613 | 16,088,613 | 18,305,150 | 2,216,537 |
| Other | 646,217 | 646,217 | 1,492,785 | 846,568 |
| Total operating revenue | <u>35,508,537</u> | <u>35,508,537</u> | <u>40,858,414</u> | <u>5,349,877</u> |
| Operating expenses: | | | | |
| Personnel services | 13,764,998 | 13,764,998 | 12,771,273 | 993,725 |
| Contractual services | 5,080,295 | 5,080,295 | 5,779,960 | (699,665) |
| Dredging | 1,000,000 | 1,000,000 | 1,500,391 | (500,391) |
| Supplies, maintenance and operation of facilities | 4,512,818 | 4,512,818 | 4,503,120 | 9,698 |
| Heat, light and power | 1,005,927 | 1,005,927 | 856,960 | 148,967 |
| Depreciation and amortization | 14,932,783 | 14,932,783 | 14,781,219 | 151,564 |
| Total operating expenses | <u>40,296,821</u> | <u>40,296,821</u> | <u>40,192,923</u> | <u>103,898</u> |
| Operating income (loss) | <u>(4,788,284)</u> | <u>(4,788,284)</u> | <u>665,491</u> | <u>5,453,775</u> |
| Nonoperating revenue (expenses): | | | | |
| Property taxes | 3,200,000 | 3,200,000 | 3,476,800 | 276,800 |
| Intergovernmental revenue | 90,000 | 90,000 | 86,901 | (3,099) |
| Interest income | 312,000 | 312,000 | 403,205 | 91,205 |
| Interest expense and fiscal charges | (24,000) | (24,000) | (66,242) | (42,242) |
| Retirement/impairment of assets | - | - | (32,014) | (32,014) |
| Other | (753,840) | (753,840) | (3,240,140) | (2,486,300) |
| Net nonoperating revenue (expenses) | <u>2,824,160</u> | <u>2,824,160</u> | <u>628,510</u> | <u>(2,195,650)</u> |
| Net income (loss) before contributions (budget basis) | <u>(1,964,124)</u> | <u>(1,964,124)</u> | <u>1,294,001</u> | <u>\$ 3,258,125</u> |

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

BUDGET AND ACTUAL (BUDGETARY BASIS) - ENTERPRISE FUND

Year Ended December 31, 2016

(Continued)

| | 2016 | | | |
|---|-----------------------|-----------------------|-----------------------|---------------------|
| | Budgeted Amounts | | | Variance |
| | Original | Final | Actual | With Final Budget |
| Net income (loss) before contributions (budget basis) | <u>\$ (1,964,124)</u> | <u>\$ (1,964,124)</u> | 1,294,001 | <u>\$ 3,258,125</u> |
| Capital contributions | | | <u>1,298,221</u> | |
| Net income (GAAP basis) | | | 2,592,222 | |
| Net position, beginning of year | | | <u>295,489,475</u> | |
| Net position, end of year | | | <u>\$ 298,081,697</u> | |

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

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO EXECUTIVE DIRECTOR
Year Ended December 31, 2016

Agency Head Name: William Rase, Executive Director

| <u>Purpose</u> | <u>Amount</u> |
|----------------------------------|---------------|
| Salary | \$ 320,297 |
| Benefits - insurance | 11,967 |
| Benefits - retirement (LASERS) | 121,740 |
| Benefits - deferred compensation | 12,000 |
| Car allowance | 13,487 |
| Travel | 2,052 |
| Registration fees | 4,800 |
| Conference travel | 5,875 |

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF INSURANCE IN FORCE

December 31, 2016

Insurance policies in force as of December 31, 2016:

| <u>Policy Type</u> | <u>Policy Number</u> | <u>Policy Provider</u> | <u>Policy Period</u> |
|-----------------------------------|------------------------|---|----------------------|
| Business travel | ETB101464 | Hartford | 10/3/15-10/2/18 |
| Commercial automobile | AS7-Z91-433903-016 | Liberty Mutual Insurance Company | 4/15/16-4/15/17 |
| Crime | CCP002364708 | The Fidelity and Deposit Co. of Maryland | 10/1/16-10/1/19 |
| Equipment breakdown coverage | BM4030391227 | Continental Casualty Company | 1/1/16-1/1/17 |
| General liability | 3H494348011 | Liberty Mutual Insurance Company | 10/1/16-10/1/17 |
| Bumbershoot | LCX1XL100116 | Stonington Insurance Co. | 10/1/16-10/1/17 |
| Bumbershoot | LC2XL-100116 | Starr Indemnity | 10/1/16-10/1/17 |
| Inland marine employers liability | RRP1365-9 | Essex Insurance Company | 4/21/16-4/21/17 |
| Maritime employers liability | BOUMA161372 | Star Net Insurance Co. | 6/18/16-6/18/17 |
| Police professional liability | 0202-1493 | Allied World Surplus Lines Insurance | 6/18/16-6/18/17 |
| Primary property | B0823PP1608007 | Lloyd's of London | 1/1/16-1/1/17 |
| Primary property | B0823PP1608525 | Lloyd's of London | 1/1/16-1/1/17 |
| Excess property | B0823PP1608008 | Lloyd's of London | 1/1/16-1/1/17 |
| Excess property | B0823PP1608527 | Lloyd's of London | 1/1/16-1/1/17 |
| Terrorism | B0823PP1608009 | Lloyd's of London | 1/1/16-1/1/17 |
| Public officials liability | 2528201 | Ironshare Specialty Insurance Co. | 10/1/16-10/1/17 |
| Railroad liability | SCO9319035-05 | Zurich North America | 10/1/16-10/1/17 |
| Workers compensation | 100510-D | Louisiana Worker Compensation Corporation | 6/18/16-6/18/17 |
| Health care | Self-insured with CPPJ | Stop loss carrier through CPPJ | 1/1/16-1/1/17 |

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STATISTICAL SECTION

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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Table 1

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

| | Net Investment in Capital Assets | Restricted | Unrestricted | Total |
|------|---|------------|--------------|------------|
| 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 |
| 2015 | 248,191 | 20,793 | 26,505 | 295,489 |
| 2016 | 262,894 | 13,886 | 21,302 | 298,082 |

Table 2

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SUMMARY OF REVENUES AND EXPENSES
 Years Ended December 31, 2007 through 2016
 (Unaudited)

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|--|----------------------|---------------------|---------------------|---------------------|
| OPERATING REVENUES | | | | |
| Charges for services | \$ 21,040,668 | \$ 21,841,492 | \$ 19,408,860 | \$ 23,564,920 |
| Rentals | 8,034,696 | 8,564,493 | 8,764,583 | 10,807,934 |
| Other | 260,484 | 672,272 | 852,667 | 1,406,193 |
| Total | <u>29,335,848</u> | <u>31,078,257</u> | <u>29,026,110</u> | <u>35,779,047</u> |
| NONOPERATING REVENUES | | | | |
| Property taxes | 2,197,493 | 2,370,487 | 2,318,463 | 2,634,642 |
| Intergovernmental revenue | 89,102 | 91,827 | 92,875 | 90,114 |
| Interest income | 1,898,195 | 1,215,960 | 298,711 | 280,535 |
| Other income | 212,541 | 128,604 | (83,629) | (11,094) |
| Total | <u>4,397,331</u> | <u>3,806,878</u> | <u>2,626,420</u> | <u>2,994,197</u> |
| OPERATING EXPENSES | | | | |
| General and administrative | 7,527,770 | 9,086,400 | 8,583,507 | 9,727,094 |
| Maintenance and operation | 11,399,575 | 11,907,649 | 10,353,634 | 11,461,563 |
| Depreciation | 8,804,644 | 9,531,318 | 10,338,613 | 10,694,862 |
| Total | <u>27,731,989</u> | <u>30,525,367</u> | <u>29,275,754</u> | <u>31,883,519</u> |
| NONOPERATING EXPENSES | | | | |
| Interest expense and fiscal charges | 21,631 | 21,866 | 37,890 | 39,278 |
| Intergovernmental expense | - | - | - | - |
| Other expenses | (886,908) | (218,347) | (286,587) | (692,481) |
| Total | <u>(865,277)</u> | <u>(196,481)</u> | <u>(248,697)</u> | <u>(653,203)</u> |
| Net income (loss) before contributions | <u>6,866,467</u> | <u>4,556,249</u> | <u>2,625,473</u> | <u>7,542,928</u> |
| Capital contributions: | | | | |
| Federal government | 40,907 | 500,000 | 2,334,638 | 323,098 |
| State government | 4,198,125 | 2,057,751 | 2,988,308 | 767,275 |
| Other | - | - | - | - |
| Total capital contributions | <u>4,239,032</u> | <u>2,557,751</u> | <u>5,322,946</u> | <u>1,090,373</u> |
| Change in net position | <u>\$ 11,105,499</u> | <u>\$ 7,114,000</u> | <u>\$ 7,948,419</u> | <u>\$ 8,633,301</u> |

Table 2

| <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|----------------------|----------------------|---------------------|--------------------|----------------------|---------------------|
| \$ 22,673,086 | \$ 21,209,754 | \$ 20,221,173 | \$ 21,848,099 | \$ 19,429,820 | \$ 21,060,478 |
| 10,059,975 | 11,915,297 | 12,198,732 | 11,541,637 | 16,025,616 | 18,305,150 |
| 4,197,140 | 501,739 | 767,285 | 659,246 | 875,513 | 1,492,785 |
| <u>36,930,201</u> | <u>33,626,790</u> | <u>33,187,190</u> | <u>34,048,982</u> | <u>36,330,949</u> | <u>40,858,413</u> |
| 2,623,133 | 2,812,823 | 2,870,308 | 3,038,377 | 3,286,210 | 3,476,800 |
| 90,741 | 91,132 | 90,947 | 90,289 | 90,441 | 86,901 |
| 248,971 | 241,935 | 212,199 | 215,918 | 307,442 | 403,205 |
| - | - | - | 6,968 | 607 | 13 |
| <u>2,962,845</u> | <u>3,145,890</u> | <u>3,173,454</u> | <u>3,351,552</u> | <u>3,684,700</u> | <u>3,966,919</u> |
| 10,344,600 | 9,866,485 | 10,932,884 | 11,649,140 | 10,769,611 | 12,638,544 |
| 12,424,259 | 9,914,937 | 11,886,163 | 16,143,187 | 8,690,191 | 12,773,160 |
| 10,868,415 | 10,983,984 | 11,530,355 | 13,177,135 | 14,011,819 | 14,781,219 |
| <u>33,637,274</u> | <u>30,765,406</u> | <u>34,349,402</u> | <u>40,969,462</u> | <u>33,471,621</u> | <u>40,192,923</u> |
| 317,470 | 4,145 | 546,445 | 34,177 | 18,697 | 66,241 |
| - | - | - | 167,545 | 4,044,732 | 3,200,140 |
| (1,744,190) | 532,144 | 132,457 | 1,651,772 | 85,665 | 72,027 |
| <u>(1,426,720)</u> | <u>536,289</u> | <u>678,902</u> | <u>1,853,494</u> | <u>4,149,094</u> | <u>3,338,408</u> |
| <u>7,682,492</u> | <u>5,470,985</u> | <u>1,332,340</u> | <u>(5,422,422)</u> | <u>2,394,934</u> | <u>1,294,001</u> |
| 544,248 | 1,692,016 | 2,638,179 | - | - | 548,000 |
| 4,427,736 | 9,854,453 | 1,852,485 | 5,520,418 | 4,357,112 | 362,221 |
| - | - | 830,757 | 96,780 | 4,100,000 | 388,000 |
| <u>4,971,984</u> | <u>11,546,469</u> | <u>5,321,421</u> | <u>5,617,198</u> | <u>8,457,112</u> | <u>1,298,221</u> |
| <u>\$ 12,654,476</u> | <u>\$ 17,017,454</u> | <u>\$ 6,653,761</u> | <u>\$ 194,776</u> | <u>\$ 10,852,046</u> | <u>\$ 2,592,222</u> |

Table 3

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

VESSEL AND CARGO REVENUES

Years Ended December 31, 2007 through 2016
(Unaudited)

| | <u>Dockage</u> | <u>Wharfage</u> | <u>Storage</u> | <u>Cargo Handling</u> |
|------|----------------|-----------------|----------------|---------------------------|
| 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 |
| 2015 | 3,585,324 | 690,862 | 523,500 | 14,630,134 |
| 2016 | 4,515,802 | 1,344,410 | 687,236 | 14,513,031 |

SHIPPING ACTIVITIES

TONNAGE

(Unaudited)

2016 CARGO IMPORTS/EXPORTS

(Tons)

| <u>Cargo</u> | <u>Imports</u> | <u>Exports</u> | <u>Totals</u> |
|---------------|------------------|------------------|------------------|
| General cargo | 259,073 | 141,230 | 400,303 |
| Bulk | 2,017,376 | 2,543,372 | 4,560,748 |
| Totals | <u>2,276,449</u> | <u>2,684,602</u> | <u>4,961,051</u> |

Table 3

| <u>Total Vessel & Cargo Revenue</u> | <u>Per Ton Dockage</u> | <u>Per Ton Wharfage</u> | <u>Per Ton Storage</u> | <u>Per Ton Cargo Handling</u> | <u>Per Ton Vessel & Cargo Revenue</u> |
|---|----------------------------|-----------------------------|----------------------------|---------------------------------------|---|
| \$ 21,040,668 | \$ 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 | 3.68 | 4.84 |
| 20,221,173 | 0.78 | 0.23 | 0.19 | 3.74 | 4.94 |
| 21,848,099 | 0.82 | 0.26 | 0.18 | 4.20 | 5.46 |
| 19,429,820 | 0.74 | 0.14 | 0.11 | 3.02 | 4.01 |
| 21,060,479 | 0.85 | 0.25 | 0.13 | 2.74 | 3.98 |

TEN YEAR CARGO
IMPORT/EXPORT TONNAGE

| | <u>Imports</u> | <u>Exports</u> | <u>Totals</u> |
|------|----------------|----------------|---------------|
| 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 |
| 2015 | 2,311,474 | 3,114,870 | 5,426,344 |
| 2016 | 2,276,449 | 2,684,602 | 4,961,051 |

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Table 4

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

TAX REVENUES FOR BUSINESS TYPE ACTIVITIES

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

| <u>Fiscal Year Ended</u> | <u>Property Tax</u> | <u>Revenue Sharing</u> | <u>Total</u> |
|------------------------------|-------------------------|----------------------------|----------------------|
| 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 |
| 2015 | 3,286,210 | 90,441 | 3,376,651 |
| 2016 | 3,476,800 | 86,901 | 3,563,701 |
| | <u>\$ 27,628,736</u> | <u>\$ 904,369</u> | <u>\$ 28,533,105</u> |

Table 5

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

| Fiscal Year Ended December 31 | Real Property | | Personal Property | Less: Tax Exempt Real Property |
|-------------------------------------|-------------------------|--------------------|----------------------|--------------------------------------|
| | Residential Property | Public Services | Other | |
| 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 |
| 2015 | 512,094,719 | 88,527,727 | 734,831,111 | 154,218,082 |
| 2016 | 565,197,708 | 97,297,921 | 767,660,812 | 155,264,877 |

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

Table 5

| <u>Total Taxable Assessed Value</u> | <u>Total Direct Tax Rate</u> | <u>Estimated Actual Taxable Value</u> | <u>Assessed Value Percentage of Actual Value</u> |
|---|--|---|--|
| \$ 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% |
| 1,335,453,557 | 2.53 | 12,840,899,577 | 10.40% |
| 1,430,156,441 | 2.53 | 14,593,433,071 | 9.80% |

Table 6

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

| <u>Fiscal Year</u> | <u>Lake Charles Harbor and Terminal District</u> | | <u>Calcasieu Parish School Board</u> | | |
|------------------------|--|--------------|--------------------------------------|-----------------------------------|--------------|
| | <u>Operating Millage</u> | <u>Total</u> | <u>General Fund</u> | <u>Debt Service Funds</u> | <u>Total</u> |
| 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 |
| 2015 | 2.53 | 2.53 | 18.04 | 22.20 | 40.24 |
| 2016 | 2.53 | 2.53 | 17.23 | 21.00 | 38.23 |

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 | |
| 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 |
| 35.46 | 43.25 | 8.19 | 86.90 | 15.35 | 0.00 | 15.35 | 145.02 |
| 34.29 | 41.65 | 8.58 | 84.52 | 15.23 | 0.00 | 15.23 | 140.51 |

Table 7

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

| Taxpayer | Type of Business | 2016 | Rank | Percentage of Total Valuation |
|---|--------------------------|-------------------------------|------|-------------------------------------|
| | | Assessed Valuation 2016 | | |
| CITGO Petroleum Corporation | Refinery | \$ 90,110,400 | 1 | 6.75% |
| Phillips 66 (formerly Conoco) | Refinery | 64,535,818 | 2 | 4.83% |
| SASOL North America, Inc. | Chemical plant | 42,903,990 | 3 | 3.21% |
| Entergy Gulf States, Inc. | Electric Co. | 39,852,399 | 4 | 2.98% |
| Axial Corporation | Chemical plant | 38,600,520 | 5 | 2.89% |
| Golden Nugget | Hotel & casino | 37,297,420 | 6 | 2.79% |
| Pinnacle Entertainment | Hotel & casino | 32,528,040 | 7 | 2.44% |
| Excel Paralubes | Lubricants | 28,051,510 | 8 | 2.10% |
| Energy Transfer Equity | Liquified natural gas | 20,529,920 | 9 | 1.54% |
| Lyondell Basell (formerly Basell USA Inc.) | Chemical plant | 20,053,340 | 10 | 1.50% |
| Bellsouth Telecommunication | Telephone company | | | |
| WR Grace & Co. | Chemical plant | | | |
| Totals | | <u>\$ 414,463,357</u> | | <u>31.03%</u> |

Source: Calcasieu Parish Assessor

Table 7

| 2007 | | |
|-------------------------------|------|-------------------------------------|
| Assessed Valuation 2005 | Rank | Percentage of Total Valuation |
| \$ 26,154,480 | 7 | 3.10% |
| 63,683,520 | 2 | 7.55% |
| 27,547,570 | 6 | 3.27% |
| 71,399,170 | 1 | 8.47% |
| 43,840,970 | 3 | 5.20% |
| 33,163,960 | 4 | 3.93% |
| 29,999,160 | 5 | 3.56% |
| 17,880,020 | 8 | 2.12% |
| 14,679,090 | 9 | 1.74% |
| 14,473,740 | 10 | 1.72% |
| <u>\$ 342,821,680</u> | | <u>40.66%</u> |

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Table 8

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

| <u>Customer</u> | <u>2016</u> | | <u>2007</u> | |
|--|----------------------|---|----------------------|---|
| | <u>Revenue</u> | <u>Percent of Operating Revenue</u> | <u>Revenue</u> | <u>Percent of Operating Revenue</u> |
| Citgo Petroleum Corporation | \$ 9,397,661 | 21.85% | \$ 6,484,654 | 20.71% |
| Pinnacle Entertainment | 3,327,423 | 7.74% | 3,843,915 | 12.28% |
| Golden Nugget | 3,233,364 | 7.52% | | |
| Phillips 66 (formerly Conoco, Inc.) | 2,581,237 | 6.00% | 2,320,593 | 7.41% |
| Basden | 1,890,393 | 4.40% | | |
| Driftwood LNG | 1,841,650 | 4.28% | | |
| Global Logistics | | | 3,154,384 | 10.07% |
| | <u>\$ 22,271,728</u> | <u>51.79%</u> | <u>\$ 15,803,546</u> | <u>50.47%</u> |

Table 9

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

| Fiscal Year Ended December 31 | Total Tax Levy | Collected within the Fiscal Year of the Levy | |
|-------------------------------------|-------------------|---|-----------------------|
| | | Amount | Percentage of Levy |
| 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% |
| 2015 | 3,378,726 | 2,578,993 | 76.33% |
| 2016 | 3,618,328 | 2,932,887 | 81.06% |

Data source - Calcasieu Parish Tax Collector

Table 9

| Collections in Subsequent Years | Total Collections to Date | |
|---------------------------------------|---------------------------|-----------------------|
| | Amount | Percentage of Levy |
| \$ 22,608 | \$ 1,633,450 | 72.50% |
| 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% |
| 3,908 | 2,306,634 | 72.62% |
| 5,283 | 2,578,993 | 76.33% |
| - | 2,932,887 | 81.06% |

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Table 10

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

 RATIOS OF OUTSTANDING DEBT
 Last Ten Fiscal Years
 (Unaudited)

| Fiscal Year | Business Type Activities | | Percentage of Personal Income 1 | Per Capita 1 |
|----------------|---|------------|------------------------------------|-----------------|
| | Bonds and Certificates of Indebtedness | | | |
| | | | | |
| 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 |
| 2015 | | 39,138,649 | 0.87 | 197.79 |
| 2016 | | 38,206,490 | 0.77 | 190.47 |

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>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| Gross revenues | \$ 33,520,638 | \$ 34,756,531 | \$ 31,736,159 | \$ 38,784,338 |
| Deductible operating expenses | <u>18,060,856</u> | <u>19,823,472</u> | <u>18,660,069</u> | <u>20,532,356</u> |
| Net revenues available | <u>15,459,782</u> | <u>14,933,059</u> | <u>13,076,090</u> | <u>18,251,982</u> |
| Current maturities long-term debt | 1,250,000 | 1,250,000 | 1,250,000 | 1,250,000 |
| Certificates of indebtedness | - | - | 17,361 | 17,361 |
| Interest expense | <u>693,239</u> | <u>455,421</u> | <u>180,198</u> | <u>177,797</u> |
| CMLTD plus interest expense | <u>1,943,239</u> | <u>1,705,421</u> | <u>1,447,559</u> | <u>1,445,158</u> |
| Debt service coverage ratio | 7.96 | 8.76 | 9.03 | 12.63 |

Table 11

| <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 39,893,046 | \$ 36,772,680 | \$ 36,360,644 | \$ 37,400,534 | \$ 40,015,649 | \$ 44,825,332 |
| <u>23,096,329</u> | <u>19,795,567</u> | <u>22,277,602</u> | <u>27,803,150</u> | <u>19,481,105</u> | <u>25,385,463</u> |
| <u>16,796,717</u> | <u>16,977,113</u> | <u>14,083,042</u> | <u>9,597,384</u> | <u>20,534,544</u> | <u>19,439,869</u> |
| - | - | 767,119 | 767,159 | 920,000 | 955,000 |
| 17,361 | 17,547 | 17,455 | - | - | - |
| <u>317,471</u> | <u>4,145</u> | <u>546,445</u> | <u>2,047,646</u> | <u>1,882,138</u> | <u>1,845,338</u> |
| <u>334,832</u> | <u>21,692</u> | <u>1,331,019</u> | <u>2,814,805</u> | <u>2,802,138</u> | <u>2,800,338</u> |
| 50.16 | 782.64 | 10.58 | 3.41 | 7.33 | 6.94 |

Table 12

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|--|-------------------|-------------------|-------------------|-------------------|
| Debt limit | \$ 101,000 | \$ 108,567 | \$ 115,039 | \$ 120,163 |
| Total net debt applicable to limit | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Legal debt margin | <u>\$ 101,000</u> | <u>\$ 108,567</u> | <u>\$ 115,039</u> | <u>\$ 120,163</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 2016

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>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2016</u> |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 121,175 | \$ 130,135 | \$ 135,641 | \$ 140,898 | \$ 148,967 | \$ 158,542 |
| - | - | - | - | - | - |
| <u>\$ 121,175</u> | <u>\$ 130,135</u> | <u>\$ 135,641</u> | <u>\$ 140,898</u> | <u>\$ 148,967</u> | <u>\$ 158,542</u> |
| 0% | 0% | 0% | 0% | 0% | 0% |

\$ 1,430,156,441

155,264,877
1,585,421,318

158,542,132

38,206,490

120,335,642

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> |
|-------------|-------------------|------------------------|---------------------------------------|
| 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 |
| 2015 | 197,877 | 4,487,850,360 | 22,680 |
| 2016 | 200,588 | 4,979,998,276 | 24,827 |

Data sources:

1 LA Site Selection

2 Calcasieu Parish School Board

Table 13

| <u>Median Age</u> | <u>Average ACT Score Core²</u> | <u>School Enrollment²</u> | <u>Unemployment Rate²</u> |
|-------------------|---|--|--|
| 36 | 20.3 | 32,975 | 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 | 5.7 |
| 36 | 19.7 | 32,565 | 5.0 |
| 38 | 19.5 | 32,748 | 5.6 |

Table 14

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

| Employers | Type of Business | 2016 | | | 2007 | | |
|--|----------------------|------|---------------------|------------|------|---------------------|------------|
| | | Rank | Number of Employees | Percentage | Rank | Number of Employees | Percentage |
| Calcasieu Parish School Board | Education | 1 | 4,899 | 29% | 1 | 4,500 | 25% |
| Lake Charles Memorial Hospital | Health care | 2 | 2,148 | 13% | 4 | 1,343 | 8% |
| Westlake Group (formerly Axiall Corp.) | Basic chemical plant | 3 | 1,693 | 10% | 5 | 1,304 | 7% |
| Turner Industries | Fabrication | 4 | 1,650 | 10% | 2 | 2,800 | 16% |
| Golden Nugget | Gaming | 5 | 1,413 | 8% | | | |
| Pinnacle Entertainment | Gaming | 6 | 1,300 | 8% | 3 | 2,200 | 12% |
| CITGO Petroleum Corporation | Oil products | 7 | 1,113 | 7% | 6 | 1,300 | 7% |
| Christus St. Patrick Hospital | Health care | 8 | 915 | 5% | 7 | 1,200 | 7% |
| Calcasieu Parish Sheriff's Office | Government | 9 | 869 | 5% | | | |
| City of Lake Charles | Government | 10 | 810 | 5% | | | |
| Isle of Capri | Gaming | | | | 8 | 1,197 | 7% |
| Calcasieu Parish Police Jury | Government | | | | 9 | 1,075 | 6% |
| Global Industries | Construction | | | | 10 | 950 | 5% |
| Total | | | 16,810 | 100% | | 17,869 | 100% |

Source: SWLA Alliance

Table 15

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

| Function | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 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 | 14 | 14 | 14 | 15 | 15 | 14 | 13 | 13 | 13 | 13 |
| Legal | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 3 | 3 |
| Engineering | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Sales and Marketing | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 2 |
| Navigation and Security | 15 | 16 | 17 | 17 | 14 | 18 | 16 | 17 | 16 | 17 |
| Traffic | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 |
| Safety | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 |
| Maintenance | 24 | 18 | 25 | 22 | 22 | 23 | 24 | 24 | 25 | 26 |
| Operation | <u>47</u> | <u>54</u> | <u>54</u> | <u>54</u> | <u>50</u> | <u>50</u> | <u>48</u> | <u>47</u> | <u>44</u> | <u>42</u> |
| Total | <u>122</u> | <u>124</u> | <u>132</u> | <u>129</u> | <u>120</u> | <u>125</u> | <u>122</u> | <u>122</u> | <u>120</u> | <u>119</u> |

Source: Various District departments

Table 16

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

(Unaudited)

| Function | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
|-----------------------------|-------------|-------------|-------------|-------------|
| Transit sheds - square feet | 1,221,760 | 1,221,760 | 1,221,760 | 1,221,760 |
| Warehouses - square feet | 538,000 | 520,400 | 520,400 | 520,400 |
| Docks - number amount: | | | | |
| Dry cargo | 11 | 11 | 11 | 11 |
| Bulk materials | 3 | 3 | 3 | 3 |
| Open berth | 1 | 1 | 1 | 1 |
| Grain elevator | 1 | 1 | 1 | 1 |
| Track - miles | 37 | 37 | 37 | 37 |

Sources: Various District departments

Table 16

| <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 1,221,760 | 1,221,760 | 1,221,760 | 1,221,760 | 1,221,760 | 1,056,840 |
| 520,400 | 520,400 | 520,400 | 520,400 | 520,400 | 520,400 |
| 11 | 11 | 11 | 11 | 11 | 9 |
| 3 | 3 | 3 | 3 | 3 | 3 |
| 1 | 1 | 1 | 1 | 1 | 2 |
| 1 | 1 | 1 | 1 | 1 | 1 |
| 37 | 37 | 39 | 39 | 39 | 39 |

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