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Lake Charles Harbor and Terminal District
Lake Charles, Louisiana

**Comprehensive Annual Financial Report -
For The Year Ended December 31, 2001**

Under provisions of state law, this report is a public document. A copy of the report has been distributed to the entity and other appropriate public officials. The report is available for public inspection at the office of the parish clerk of court, appropriate, at the office of the parish clerk of court.

Release Date 7/10/02

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT-
A COMPONENT UNIT OF THE STATE OF LOUISIANA**

FOR THE YEAR ENDED DECEMBER 31, 2001

**Prepared by the
Staffs of the Administration and Finance,
and Sales and Marketing Divisions
Lake Charles Harbor and Terminal District**



LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT-
A COMPONENT UNIT OF THE STATE OF LOUISIANA

December 31, 2001

TABLE OF CONTENTS

| | | <u>Page</u> |
|---|----------------|-------------|
| INTRODUCTORY SECTION | | |
| List of principal officials | | 6 |
| Letter of transmittal | | 7 - 16 |
| GFOA Certificate of Achievement | | 17 |
| Regional location and mileage map | | 18 |
| Functional organizational chart | | 19 |
| FINANCIAL SECTION | | |
| | <u>Exhibit</u> | |
| Independent auditor's report | | 23 - 24 |
| General purpose financial statements: | | |
| Comparative balance sheets | 1 | 26 - 27 |
| Comparative statements of revenues, expenses, and changes in equity proprietary fund type | 2 | 28 - 29 |
| Comparative statement of revenues, expenses, and changes in retained earnings-budget and actual (budgetary basis) - proprietary fund (enterprise) | 3 | 30 - 31 |
| Comparative statements of cash flows - proprietary fund | 4 | 32 - 33 |
| Notes to financial statements | | 34 - 54 |
| STATISTICAL SECTION | | |
| | <u>Table</u> | |
| Summary of revenues and expenses | 1 | 56 - 57 |
| Shipping activities-bulk and general cargo | 2 | 58 - 59 |
| Shipping activities-tonnages | 3 | 60 - 61 |
| Property tax levies and collections | 4 | 62 - 63 |
| Assessed and estimated actual value of taxable property - last ten years | 5 | 64 - 65 |
| Ratio of net general bonded debt to assessed value and net bonded debt per capita-last ten years | 6 | 66 - 67 |
| Computation of legal debt margin | 7 | 68 |
| Computation of direct and overlapping debt | 8 | 69 |
| Coverage provided by net revenues for annual debt service requirements - last ten years | 9 | 70 - 71 |
| Property tax rates-direct and overlapping governments (per \$100 of assessed values) - last ten years | 10 | 72 |

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

**COMPREHENSIVE ANNUAL FINANCIAL REPORT-
A COMPONENT UNIT OF THE STATE OF LOUISIANA
December 31, 2001**

**TABLE OF CONTENTS
(Continued)**

| | <u>Table</u> | <u>Page</u> |
|--|--------------|-------------|
| Demographic statistics – last ten years | 11 | 73 |
| Property value, construction and bank deposits – last ten years | 12 | 74 - 75 |
| Principal taxpayers in district | 13 | 76 |
| Miscellaneous statistics | 14 | 77 |

INTRODUCTORY SECTION

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

BOARD OF COMMISSIONERS

**Hillery J. Langley, Jr.
Larry R. DeRouen
James C. Watts
Ozie Rideaux
Charles R. Donaldson, Jr.
George E. Williams
Chad Thielen**

**President
Vice-President
Secretary
Treasurer
Assistant Secretary/Treasurer
Commissioner
Commissioner**

EXECUTIVE DIRECTOR

Terry T. Jordan

May 20, 2002

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



**Lake Charles
Harbor
& Terminal
District**

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

We are pleased to submit to you the Comprehensive Annual Financial Report of the Lake Charles Harbor & Terminal District (the District) for the year ended December 31, 2001. This report has been prepared by the District's Administration and Finance Department in accordance with generally accepted accounting principles, and the financial statements contained herein have been independently audited in accordance with applicable law and governmental auditing standards. However, the Administration and Finance Department, under the direction of the Executive Director, is responsible for both the accuracy and fairness of the presentation, including all note disclosures.

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

The report consists of three sections:

1. **Introductory Section**, including this letter of transmittal which provides an overview of the District's activities and financial operations, the Certificate of Achievement for Excellence in Financial Reporting, the District's organizational chart, and a list of principal officers.
2. **Financial Section**, including the District's general-purpose financial statements and accompanying independent auditor's report on the financial statements. The notes accompanying the financial statements contained in this section provide additional supporting data, explanations and disclosures.
3. **Statistical Section**, including tables of unaudited data showing the recent financial history of the District, demographic and economic characteristics and trends, taxation and debt service as well as other information.

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

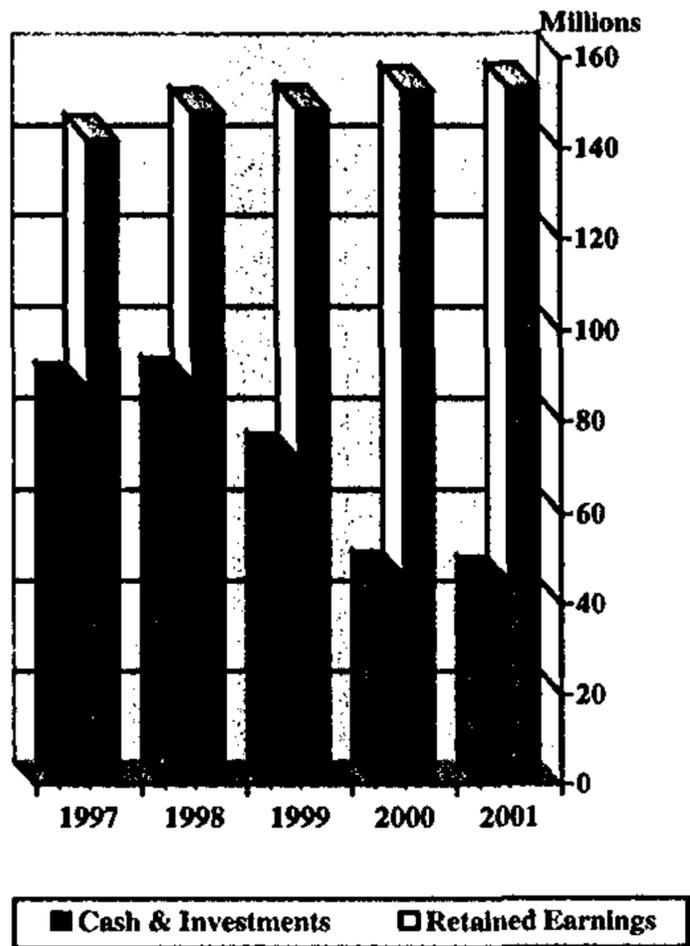
The Lake Charles Harbor and Terminal District has been classified in the past as a component unit of the State of Louisiana. This classification changed in 2000 when the State's Office of Statewide Reporting and Accounting Policies reviewed the criteria under GASB 14 and determined that the District no longer met the requirements for being classified as a component unit. The primary change that brought this about is the fact that the State's obligation to partially fund the retirement of the District's 1961 and 1966 General Obligation bonds through the State's gas tax revenue ended with the retirement of the issues.

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 following information intended to present an overview of the operations and accomplishments of the Lake Charles Harbor and Terminal District, significant activities and future plans and other information to enable the reader to understand the nature of the entity and its operations.

FINANCIAL GROWTH

Cash & Investments/Retained Earnings



HIGHLIGHTS 2001

Cash and investments decreased approximately 2.7% over 2000 from \$46,539,921 to \$45,283,272 in 2001. Cash and investments are expected to continue to decrease slightly during 2002 as the District continues its long-term capital project program. The projected positive cash flow from operations during 2002 plus prior year reserves will be expended to fund this ambitious capital program.

Retained earnings increased approximately 0.4% from \$152,981,823 in 2000 to \$153,553,211 in 2001.

Total operating revenues decreased 1.3% from \$16,958,537 in 2000 to \$16,734,393 in 2001. Vessel cargo service revenues decreased 4.1% from, \$14,743,289 in 2000 to \$14,135,754 in 2001. Total cargo tonnage increased 2.4% from 8,331,561 in 2000 to 8,534,007 in 2001.

FUTURE GROWTH OF THE DISTRICT

The Lake Charles Harbor & Terminal District saw many changes during its 2001 fiscal year. World economies, as one would expect had an impact on the District's performance, as did the events of September 11th.

The decrease in West Texas Intermediate crude oil prices from \$26.80 at the end of 2000 to \$19.84 at the end of 2001 had a direct impact on the importation of barite, an ore used to create drilling mud used in the drilling for crude oil. Barite importation was down thirty percent from 2000, or approximately 140,000 tons, but was only 40,000 tons or 10 percent, off of budgeted projects. This resulted in a decrease of revenue over 2000 of almost 920,000 dollars with a budgeted shortfall of 640,000 dollars. The importation of barite continues downward during the first months of 2002 as offshore drilling has further declined.

The exportation of green coke held steady during 2001 with a less than one percent growth, however, calcined coke, a high grade of green coke, experienced a thirty-four percent increase, or approximately 38,000 tons.

On the bright side, crude oil prices have increased since the first of the year to the twenty-five dollar per barrel range. Revenues from the handling of green coke are up approximately 1 percent for the four months of 2002 while revenues from calcine coke are up forty-eight percent.

Construction of new facilities continued at the District during 2001 with focus on two major areas. These two areas are: first, the construction of facilities and automated facilities to enhance the District's ability to attract breakbulk cargo and maintain its competitive edge; and second, upgrading and expanding the District's Bulk Terminal No. 1 to improve its ability to handle greater amounts of bulk cargo. This later project was completed late in the first quarter of 2001 with the commissioning of the District's new 3,300 tons per hour shiploader.

To maintain its competitive edge in the breakbulk cargo area, the District has been constructing several related projects referred to as the Automated Bag Handling Facility. The smaller individual projects are new baghouse and related equipment, spiralveyors, new berth, bulk grain storage expansion, and new transit shed. During 1997 the District acquired the automated bagging and loading equipment. In 1999 the District completed the expansion of its bulk grain storage facility and a new grain bagging facility next to the bulk grain facility. The construction of a new berth next to the bagging facility was completed by year-end 2000 and it is anticipated that a contract to construct a waterside transit shed will be awarded shortly as the bid packages have been let. This new berth will become home to the District's two spiralveyors that were purchased as part of the automated bagging and loading equipment in 1997.

These combined projects have a total estimated cost of \$78 million. The only components remaining are the construction of the transit shed, conveyors and the moving of the spiralveyors to their permanent location on the newly constructed dock. To date, approximately \$54 million has been spent on these projects with \$15 million coming from the State and private funds. The District has funded the balance. It is estimated that \$18 million is needed to complete the project and the District has obtained \$11 million in additional State funding for this project.

The District also saw a marked increase in tonnage handled through some of its leased properties. Most significantly was the 425,000 ton increase through Trunkline's liquid natural gas plant, this is after a 1.3 million ton increase the previous year. This lease, however, does not have tonnage-derived revenues, thus the District saw no increase in its revenues for this facility.

We are excited about the future and its prospects. It is strongly felt that under the direction of the Board of Commissioners and upper management that the District continues to position itself for strong future growth.

ECONOMIC CONDITION AND COMMUNITY PARTICIPATION

The economic forecast for the local metropolitan statistical area (Calcasieu Parish) is good. It is projected that 3,100 new jobs will be created in the Parish in 2002-2003. This represents almost a tripling of the area growth rate compared to the past two years.

There are other positive factors on the horizon for the Parish. Recently, Pinnacle was awarded the 15th riverboat license. Pinnacle is planning a \$225 million project to be located on District property. Not only will this create significant revenue to the District, but also it should create 1,500+ new jobs upon its completion, which is projected for late 2004.

The parish is home to numerous petrochemical and oil refineries. The two oil refineries will have to spend in the area of \$100 million apiece to upgrade their plants to meet EPA sulfur standards for gasoline that goes into effect in 2004. One of these refineries currently has a project in the planning stage to construct a \$1.2 billion electrical co-generation plant. Such a project will create perhaps as high as 2,000 construction jobs.

There are two other notable companies planning major expansions in the area. BellSouth will be expanding its directory assistance mega-center by 100-200 jobs, and Union Pacific Railroad will be making a \$37 million investment in a new rail yard on the westward side of the Parish near Edgerly.

The District remains committed to the Community and participates in several Southwest Louisiana events including Contraband Days, Martin L. King Day, and the

International Rice Festival, to name a few. The District continuously conducts tours for area schools, civic organizations, and business and trade delegations.

DRY BULK CARGO TERMINALS

The District owns four 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 shiploaders, 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 District manages diverse marine terminal facilities accommodating a wide range of cargo needs. Facilities include 935,835 square feet of cargo sheds, 37 miles of railroad tracks, docks, wharves, warehouses and sophisticated bulk terminals spread over 4,000 acres.

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

RAILROADS, HIGHWAYS AND AIRPORTS

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

The District has direct access to Interstate Highways 10 and 210 and to U.S. Highways 90, 171, and 165.

Three major airports, Lake Charles Regional Airport, Chennault International Airport Authority, and Southland Field serve the District.

SECURITY

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

FOREIGN TRADE ZONE

In 1934, the U.S. Congress passed the Foreign Trade Zone Act "to expedite and encourage foreign commerce." The District has six sites within its Foreign Trade Zone No. 87. Two of these sites are undeveloped land with rail and state highway access located along the District-owned Industrial Canal Railway. Two sites are within the general cargo area of the District and these locations provide access to city, state and federal road and highway systems. Rail access is also available and deep water is proximate to the above locations. A minor boundary modification has been made to the zone since the Foreign Trade Zone was awarded the original grant on July 27, 1983.

Two subzones also have been granted to major District users, 87A to Conoco Inc. and 87B to Citgo Petroleum Corporation. Citgo activated its subzone effective April 1, 1991. Conoco activated its subzone effective April 1, 1996. In early 2001, Conoco Inc. filed an application with the Foreign Trade Zone Board to increase the amount of foreign crude it could process through its facility and receive FTZ benefits. This request was granted on November 16, 2001.

ADMINISTRATION

Members of the Board of Commissioners as of December 31, 2001 are as follows:

Hillery J. Langley, Jr., President
Larry R. DeRouen, Vice President
Ozie Rideaux, Treasurer
James C. Watts, Secretary
Charles R. Donaldson, Jr., Assistant Secretary/Treasurer
George E. Williams, Commissioner
Chad Thielen, Commissioner

REPORTING ENTITY

The Lake Charles Harbor and Terminal District, created by the Louisiana Legislature in 1924 and incorporated in 1926, is a political subdivision of the State of Louisiana. It is governed by a Board of seven commissioners appointed with the advice and consent of the Senate. This report includes all operations and activities of the District and includes no other agencies.

INTERNAL CONTROL

The District is an enterprise fund type and employs accounting principles established for enterprise type proprietary funds as set out by the Governmental Accounting Standards Board and pertinent authoritative pronouncements from other organizations. Significant accounting policies and procedures used for reporting and for

the underlying accounting records include recognition of revenues and expenses on the accrual basis of accounting.

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

BUDGETARY CONTROL

The Board of Commissioners adopts an annual operating budget, which establishes budgetary appropriations for the operation of the District. Operating expenditures are legally restricted to annual budgetary appropriations at the division level. Transfers of funds between departments, programs or functions or increases in budgeted expenditures require the approval of the Board of Commissioners. Capital project budgets are established and maintained, as a management tool, on a project-length basis, subject to annual review and continuing authorization.

The District's employee contributions and the District's contributions to the employee's pension fund are paid into the State of Louisiana general pension fund and are administered by the State.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

CASH MANAGEMENT

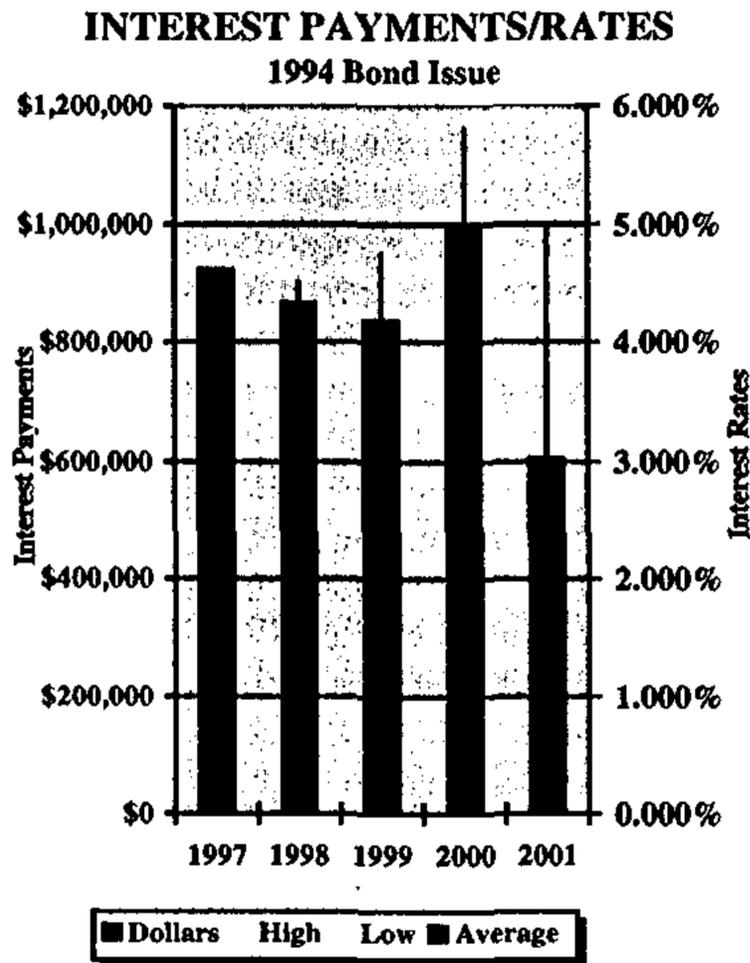
Prevailing Louisiana statutes provide the Lake Charles Harbor and Terminal District with legal authority to promulgate and implement reasonable standards for its cash management and investment operations. Subsequent to a review by a professional cash management advisory group, the District's Board of Commissioners adopted a formal *Statement of Cash Management and Investment Policy* in 1990. This policy was extensively updated in 1994. The Administration and Finance Department reviews the statement annually and, if necessary, the District's Board of Commissioners amends the policy.

The statement provides definitive requirements, guidelines, and goals for implementation and administration of a comprehensive cash management program for the

District. The policies and procedures included in the statements were designed to place the District in full compliance in all respects with GASB Statement No. 3 and other authoritative pronouncements affecting cash management of municipal and governmental organizations.

DEBT ADMINISTRATION

Outstanding revenue bonds (certificates of indebtedness) as of December 31, 2001 totaled \$22,500,000.



On February 16, 1994, the District issued \$25,000,000 Port Improvement Revenue Bonds, Series 1994. The proceeds from these bonds were dedicated to certain capital improvements, including a new ship berth and transit shed extension at the City Docks, and a new ship loader with a conveyor system at Bulk Terminal No. 1. The bonds are subject to scheduled mandatory sinking fund redemption on January 1, 2000 and annually thereafter to and including January 1, 2019. Interest is payable quarterly at a variable rate.

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

Additional costs of the bond issue are a letter of credit and a remarketing fee. Initially the letter of credit cost 45 basis points annually but it was renegotiated in August of 1998 to 36 basis points annually for a five-year period. The remarketing fee was initially 12 basis points but was renegotiated in October of 1999 to 8 basis points.

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

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

RISK MANAGEMENT

The District continues negotiating all its leases to require substantial general liability insurance coverage by its lessees and inclusion of the District as a named insured on the lessee's policy.

All leases negotiated by the District in the last several years include provisions designed to clearly establish responsibility for any violation of local, state, or federal environmental regulations and laws.

The District is constantly reviewing its property liability coverage and is cooperating with its insurance underwriters in a program of risk reduction. The District's intensified employee safety education programs are effectively reducing claims for Worker's Compensation.

At present, the District does not engage in risk financing activities where the risk is retained by the government entity (i.e., self-insurance).

INDEPENDENT AUDIT

State statutes require an annual audit by independent certified public accounts. In addition, federal funds expended by the District are subject to an annual single audit in conformity with the provision of the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments*. There were no federal funds expenditures in 2001.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lake Charles Harbor and Terminal District for its comprehensive annual financial report for the fiscal year ended December 31, 2000. The Lake Charles Harbor and Terminal District has received a Certificate of Achievement for the last thirteen consecutive years. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reporting.

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

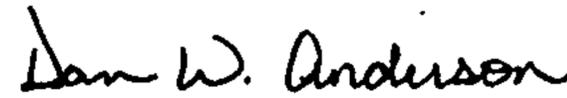
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS

The preparation of this comprehensive annual financial report could not have been accomplished without the efficient and dedicated efforts from the staffs of administration and finance, sales and marketing, executive support and coordination, and our independent auditor, Provost, Salter, Harper and Alford, LLC.



Terry T. Jordan
Executive Director



Dan W. Anderson, CPA, CGFO
Director of Administration & Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lake Charles Harbor and Terminal District, Louisiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2000

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



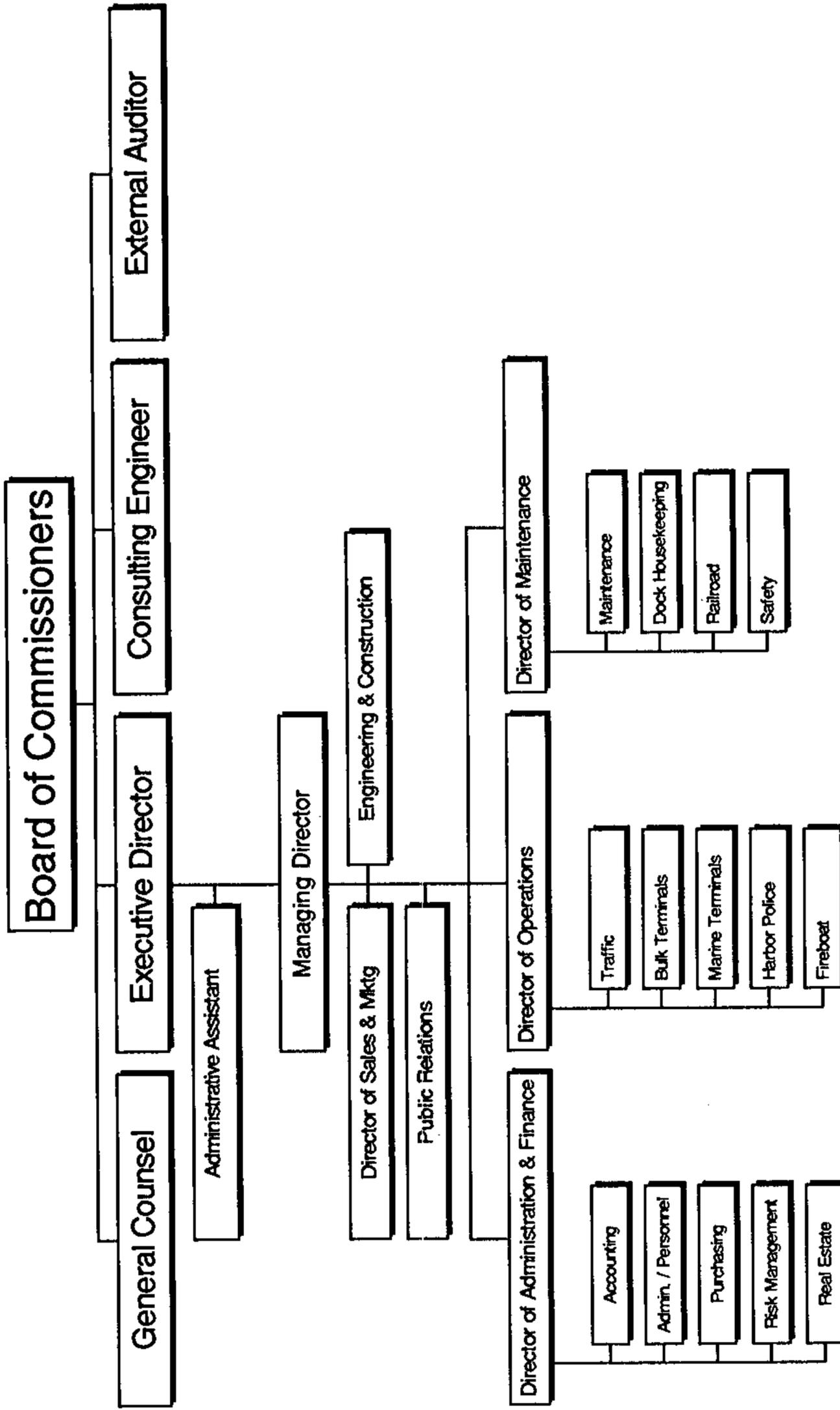
Timothy Brewer
President

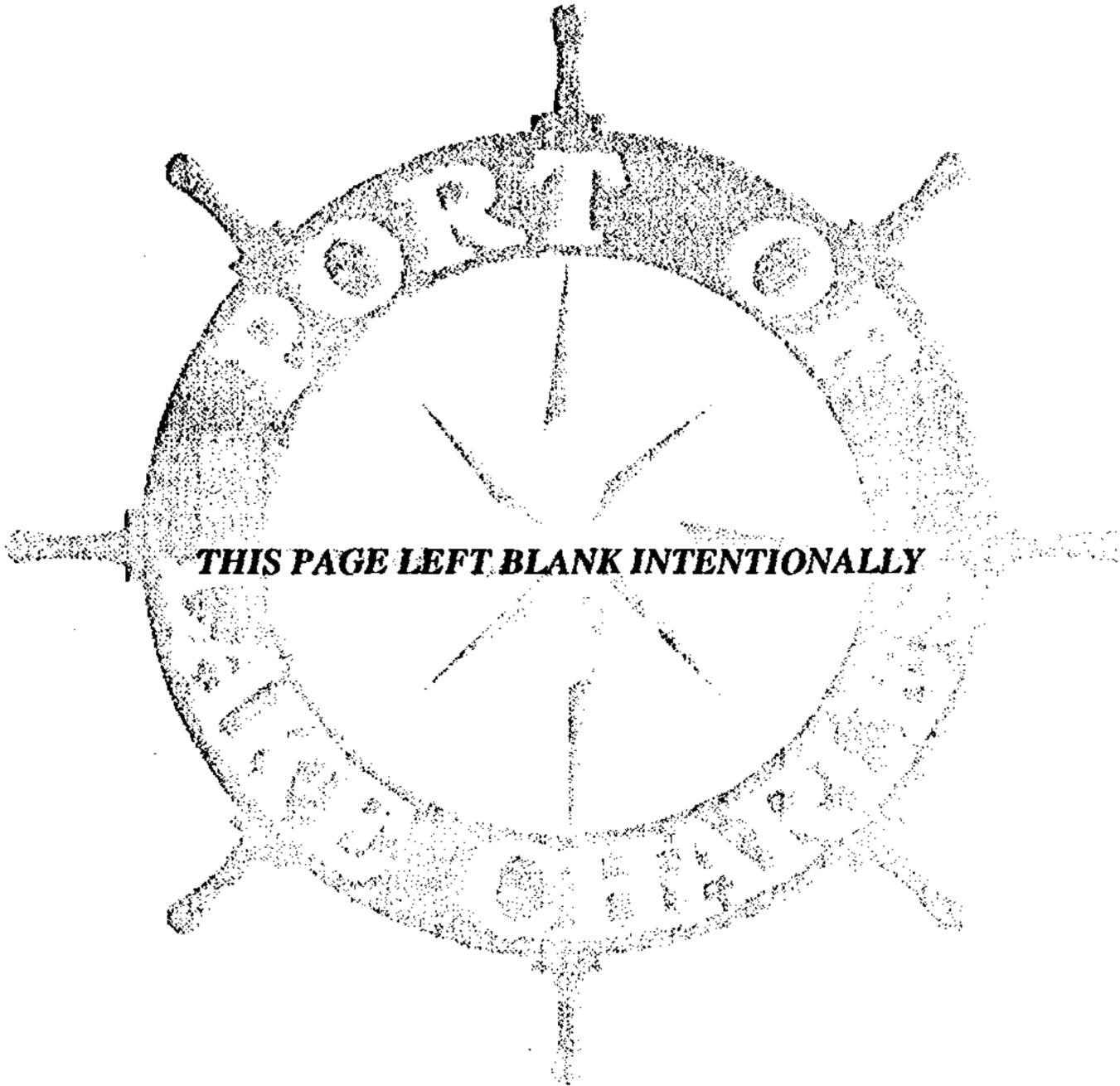
Jeffrey L. Esser
Executive Director

Regional Location and Mileage Map

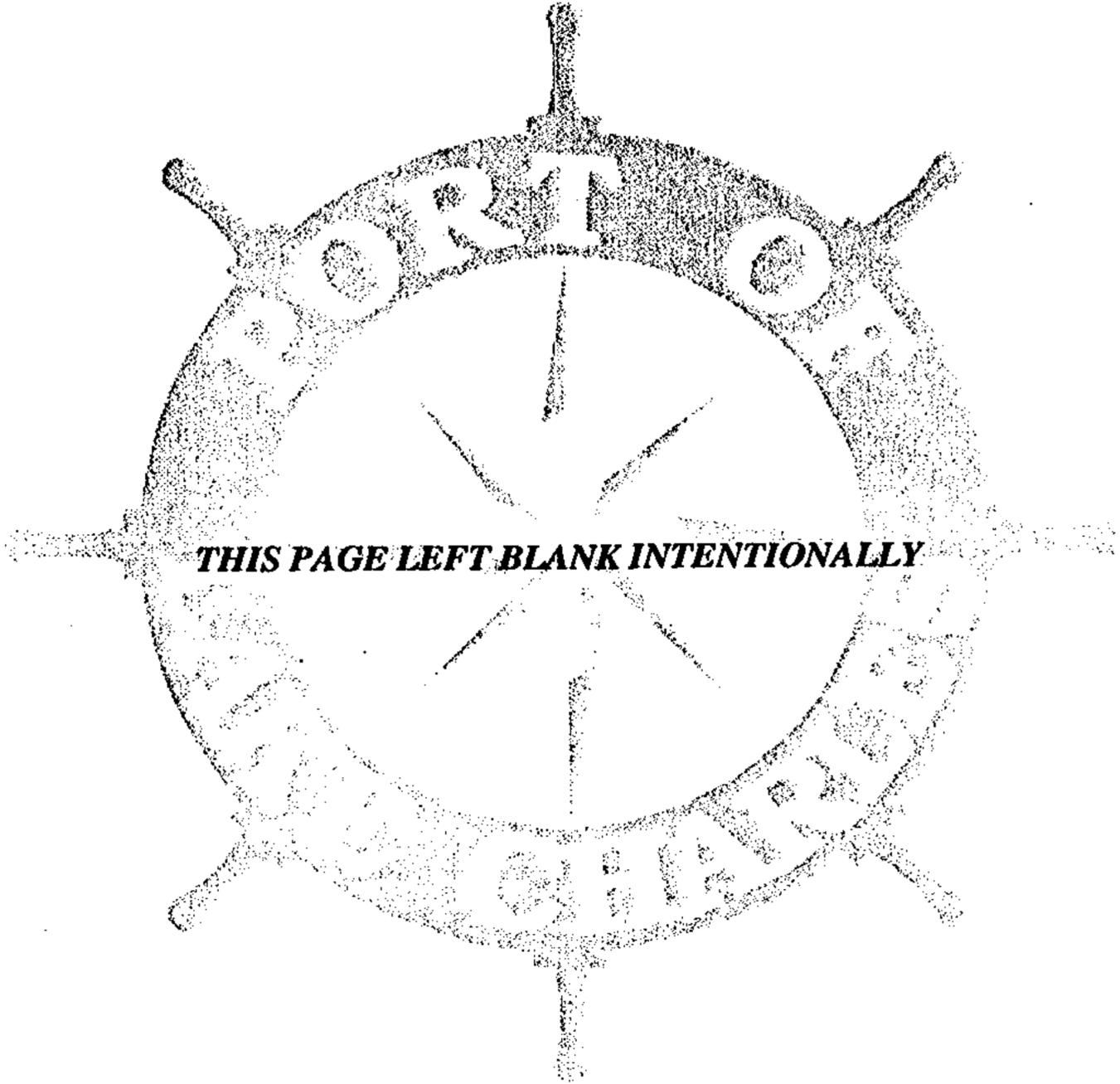


LAKE CHARLES HARBOR & TERMINAL DISTRICT





FINANCIAL SECTION





INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, as of and for the year ended December 31, 2001 and 2000 as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lake Charles Harbor and Terminal District, as of December 31, 2001 and 2000, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated February 15, 2002 on our consideration of the Lake Charles Harbor and Terminal District's internal control structure and on its compliance with laws and regulations. We have also issued reports dated February 15, 2002 on supplementary information and on compliance related to \$25,000,000 Lake Charles Harbor and Terminal District Port Improvement Revenue Bonds, Series 1994. These reports are an integral part of an audit

performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

February 15, 2002

GENERAL PURPOSE FINANCIAL STATEMENTS

Exhibit 1

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Comparative Balance Sheet
Enterprise Fund

December 31, 2001

| ASSETS | 2001 | 2000 |
|--|-----------------------|-----------------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 32,884,908 | \$ 2,174,481 |
| Investments | 2,585,750 | - |
| Receivables: | | |
| Trade receivables net of allowance for doubtful accounts | 1,678,972 | 3,495,204 |
| Intergovernmental | 1,025,970 | 334,800 |
| Property taxes receivable | 1,631,237 | 1,561,882 |
| Interest | 25,397 | 508,712 |
| Prepaid expenses | 549,809 | 740,775 |
| Total current assets | 40,382,043 | 8,815,854 |
| Restricted Assets | | |
| Cash equivalents | 3,170,577 | 1,254,548 |
| Investments | 5,045,860 | 6,775,905 |
| Interest receivable | 17,843 | 58,417 |
| Total restricted assets | 8,234,280 | 8,088,870 |
| Noncurrent Assets | | |
| Investments | 1,296,177 | 36,034,987 |
| Investments designated for scholarship endowment | 300,000 | 300,000 |
| Total noncurrent assets | 1,596,177 | 36,334,987 |
| Fixed Assets | | |
| Property, plant and equipment | 244,594,755 | 239,877,027 |
| Less accumulated depreciation | 79,513,169 | 74,568,449 |
| Net property, plant and equipment | 165,081,586 | 165,308,578 |
| Total fixed assets - net | 165,081,586 | 165,308,578 |
| Other Assets | | |
| Unamortized expense | 280,555 | 298,090 |
| Prepaid advertising | 72,756 | 114,332 |
| Other | 102,573 | 108,022 |
| Total other assets | 455,884 | 520,444 |
| Total Assets | \$ 215,749,970 | \$ 219,068,733 |

See Notes to Financial Statements.

Continued on next page.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Comparative Balance Sheet, Continued
Enterprise Fund

December 31, 2001

| LIABILITIES | 2001 | 2000 |
|--|-----------------------|-----------------------|
| Current Liabilities, Payable From Current Assets | | |
| Accounts payable | \$ 766,693 | \$ 874,981 |
| Contracts payable | 372,999 | 2,383,929 |
| Accrued expenses | 174,827 | 156,439 |
| Accrued interest payable | 25,336 | 86,370 |
| Deferred revenues | 95,471 | 65,682 |
| | <u>1,435,326</u> | <u>3,567,401</u> |
| Current Liabilities, Payable From Restricted Assets | | |
| Current maturities of long-term debt | <u>1,250,000</u> | <u>1,250,000</u> |
| Long-Term Liabilities | | |
| Long-term debts, less current maturities | 21,250,000 | 22,500,000 |
| Long term rent payable | 403,021 | 452,765 |
| Compensated absences, less current portion | 468,665 | 512,006 |
| Deferred revenues, less current portion | 799,235 | 864,955 |
| | <u>22,920,921</u> | <u>24,329,726</u> |
| Total long-term liabilities | <u>22,920,921</u> | <u>24,329,726</u> |
| Total Liabilities | <u>25,606,247</u> | <u>29,147,127</u> |
| Equity | | |
| Contributed capital | <u>36,590,512</u> | <u>36,939,783</u> |
| Retained earnings | | |
| Reserved | 8,234,279 | 8,088,870 |
| Unreserved | <u>145,318,932</u> | <u>144,892,953</u> |
| Total retained earnings | <u>153,553,211</u> | <u>152,981,823</u> |
| Total equity | <u>190,143,723</u> | <u>189,921,606</u> |
| Total Liabilities and Equity | <u>\$ 215,749,970</u> | <u>\$ 219,068,733</u> |

See Notes to Financial Statements.

Exhibit 2

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

**Comparative Statement of Revenue, Expenses and
Changes in Equity**

Enterprise Fund

Years Ended December 31, 2001 and 2000

| | 2001 | 2000 |
|---|--------------------|--------------------|
| Operating Revenues | | |
| Vessel and cargo services | \$ 14,135,754 | \$ 14,743,289 |
| Rental of equipment and facilities | 1,767,604 | 1,862,191 |
| Other | 831,035 | 353,057 |
| Total operating revenues | 16,734,393 | 16,958,537 |
| Operating Expenses | | |
| Personnel services | 6,457,736 | 6,683,252 |
| Contractual services | 3,371,887 | 3,729,942 |
| Supplies, maintenance and operation of facilities | 5,087,974 | 5,222,471 |
| Heat, light and power | 633,035 | 536,717 |
| Depreciation and amortization | 5,167,459 | 3,909,319 |
| Total operating expenses | 20,718,091 | 20,081,701 |
| Operating Loss | (3,983,698) | (3,123,164) |
| Non-operating Revenues (Expenses) | | |
| Property taxes (net of tax assessor's settlement and pension fund) | 1,647,715 | 1,577,658 |
| Intergovernmental revenue | 90,305 | 90,931 |
| Interest income | 2,126,491 | 3,719,487 |
| Net increase(decrease) in the fair value of investments | 537,975 | 1,333,826 |
| Loss on loan guarantee | (291,866) | |
| Interest expense and fiscal charges | (389,027) | (256,266) |
| Other | (410,030) | (11,907) |
| Total non-operating revenues | 3,311,563 | 6,453,729 |
| Net (Loss) | (672,135) | 3,330,565 |
| Add depreciation on fixed assets acquired with federal and state grants | 1,243,523 | 779,980 |
| Increase in retained earnings | 571,388 | 4,110,545 |

See Notes to Financial Statements.

Continued on next page.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

*Comparative Statement of Revenue, Expenses and
Changes in Equity, Continued*

Enterprise Fund

Years Ended December 31, 2001 and 2000

| | 2001 | 2000 |
|---|-----------------------|-----------------------|
| Increase in retained earnings | \$ 571,388 | \$ 4,110,545 |
| Retained earnings - beginning of year | <u>152,981,823</u> | <u>148,871,278</u> |
| Retained earnings - end of year | <u>153,553,211</u> | <u>152,981,823</u> |
| Contributed capital - beginning of year | 36,939,783 | 31,708,883 |
| Capital grants | 894,252 | 6,010,880 |
| Depreciation | <u>(1,243,523)</u> | <u>(779,980)</u> |
| Contributed capital - end of year | <u>36,590,512</u> | <u>36,939,783</u> |
| Equity - end of year | <u>\$ 190,143,723</u> | <u>\$ 189,921,606</u> |

See Notes to Financial Statements.

Exhibit 3

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Comparative Statements of Revenues, Expenses and Changes in Retained Earnings

Years Ended December 31, 2001 and 2000

| <i>Budget and Actual (Budgetary Basis)</i> | 2001 | | Variance Favorable (Unfavorable) |
|--|-----------------------|-----------------------|---|
| | Budget | Actual | |
| Enterprise Fund | | | |
| Operating Revenue | | | |
| Vessel and cargo services | \$ 13,757,302 | \$ 14,135,754 | \$ 378,452 |
| Rental of equipment and facilities | 1,796,831 | 1,767,604 | (29,227) |
| Other | 261,923 | 831,035 | 569,112 |
| Total Operating Revenue | 15,816,056 | 16,734,393 | 918,337 |
| Operating Expenses | | | |
| Personnel services | 7,070,967 | 6,457,736 | 613,231 |
| Contractual services | 3,455,917 | 3,266,050 | 189,867 |
| Supplies, maintenance and operation of facilities | 4,908,379 | 4,926,754 | (18,375) |
| Heat, light and power | 606,380 | 633,035 | (26,655) |
| Depreciation and amortization | 4,856,281 | 5,167,459 | (311,178) |
| Total operating expenses | 20,897,924 | 20,451,034 | 446,890 |
| Operating (Loss) | (5,081,868) | (3,716,641) | 1,365,227 |
| Non-operating Revenue (Expenses) | | | |
| Property taxes | 1,426,385 | 1,647,715 | 221,330 |
| Intergovernmental revenue | 88,215 | 90,305 | 2,090 |
| Interest income | 2,485,048 | 2,126,491 | (358,557) |
| Loss on loan guarantee | - | (291,866) | (291,866) |
| Interest expense and fiscal charges | (1,394,631) | (389,027) | 1,005,604 |
| Other | (12,500) | (410,030) | (397,530) |
| Net non-operating revenue | 2,592,517 | 2,773,588 | 181,071 |
| Net Income (Budget Basis) | \$ (2,489,351) | (943,053) | \$ 1,546,298 |
| Adjustments | | | |
| Adjust operating expenses for amounts budgeted to be paid from retained earnings | | (267,057) | |
| Net increase in the fair value of investments | | 537,975 | |
| Net income (GAAP basis) | | (672,135) | |
| Depreciation on fixed assets acquired with federal and state grants | | 1,243,523 | |
| Increase in retained earnings | | 571,388 | |
| Retained earnings - beginning of year | | 152,981,823 | |
| Retained earnings at end of year | | \$ 153,553,211 | |

See Notes to Financial Statements.

Continued on next page.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

| <i>Comparative Statements of Revenues, Expenses, and Changes in Retained Earnings Budget and Actual (Budgetary Basis), Continued Enterprise Fund</i> | | <i>Years Ended December 31, 2001 and 2000</i> | |
|--|--------------------|---|------------------|
| | | 2000 | |
| | | Budget | Actual |
| | | Variance Favorable (Unfavorable) | |
| Operating Revenue | | | |
| Vessel and cargo services | \$ 14,353,428 | \$ 14,743,289 | \$ 389,861 |
| Rental of equipment and facilities | 1,616,928 | 1,862,191 | 245,263 |
| Other | 162,552 | 353,057 | 190,505 |
| Total Operating Revenue | 16,132,908 | 16,958,537 | 825,629 |
| Operating Expenses | | | |
| Personnel services | 7,037,532 | 6,683,252 | 354,280 |
| Contractual services | 3,874,848 | 3,663,297 | 211,551 |
| Supplies, maintenance operation of facilities | 5,080,716 | 4,816,950 | 263,766 |
| Heat, light and power | 505,296 | 536,717 | (31,421) |
| Depreciation and amortization | 4,603,500 | 3,909,319 | 694,181 |
| Total operating expenses | 21,101,892 | 19,609,535 | 1,492,357 |
| Operating (Loss) | (4,968,984) | (2,650,998) | 2,317,986 |
| Non-operating Revenue (Expenses) | | | |
| Property taxes | 1,415,616 | 1,577,658 | 162,042 |
| Intergovernmental revenue | 88,212 | 90,931 | 2,719 |
| Interest income | 3,874,248 | 3,719,487 | (154,761) |
| Loss on loan guarantee | - | - | - |
| Interest expense and fiscal charges | (1,406,808) | (228,861) | 1,177,947 |
| Other | - | (11,907) | (11,907) |
| Net non-operating revenue | 3,971,268 | 5,147,308 | 1,176,040 |
| Net Income (Budget Basis) | (997,716) | 2,496,310 | 3,494,026 |
| Adjustments | | | |
| Adjust operating expenses for amounts budgeted to be paid from retained earnings | | (499,571) | |
| Net decrease in the fair value of investments | | 1,333,826 | |
| Net loss (GAAP basis) | | 3,330,565 | |
| Depreciation on fixed assets acquired with federal and state grants | | 779,980 | |
| Increase in retained earnings | | 4,110,545 | |
| Retained earnings - beginning of year | | 148,871,278 | |
| Retained earnings at end of year | | 152,981,823 | |

See Notes to Financial Statements.

Exhibit 4

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Statement of Cash Flows
Enterprise Fund

Years Ended December 31, 2001 and 2000

| | 2001 | 2000 |
|--|--------------------|---------------------|
| Cash Flows From Operating Activities | | |
| Operating loss | \$ (3,983,698) | \$ (3,123,164) |
| Adjustments to reconcile operating loss to net cash used in operating activities | | |
| Depreciation and amortization | 5,167,459 | 3,909,319 |
| Changes in assets and liabilities | | |
| (Increase) decrease in customer receivables | 1,816,232 | (1,030,975) |
| Decrease in long-term receivables | - | 666,667 |
| Increase in inventory | (87,278) | (15,567) |
| Decrease in prepaid expenses and other assets | 325,269 | 9,607 |
| Increase (decrease) in accounts payable and accrued expenses | (187,880) | (351,678) |
| Decrease in deferred revenue | (35,931) | (96,030) |
| Other | (300,616) | (7,500) |
| | <u>2,713,557</u> | <u>(39,321)</u> |
| Net Cash (Used In) Provided By Operating Activities | | |
| | <u>2,713,557</u> | <u>(39,321)</u> |
| Cash Flows From Non-capital Financing Activities | | |
| Operating subsidies received from other governments | <u>90,304</u> | <u>90,931</u> |
| Net Cash Provided By Non-capital Financing Activities | <u>90,304</u> | <u>90,931</u> |
| Cash Flows From Capital and Related Financing Activities | | |
| Property taxes collected | 1,523,810 | 1,412,739 |
| Capital grants collected | 203,083 | 11,796,805 |
| Payments for capital acquisitions | (7,463,677) | (41,663,532) |
| Principle payments on long-term debt | (1,299,744) | (2,129,235) |
| Proceeds from sale of property, plant and equipment | 111,000 | - |
| Interest and fiscal charges paid (net of amount capitalized) | (251,278) | (127,770) |
| | <u>(7,176,806)</u> | <u>(30,710,993)</u> |
| Net Cash Used In Capital and Related Financing Activities | | |
| | <u>(7,176,806)</u> | <u>(30,710,993)</u> |

See Notes to Financial Statements.

Continued on next page.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Statement of Cash Flows, Continued
Enterprise Fund
Years Ended December 31, 2001 and 2000

| | 2001 | 2000 |
|--|----------------------|---------------------|
| Cash Flows From Investing Activities | | |
| Proceeds from sale and maturities of investments | 34,421,080 | 27,099,469 |
| Receipts of interest | <u>2,578,321</u> | <u>3,901,925</u> |
| Net Cash Provided By Investing Activities | <u>36,999,401</u> | <u>31,001,394</u> |
| Increase in Cash and Cash Equivalents | 32,626,456 | 342,011 |
| Cash and Cash Equivalents | | |
| Beginning | <u>3,429,029</u> | <u>3,087,018</u> |
| Ending | <u>\$ 36,055,485</u> | <u>\$ 3,429,029</u> |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Schedule of noncash investing, capital, and financing activities:

| | | |
|---|--------------|----------------|
| Increase in grants receivable | \$ 691,170 | \$ (5,785,925) |
| Loss on property dispositions | \$ (401,280) | \$ (4,407) |
| Net increase(decrease) in the fair value of investments | \$ 537,975 | \$ 1,333,826 |
| Net write-off of uncollectible property taxes | \$ 54,550 | \$ 27,405 |

See Notes to Financial Statements.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

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 generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

Reporting Entity

The Lake Charles Harbor and Terminal District is a political subdivision of the State of Louisiana and was created by Acts of the Louisiana Legislature. It is governed by a Board of seven commissioners. Calcasieu Parish Police Jury and Cameron Parish Police Jury each appoint one member to the Board of Commissioners, with the advice and consent of the Senate. The Governor, with the advice and consent of the Senate, appoints five members to the Board of Commissioners from candidates selected by the state senators and representatives in the legislature representing the parish of Calcasieu and by the City Council of the City of Lake Charles, Louisiana.

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.

Basis of Accounting. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

The District's financial statements are presented on the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

The Governmental Accounting Standards Board (GASB) Statement Number 20 (effective for financial statements for periods beginning after December 15, 1993) provides guidance on accounting and financial reporting for proprietary fund types and allows proprietary fund types to choose one of two options in applying pronouncements issued by the Financial Accounting Standards Board (FASB) after November 30, 1989. The Lake Charles Harbor and Terminal District has elected to use the first option for reporting its activities. This approach applies all GASB pronouncements and FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Changes to FASB statements and interpretations, APB opinions and ARBs issued after November 20, 1989, would not apply unless adopted by GASB.

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

Budgets. Budgetary practices differ from generally accepted accounting principles (GAAP). Perspective differences result from the structure of financial information for budgetary purposes. Certain expenses for major repairs and maintenance and for contractual services are budgeted to be paid from retained earnings rather than current year's operation and certain uncollectible revenue expense/recovery is classified as non-operating rather than operating income (expense).

Budget amounts are as originally adopted or as amended by the Board of Commissioners. All budgetary appropriations lapse at the end of each year. Encumbrance accounting is not used.

Cash, Cash Equivalents and Investments. Cash and cash equivalents include amounts in demand deposits and U.S. Government Agencies securities.

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

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

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, 2001 and 2000. Fair value was determined by obtaining "quoted" year end market prices. Cash and cash equivalents, which include cash, demand deposits, and U.S. Government agencies having an original maturity of three months or less from the date acquired are stated at amortized cost.

Property Taxes. Property taxes levied in any one year are recognized as revenues of that year.

Prepaid Expenses and Advertising. Payments made to vendors for services that will benefit periods beyond the current period are recorded as prepaid expenses and are recognized as expenses in the period benefited. Inventories consisting of parts and supplies and are valued at the lower of cost (first-in, first-out) or market are also included in prepaid expenses.

Restricted Assets. Certain resources are set aside for repayment of revenue bonds and general obligation bonds and for additions, extensions and improvements to District facilities. These resources are classified as restricted assets on the balance sheet because their use is limited by applicable covenants.

Fixed Assets. Property constructed or acquired by purchase is stated at cost or estimated historical cost if actual historical cost is not available. Net interest costs are capitalized on major construction projects during the construction period. During the year ended December 31, 2001, total interest cost incurred was \$604,418 of which \$526,858 was capitalized. During the year ended December 31, 2000; \$1,000,193 was capitalized. Infrastructure assets are capitalized.

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

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

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

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

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

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

Fund Equity. Contributed capital is recorded for capital grants. Reserves of retained earnings represent those portions of retained earnings legally segregated for a specific future use.

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

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.

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.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

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. During 2001, there were no supplementary appropriations. During 2000, there were no supplementary appropriations.

3. Cash, Cash Equivalents and Investments

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

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

The District's deposits as of the balance sheet dates are entirely covered by FDIC insurance or by pledged collateral held by the District's agent banks in the District's name. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal 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 in LAMP held at December 31, 2001 and 2000 were \$30,256,540 and \$652,865 respectively. In accordance with GASB Codification Section 150.165, the investment in LAMP at December 31, 2001 and 2000, are not categorized in the three risk categories provided by GASB Codification Section 150.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

book entry form. The LAMP corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consist 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.

The following chart presents bank balances as of December 31, 2001 and 2000. The deposits are listed in terms of risk involved. Category 1 represents those deposits insured (inclusive of FDIC) or collateralized with securities held by the District or its agent in the District's name. Category 2 represents deposits collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. Category 3 represents deposits uncollateralized including any bank balance collateralized with securities held by the financial institution but not in the District's name.

| December 31, 2001 | Category | | | Total Bank Balances | Carrying Amount |
|--------------------------|-------------------|---------------------|-------------|---------------------|---------------------|
| | 1 | 2 | 3 | | |
| Cash and demand deposits | \$ 101,000 | \$ 2,845,039 | \$ - | \$ 2,946,039 | \$ 2,628,368 |
| Money market deposits | - | 3,170,577 | - | 3,170,577 | 3,170,577 |
| | <u>\$ 101,000</u> | <u>\$ 6,015,616</u> | <u>\$ -</u> | <u>\$ 6,116,616</u> | <u>\$ 5,798,945</u> |
| | | | | | |
| December 31, 2000 | Category | | | Total Bank Balances | Carrying Amount |
| | 1 | 2 | 3 | | |
| Cash and demand deposits | \$ 101,000 | \$ 2,314,898 | \$ - | \$ 2,415,898 | \$ 1,521,616 |
| Money market deposits | - | 1,254,548 | - | 1,254,548 | 1,254,548 |
| | <u>\$ 101,000</u> | <u>\$ 3,469,446</u> | <u>\$ -</u> | <u>\$ 3,670,446</u> | <u>\$ 2,776,164</u> |

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

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

| December 31, 2001 | Category | | | Reported Amount- Fair Value |
|-------------------------------------|---------------------|---|---|-----------------------------------|
| | 1 | 2 | 3 | |
| U.S. Government Agencies securities | <u>\$ 9,227,787</u> | - | - | <u>\$ 9,227,787</u> |

| December 31, 2000 | Category | | | Reported Amount- Fair Value |
|-------------------------------------|---------------------|------|------|-----------------------------------|
| | 1 | 2 | 3 | |
| U.S. Government Agencies securities | <u>\$43,110,892</u> | \$ - | \$ - | <u>\$43,110,892</u> |

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

| | 2001 | 2000 |
|--|-----------------------------|-----------------------------|
| Carrying value of bank deposits per Note 3 | \$ 5,798,945 | \$ 2,776,164 |
| Carrying value of LAMP deposits per Note 3 | 30,256,540 | 652,865 |
| Carrying value of investments per Note 3 | <u>9,227,787</u> | <u>43,110,892</u> |
| Total | <u>\$ 45,283,272</u> | <u>\$ 46,539,921</u> |
| Per comparative balance sheets: | | |
| Cash and cash equivalents | \$ 32,884,908 | \$ 2,174,481 |
| Cash equivalents - restricted | 3,170,577 | 1,254,548 |
| Investments - current | 2,585,750 | - |
| Investments - restricted | 5,045,860 | 6,775,905 |
| Investments - noncurrent | 1,296,177 | 36,034,987 |
| Investments - scholarship endowment | <u>300,000</u> | <u>300,000</u> |
| | <u>\$ 45,283,272</u> | <u>\$ 46,539,921</u> |

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

At December 31, 2001 and 2000, cash equivalents and investments were restricted as shown below:

| | 2001 | 2000 |
|--|---------------------|---------------------|
| Additional security for certificates of indebtedness outstanding | \$ 1,000,000 | \$ 1,000,000 |
| Trust funds pursuant to the issuance of the 1994 Port Improvement Revenue Bonds: | | |
| Interest Fund | 4,546 | 4,548 |
| Principal Fund | 1,250,000 | 1,250,000 |
| Debt Service Reserve Fund | 2,594,730 | 2,506,995 |
| Depreciation Reserve Fund | 3,367,161 | 3,268,910 |
| Total | <u>\$ 8,216,437</u> | <u>\$ 8,030,453</u> |

The trust funds are more fully explained in Note 10.

During 1994, the District established a \$300,000 scholarship endowment fund, the Lake Charles Maritime Enhancement Scholarship Fund. The earnings from the fund are dedicated to produce sufficient income to fund one scholarship awarded each year for the next three years.

The District requires that securities underlying repurchase agreements, consisting of U.S. government securities, must have a market value of at least 102 percent of the repurchase agreement. The District held no repurchase agreements during 2001 and 2000.

4. 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 2001 assessed millage is 2.87 mills, and the 2000 assessed millage is 2.87 mills. These funds have been dedicated and obligated first to retirement of certificates of indebtedness issued by the District. Any excess funds may be used for any lawful purpose.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

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 2001 were \$1,700,997 on property with assessed valuation totaling \$827,268,940 less exempt valuation of \$234,589,090, for a net valuation of \$592,679,850. Total taxes levied for the year ended December 31, 2000 were \$1,628,607 on property with assessed valuation totaling \$782,496,230 less exempt valuation of \$215,039,470, for a net valuation of \$567,456,760.

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 \$53,282 for 2001 and \$50,949 for 2000.

5. Intergovernmental Receivable

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

| | 2001 | 2000 |
|---|---------------------|-------------------|
| Capital projects – State of Louisiana Ports Priority Program | \$ 984,787 | \$ 170,437 |
| Capital projects – State of Louisiana | 41,183 | 164,363 |
| | <u>\$ 1,025,970</u> | <u>\$ 334,800</u> |

6. Property, Plant and Equipment

A summary of changes in property, plant and equipment for the years ended December 31, 2001 and 2000 is as follow:

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

| 2001 | Beginning of Year | Additions | Reductions | End of Year |
|---------------------------------------|-----------------------|----------------------|----------------------|-----------------------|
| Land | \$ 18,497,975 | \$ 4,690,983 | \$ - | \$ 23,188,958 |
| Buildings and operating facilities | 115,338,446 | 65,063,326 | - | 180,401,772 |
| Equipment, furniture and fixtures | 20,801,491 | 70,376 | 735,543 | 20,136,324 |
| Construction in progress | 85,239,115 | 5,994,043 | 70,365,457 | 20,867,701 |
| | <u>239,877,027</u> | <u>75,818,728</u> | <u>71,101,000</u> | <u>244,594,755</u> |
| Less accumulated depreciation | <u>74,568,449</u> | <u>5,167,459</u> | <u>222,739</u> | <u>79,513,169</u> |
| | <u>\$ 165,308,578</u> | <u>\$ 70,651,269</u> | <u>\$ 71,323,739</u> | <u>\$ 165,081,586</u> |

| 2000 | Beginning of Year | Additions | Reductions | End of Year |
|---------------------------------------|-----------------------|----------------------|---------------------|-----------------------|
| Land | \$ 13,656,224 | \$ 4,841,751 | \$ - | \$ 18,497,975 |
| Buildings and operating facilities | 109,301,474 | 6,038,541 | 1,569 | 115,338,446 |
| Equipment, furniture and fixtures | 18,308,996 | 2,706,870 | 214,375 | 20,801,491 |
| Construction in progress | 63,818,877 | 31,022,924 | 9,602,686 | 85,239,115 |
| | <u>205,085,571</u> | <u>44,610,086</u> | <u>9,818,630</u> | <u>239,877,027</u> |
| Less accumulated depreciation | <u>70,862,412</u> | <u>3,909,319</u> | <u>203,282</u> | <u>74,568,449</u> |
| Total | <u>\$ 134,223,159</u> | <u>\$ 40,700,767</u> | <u>\$ 9,615,348</u> | <u>\$ 165,308,578</u> |

Depreciation expense was \$5,167,459 for the year ended December 31, 2001 and \$3,909,319 for the year ended December 31, 2000.

Prior to 1980 detailed fixed asset records were not maintained; rather, amounts expended for fixed assets were charged to expenditures in the year incurred. In 1980 the District changed its method of accounting for fixed assets to that required by generally accepted accounting principles. It was not possible to establish original costs for many assets owned. Where original costs could not be determined, it was necessary to estimate the original costs of such assets. The total of such estimated costs aggregated approximately \$9,600,000.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

7. Operating Leases

Leases which the District has entered into as lessor are classified as operating leases. These leases are substantially all for land owned by the District. Minimum future rentals on operating leases having initial or remaining non-cancellable lease terms in excess of one year are as follows:

| | | |
|------------|----|------------------|
| 2002 | \$ | 861,903 |
| 2003 | | 813,604 |
| 2004 | | 803,848 |
| 2005 | | 552,249 |
| 2006 | | 190,784 |
| After 2006 | | <u>1,557,705</u> |
| | \$ | <u>4,780,093</u> |

Of the above, the amount of \$864,917 was paid in full at the inception of the lease by the lessee, and is included in deferred revenues at December 31, 2001. The amount of \$930,637 is included in deferred revenues at December 31, 2000.

8. Unamortized Expense

The District incurred certain expenses in connection with the issuance of certificates of indebtedness. These expenses are being amortized over twenty-five years, which is the term of the bonds. Details of the balances are as follows:

| | 2001 | 2000 |
|---|-------------------|-------------------|
| Total expense | \$ 436,407 | \$ 436,407 |
| Less amount amortized | <u>138,317</u> | <u>120,782</u> |
| Unamortized at December 31 | <u>\$ 298,090</u> | <u>\$ 315,625</u> |
| Amount shown in current assets (prepaid expenses) - to be amortized in one year | \$ 17,535 | \$ 17,535 |
| Amount shown in other assets | <u>280,555</u> | <u>298,090</u> |
| Total | <u>\$ 298,090</u> | <u>\$ 315,625</u> |

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

9. Compensated Absences

Compensated absences are included in personnel services expenses for 2001 and 2000. The District's liabilities for accumulated compensated absences as of December 31, 2001 and 2000 are as follows:

| | 2001 | 2000 |
|---|-------------------|-------------------|
| Current liabilities - estimated to be paid within one year – included in accrued expenses | \$ 52,073 | \$ 56,890 |
| Long term liabilities | <u>468,665</u> | <u>512,006</u> |
| Total | <u>\$ 520,738</u> | <u>\$ 568,896</u> |

10. Long-Term Debt

A summary of changes in long-term debt for the years ended December 31, 2001 and 2000 is as follows:

| | Beginning Balance | | Issues | | Maturities | Ending Balance |
|---------------|--------------------------|----|---------------|---|-------------------|-----------------------|
| 2001 | | | | | | |
| Revenue bonds | \$ 23,750,000 | \$ | - | - | \$ (1,250,000) | \$ 22,500,000 |
| 2000 | | | | | | |
| Revenue bonds | \$ 25,000,000 | \$ | - | - | \$ (1,250,000) | \$ 23,750,000 |

At December 31, the balance was included in the following captions:

| | 2001 | 2000 |
|--|----------------------|----------------------|
| Current maturities of long-term debt | \$ 1,250,000 | \$ 1,250,000 |
| Long-term debts, less current maturities | <u>21,250,000</u> | <u>22,500,000</u> |
| | <u>\$ 22,500,000</u> | <u>\$ 23,750,000</u> |

Bonds payable at December 31, 2001 and 2000 are comprised of the following individual issues:

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

| | 2001 | 2000 |
|---|---------------|---------------|
| Revenue Bonds - \$25,000,000 1994 Port Improvement | | |
| Revenue Bonds, interest due in quarterly installments beginning March 1, 1994 through January 1, 2019; interest initially set at 2.65 percent variable rate adjusted weekly | \$ 22,500,000 | \$ 23,750,000 |

The annual requirements to amortize all debt outstanding as of December 31, 2001 are as follows:

| | Principal | Interest |
|----------------------|---------------|----------|
| 2002 | \$ 1,250,000 | * |
| 2003 | 1,250,000 | * |
| 2004 | 1,250,000 | * |
| 2005 | 1,250,000 | * |
| 2006 | 1,250,000 | * |
| Aggregate thereafter | 16,250,000 | * |
| | \$ 22,500,000 | |

* Amount not calculated. Variable interest rate set by Bankers Trust of New York based on market rates of AA tax exempt bond rates, adjusted weekly. At December 31, 2001 the rate was 1.65%; for the week beginning February 11, 2002, the rate was 1.30%.

There are a number of limitations and restrictions contained in the bond indentures. The District is in compliance with all significant limitations and restrictions.

In addition to the pledge of specific revenues, all excess revenues of the District are pledged as additional security for certificates of indebtedness outstanding. A special reserve of \$1,000,000 is also pledged and set aside as additional security for certificates of indebtedness outstanding.

The District, on February 16, 1994, issued \$25,000,000 Port Improvement Revenue Bonds, Series 1994. Proceeds from such bonds are dedicated to certain additions, extensions and improvements to the District facilities by construction of an extension to a transit shed, and construction of improvements to the bulk loading terminal of the District located on the Calcasieu ship channel of the Calcasieu River. The payment of principal and interest on the bonds is secured by a dedication and pledge of the fees, rates and other charges and other monies derived from the operation of the public port. The bonds are subject to scheduled mandatory sinking fund redemption on January 1, 2000 and on each

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

January 1 thereafter, to and including January 1, 2019, each in the amount of \$1,250,000 plus interest. The interest rate mode for the bonds is a weekly "variable rate" and the rate for the initial weekly period was set at 2.65% per annum. Interest is payable on each March 1, June 1, September 1, and December 1 of each year.

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

Project Fund. The balance of the proceeds of the issuance and sale of the Bonds were deposited into this account and a "Cost of Issuance Account". The Issuer shall designate the part to be deposited into the Cost of Issuance Account. Amounts deposited in the Project Fund shall be applied to the construction, acquisition, installation and equipping of the Project.

Bond Fund. Consisting of an Interest Account, a Principal Account and a Letter of Credit Account - Monies on deposit in the Interest Account shall be applied to pay interest on the Bonds when due. Monies on deposit in the Principal Account shall be applied to pay principal of the Bonds when due. The Trustee shall deposit all monies drawn under the Letter of Credit to pay principal of and interest on the Bonds directly in the Letter of Credit Account. Such monies shall be applied solely to the payment of the principal of and interest on the Bonds in respect of which they were so drawn.

Debt Service Reserve Fund. The District has deposited \$2,500,000 Debt Service Reserve Fund requirement into this account to be used in accordance with the Trust Indenture for the payment of principal of and interest on the Bonds.

Depreciation Reserve Fund. The District has deposited \$2,500,000 Depreciation Reserve Fund requirement into this account. Monies in this account shall be transferred to the Project Fund to the extent of any insufficiency in the monies on deposit in the Project Fund for the purpose of completing the acquisition, construction, installation and equipping of the Project. After the completion date, monies on deposit in the Depreciation Reserve Fund shall be used for the purpose of paying the costs of major repairs and replacements to the system, the costs of which are such that they should be spread over a number of years rather than charged as part of operating and maintenance expenses in any single year. Monies from the Depreciation Reserve Fund shall also be used to fund insufficiencies in the Principal Account and/or the Interest Account on any date on which principal of and/or interest on the Bonds is due and payable.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

Rebate Fund. This fund shall be for the sole benefit of the United States of America and shall not be subject to the claim of any other person, including without limitation the bondholders and the bank. The Rebate Fund is established for the purpose of complying with Section 148 of the Code and the Treasury Regulations promulgated pursuant thereto.

Special Sinking Fund Deposit. By action of the Board of Commissioners of the District, the District deposited \$1,250,000 into this account and designated it to be used for satisfying principal payment in the year 2001.

11. Port Facilities Revenue Bonds

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

| | 2001 | 2000 |
|---|-------------|-------------|
| Bonds issued for: | | |
| Citgo Petroleum Corp. Project, Series 1984 | 11,800,000 | 11,800,000 |
| Reynolds Metals Company Project, Series 1990 | 14,800,000 | 14,800,000 |
| Occidental Petroleum Corporation Project, Series 1992 | 7,000,000 | 7,000,000 |
| Trunkline LNG Company Project, Series 1992 | 328,000,000 | 328,000,000 |
| Polycom-Huntsman, Inc. Project, Series 1995 | 8,000,000 | 8,000,000 |
| Global Industries, Ltd. Project, Series 1997 | 27,600,000 | 28,000,000 |
| Conoco Inc. Project, Series A 1999 | 20,900,000 | 20,900,000 |
| Conoco Inc. Project, Series B 1999 | 3,400,000 | 3,400,000 |

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

12. Retirement Benefits

Defined benefit pension plan:

Plan description. Substantially all employees of the District are members of the Louisiana State Employees' Retirement System (LASERS), a cost-sharing multiple-employer defined benefit pension plan administered by a separate board of trustees. LASERS provides retirement, disability, and survivor benefits to participating eligible employees. Benefits are established and amended by state statute. Benefits are guaranteed by the State of Louisiana under provisions of the Louisiana Constitution of 1974. LASERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Funding Policy. Plan members of the District are required by state statute to contribute 7.5 percent of their annual covered salary and the District (as the employer) is required to contribute at an actuarially determined rate. The current employer rate is 12.3 percent of annual covered payroll. The contribution requirements of plan members and the employer are established by, and may be amended by, state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

The District's contributions to the Louisiana State Employees' Retirement System for each of the years ending December 31, 2001, 2000 and 1999 are presented below. These contributions are equal to the requirement contributions for each year.

| | 2001 | 2000 | 1999 |
|-------------------------|------------|------------|------------|
| Employer's contribution | \$ 392,415 | \$ 422,456 | \$ 423,850 |
| Employees' contribution | 229,633 | 254,411 | 257,389 |
| Total | \$ 622,048 | \$ 676,867 | \$ 681,239 |

Post-retirement benefits:

By action of the Board of Commissioners, in addition to the pension benefits described in Note 12, the District provides post retirement health care insurance benefits for retired employees. Effective with the October, 1996 premium, the District began paying the retirees' and retirees' dependents' premiums in full.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

During 2001, 26 retired employees were receiving benefits under this plan. During 2000, 22 retired employees participated. These post retirement 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 \$175,061 for 2001 and \$150,989 for 2000. The participants' share of the costs total \$0 for 2001 and \$0 for 2000.

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. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. During 1996, engineering studies assessed the District's estimated maximum exposure to risks of loss resulting from natural disasters. Based on this assessment, the District property and casualty blanket coverage was reduced approximately 30%.

At December 31, 2001, the District had committed approximately \$7.6 million for the purchase of equipment, the expansion of facilities, and repairs and maintenance of existing facilities. Such commitments at December 31, 2000 totaled approximately \$5.0 million.

14. Deferred Revenues

The District has entered into several leases wherein the lessee has paid the total rentals due at the inception of the lease. Payment for the 2001 settlement of homestead exemption was received in 2000 and is shown as a deferred revenue. Details of the items comprising this account were as follows:

| | Term years | Total Rent | Deferred 2001 | Deferred 2000 |
|--------------------------------|------------|------------|-------------------|-------------------|
| Trunkline LNG land lease | 40 | \$ 741,907 | \$ 278,215 | \$ 296,762 |
| Trunkline LNG land lease | 40 | 1,208,430 | 486,127 | 516,300 |
| Gulf Coast Aluminum land lease | 40 | 667,891 | 100,576 | 117,575 |
| Homestead exemption settlement | | | 29,788 | - |
| | | | <u>\$ 894,706</u> | <u>\$ 930,637</u> |

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

15. Contributed Capital

Changes in contributed capital, by source, during the years ended December 31, 2001 and 2000 are presented below:

| 2001 | Beginning of Year | Balance Adjustments | Additions Depreciation | End of Year |
|--------------------------------|------------------------------|--------------------------------|-----------------------------------|------------------------|
| State of Louisiana | \$ 29,302,658 | \$ 814,350 | \$ 1,147,321 | \$ 28,969,687 |
| U.S. Department of the Navy | 1,515,423 | - | 31,045 | 1,484,378 |
| EDA Grant | 407,722 | - | 60,352 | 347,370 |
| Joint Services Agreement | 5,685,138 | 79,902 | 4,514 | 5,760,526 |
| Entergy | 28,842 | - | 291 | 29,551 |
| | <u>\$ 36,939,783</u> | <u>\$ 894,252</u> | <u>\$ 1,243,523</u> | <u>\$ 36,590,512</u> |

| 2000 | Beginning of Year | Balance Adjustments | Additions Depreciation | End of Year |
|--------------------------------|------------------------------|--------------------------------|-----------------------------------|------------------------|
| State of Louisiana | \$ 26,084,202 | \$ 3,881,929 | \$ 663,473 | \$ 29,302,658 |
| U.S. Department of the Navy | 1,546,468 | - | 31,045 | 1,515,423 |
| EDA Grant | 488,379 | - | 80,657 | 407,722 |
| Joint Services Agreement | 3,560,701 | 2,128,951 | 4,514 | 5,685,138 |
| Entergy | 29,133 | - | - | 28,842 |
| | <u>\$ 31,708,883</u> | <u>\$ 6,010,880</u> | <u>\$ 779,980</u> | <u>\$ 36,939,783</u> |

The Lake Charles Harbor and Terminal District participates in the Louisiana Department of Transportation and Development Port Priorities Program. Certain capital projects, as approved by the Department of Transportation are funded in part by the State and the District. The 2001 and 2000 additions to capital grants, State of Louisiana, shown above, represents the State's share of Ports Priorities Projects; the addition, Joint Service Agreement, represents amounts received from the Calcasieu Parish Police Jury and the City of Lake Charles for infrastructure costs at the Industrial Park East.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

16. Retained Earnings

Retained earnings aggregated \$153,553,211 and \$152,981,823 as of December 31, 2001 and 2000, respectively. As of December 31, 2001 and 2000, retained earnings reserves had been established for the following purposes:

| | 2001 | 2000 |
|--|---------------------|---------------------|
| Additional security for certificates of indebtedness outstanding | \$ 1,000,000 | \$ 1,000,000 |
| Trust funds pursuant to the issuance of the 1994 Port Improvement Revenue Bonds: | | |
| Interest Fund | 4,546 | 4,548 |
| Principal Fund | 1,250,000 | 1,250,000 |
| Debt Service Reserve Fund | 2,603,651 | 2,528,025 |
| Depreciation Reserve Fund | 3,376,082 | 3,306,297 |
| | <u>\$ 8,234,279</u> | <u>\$ 8,088,870</u> |

The Board of Commissioners of the Lake Charles Harbor and Terminal District have designated a portion of unreserved retained earnings to be used for the following purposes:

| | 2001 | 2000 |
|---------------------------------------|---------------|---------------|
| Long-term maintenance needs | \$ 57,500,000 | \$ 57,500,000 |
| Commitments on construction contracts | 7,635,132 | 5,008,773 |
| Scholarship endowment | 300,000 | 300,000 |
| Debt service | 5,500,000 | 5,750,000 |

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

17. Budgetary - GAAP Reporting Reconciliation

The accompanying Comparative Statement of Revenues, Expenditures, and Changes in Retained Earnings Budget and Actual (Budgetary Basis) - Proprietary Fund presents comparisons of the legally adopted budget (more fully described in Note 1) with actual data on a budgetary basis. Certain expenditures have been budgeted to be paid from retained earnings and the change in fair value of investment securities was not budgeted. Because accounting principles applied for purposes of developing data on a budgetary

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles (GAAP), reconciliation of resultant basis and perspective differences in net income for the years ended December 31, 2001 and 2000 are presented on the budgetary comparison statements, Exhibit 3.

18. Major Customers

A significant portion of the District's operating revenue has been derived from three major customers in 2001 and 2000. Specifically,

Each of the three customers accounted for 26%, 13% and 11% respectively in 2001;

Each of the three customers accounted for 26%, 11%, and 15% respectively in 2000;

Trade receivables due from these customers as of December 31, 2001 and 2000 represented the following percentage of total trade receivables:

Each of the three customers accounted for 31%, 40% and 0%, respectively in 2001;

Each of the three customers accounted for 11%, 5% and 20%, respectively in 2002;

19. Long-Term Rent Payable

In June of 1999, the District entered into a development agreement with the Calcasieu Parish Police Jury. Under this agreement, the Parish would pay \$2,000,000 to the District in three equal installments beginning on July 1, 1999 to assist in the removal of spoilage. In exchange for this contribution the Parish will share in the lease revenues received by the District from Unifab until the Parish had received \$500,000 of such revenues. The District would also make any excess spoils available to the Parish at no cost. In addition, the District conveyed to the Parish, a water tower and water treatment equipment. The results of this arrangement are a short-term payable of \$37,518 and a long-term payable of \$403,021 at December 31, 2001 and a short-term payable of \$35,426, and a long-term payable of \$452,765 and \$666,667 in accounts receivable at December 31, 2000.

20. Loss on Loan Guarantee

In an effort to expand the District's cargo base and increase economic development in the immediate area, the District entered into a loan guarantee with a new customer.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Notes to Financial Statements, Continued

December 31, 2001

Circumstances arose that made it necessary for the District to expend funds on the guarantee. The District's management and legal counsel are pursuing reimbursement of this outlay.

21. Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in current-year financial statements.

**STATISTICAL SECTION
(UNAUDITED)**

Table 1

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SUMMARY OF REVENUES AND EXPENSES
 Years Ended December 31, 1992 through 2001
 (Unaudited)

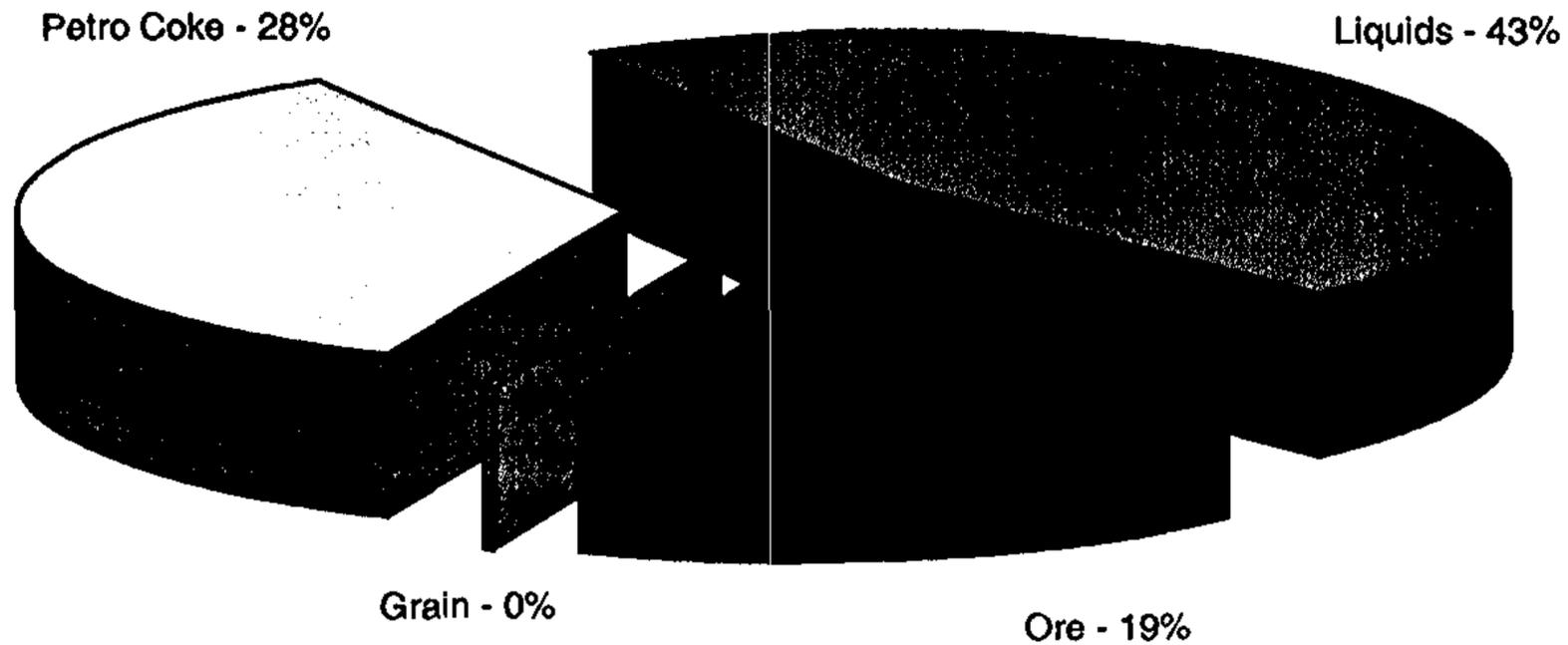
| | <u>1992</u> | <u>1993</u> | <u>1994</u> | <u>1995</u> |
|---|---------------------|---------------------|---------------------|---------------------|
| OPERATING REVENUES | | | | |
| Charges for services | \$ 12,208,319 | \$ 11,769,954 | \$ 10,973,446 | \$ 11,857,442 |
| Rentals | 1,442,165 | 2,368,287 | 1,276,313 | 1,268,743 |
| Other | 140,489 | 146,271 | 59,590 | 151,339 |
| Total | <u>13,790,973</u> | <u>14,284,512</u> | <u>12,309,349</u> | <u>13,277,524</u> |
| OPERATING EXPENSES | | | | |
| General and administrative | 3,195,782 | 2,827,722 | 2,598,018 | 2,412,455 |
| Maintenance and operation of facilities | 8,494,922 | 8,051,856 | 8,064,876 | 8,388,604 |
| Depreciation | 2,874,612 | 2,936,945 | 3,059,637 | 3,267,835 |
| Total | <u>14,565,316</u> | <u>13,816,523</u> | <u>13,722,531</u> | <u>14,068,894</u> |
| Income (loss) from operations | (774,343) | 467,989 | (1,413,182) | (791,370) |
| NONOPERATING REVENUES (EXPENSES) - NET | | | | |
| | <u>5,816,555</u> | <u>4,950,471</u> | <u>5,863,125</u> | <u>7,218,948</u> |
| Net Income | <u>\$ 5,042,212</u> | <u>\$ 5,418,460</u> | <u>\$ 4,449,943</u> | <u>\$ 6,427,578</u> |

Table 1

| <u>1996</u> | <u>1997</u> | <u>1998</u> | <u>1999</u> | <u>2000</u> | <u>2001</u> |
|---------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|
| \$ 12,309,105 | \$ 12,613,736 | \$ 14,595,917 | \$ 12,969,494 | \$ 14,743,289 | \$ 14,135,754 |
| 1,693,942 | 1,695,875 | 1,482,600 | 1,606,262 | 1,862,191 | 1,767,604 |
| 271,453 | 154,347 | 240,585 | 346,411 | 353,057 | 831,035 |
| <u>14,274,500</u> | <u>14,463,958</u> | <u>16,319,102</u> | <u>14,922,167</u> | <u>16,958,537</u> | <u>16,734,393</u> |
| 3,228,405 | 3,005,827 | 3,496,882 | 3,950,651 | 4,135,600 | 3,624,189 |
| 9,411,707 | 10,837,248 | 10,909,656 | 11,858,862 | 12,036,782 | 11,926,443 |
| 3,540,375 | 3,703,876 | 3,829,564 | 3,893,624 | 3,909,319 | 5,167,459 |
| <u>16,180,487</u> | <u>17,546,951</u> | <u>18,236,102</u> | <u>19,703,137</u> | <u>20,081,701</u> | <u>20,718,091</u> |
| (1,905,987) | (3,082,993) | (1,917,000) | (4,780,970) | (3,123,164) | (3,983,698) |
| <u>6,502,668</u> | <u>7,087,714</u> | <u>7,032,611</u> | <u>3,104,100</u> | <u>6,453,729</u> | <u>3,311,563</u> |
| <u>\$ 4,596,681</u> | <u>\$ 4,004,721</u> | <u>\$ 5,115,611</u> | <u>\$ (1,676,870)</u> | <u>\$ 3,330,565</u> | <u>\$ (672,135)</u> |

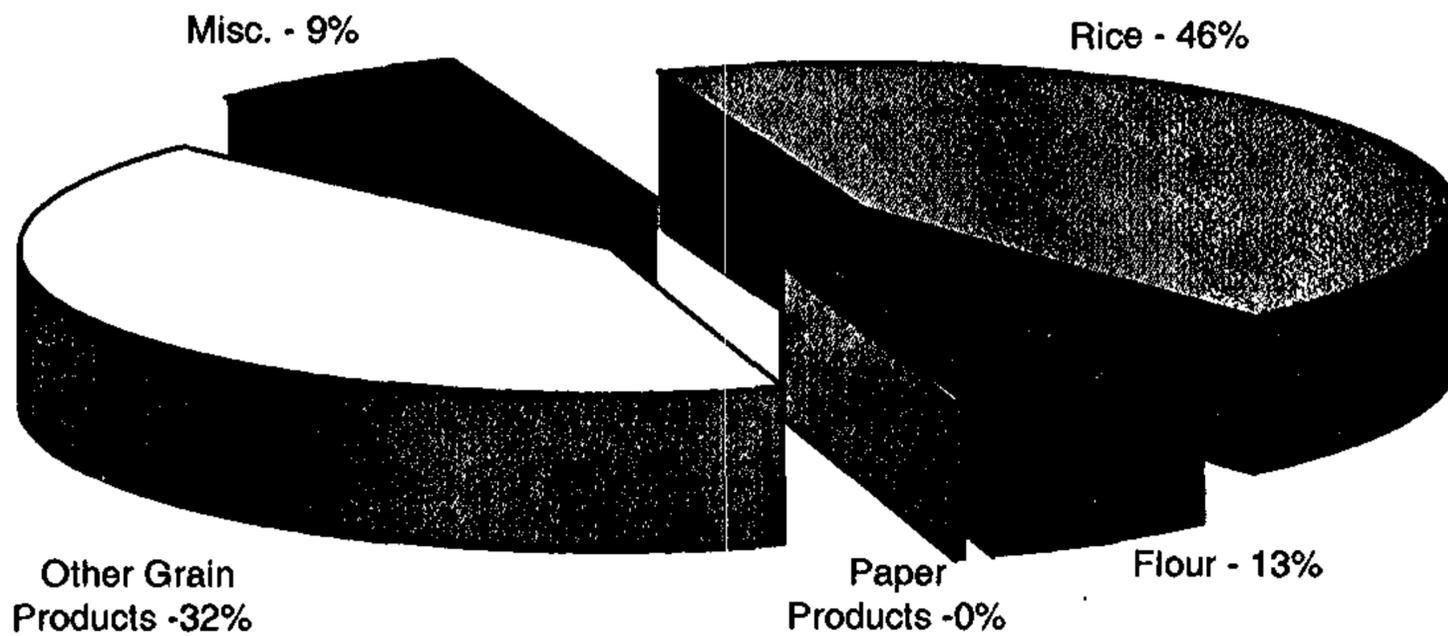
BULK CARGO

Total Short Tons 2001 - 7,809,319



GENERAL CARGO

Total Short Tons 2001 - 724,688



LAKE CHARLES HARBOR AND TERMINAL DISTRICT

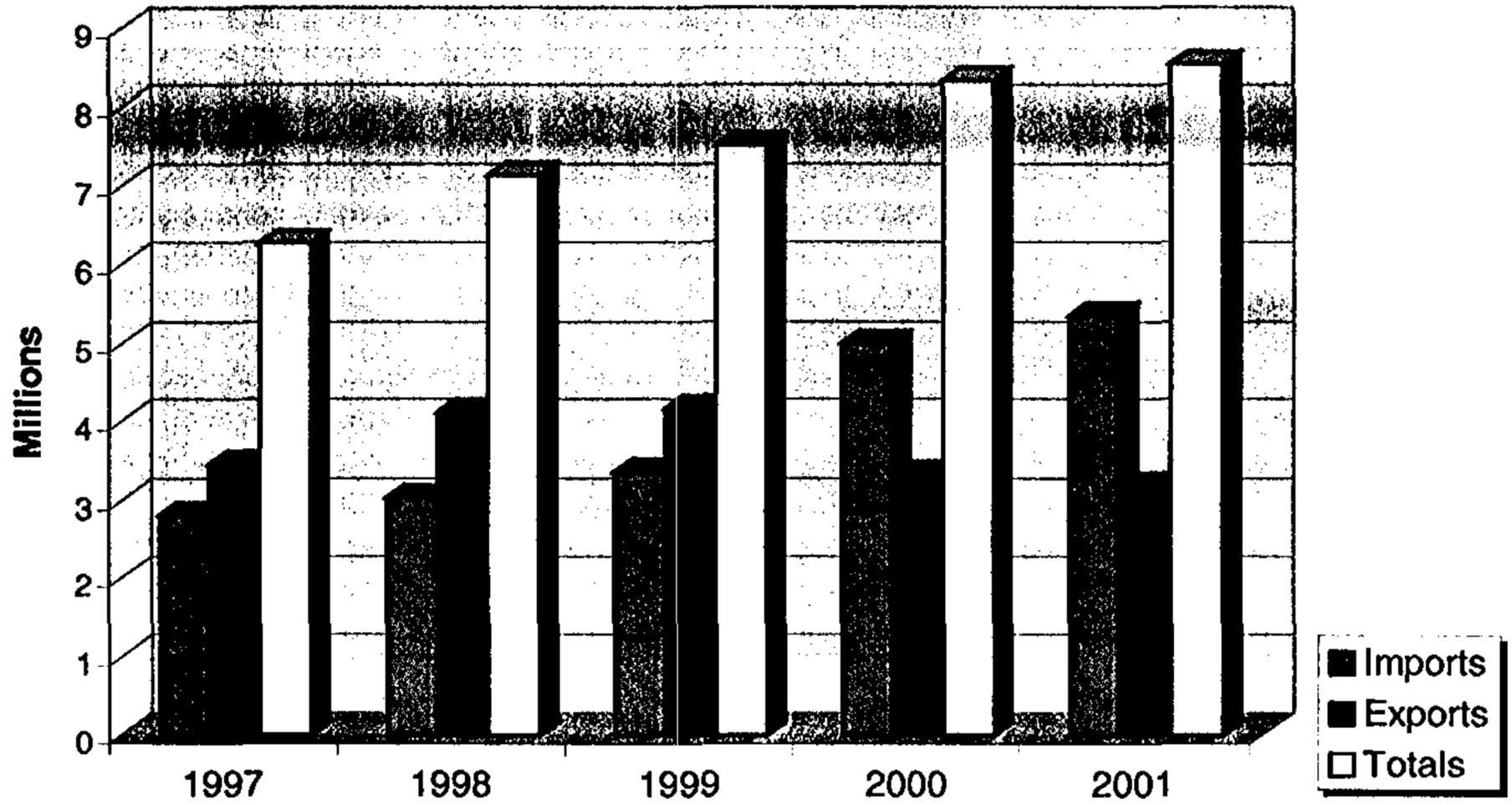
SHIPPING ACTIVITIES
BULK AND GENERAL CARGO
(Unaudited)2001 MONTHLY BULK CARGO
(Tons)

| Month | Petro Coke | Grains | Ore | Liquids |
|-----------|------------------|---------------|------------------|------------------|
| January | 302,237 | 8,010 | 80,423 | 283,828 |
| February | 229,388 | - | 86,513 | 260,768 |
| March | 236,631 | - | 189,493 | 285,364 |
| April | 228,703 | - | 114,933 | 290,501 |
| May | 194,003 | 2,461 | 182,814 | 485,164 |
| June | 257,791 | - | 72,753 | 416,994 |
| July | 204,169 | - | 112,793 | 499,322 |
| August | 301,767 | - | 164,466 | 304,217 |
| September | 148,236 | - | 75,009 | 483,906 |
| October | 293,959 | - | 168,620 | 213,504 |
| November | 166,229 | - | 118,176 | 6,409 |
| December | 200,955 | - | 76,870 | 61,940 |
| | <u>2,764,068</u> | <u>10,471</u> | <u>1,442,863</u> | <u>3,591,917</u> |

2001 MONTHLY GENERAL CARGO
(Tons)

| Month | Rice | Flour | Paper Products | Grain Products | Misc. |
|-----------|----------------|---------------|-------------------|-------------------|---------------|
| January | 57,113 | - | - | 31,625 | 5,419 |
| February | 16,373 | - | - | 23,315 | 8,439 |
| March | 27,025 | 9,236 | - | 28,429 | 6,338 |
| April | 14,420 | - | - | 31,452 | 4,400 |
| May | 22,170 | 18,119 | - | 37,050 | 4,374 |
| June | 9,034 | 5,429 | - | 25,947 | 3,739 |
| July | 20,334 | - | - | 3,098 | 2,766 |
| August | 25,817 | - | - | 24,941 | 3,223 |
| September | 37,575 | 11,044 | - | 21,669 | 6,302 |
| October | 39,526 | 947 | - | 4,241 | 137 |
| November | 21,858 | 440 | - | 32,664 | 4,594 |
| December | 27,686 | 2,884 | 1,393 | 38,889 | 3,214 |
| | <u>318,931</u> | <u>48,099</u> | <u>1,393</u> | <u>303,320</u> | <u>52,945</u> |

FIVE YEAR CARGO TONNAGE



SHIPS/BARGES CALLING AT DISTRICT FACILITIES

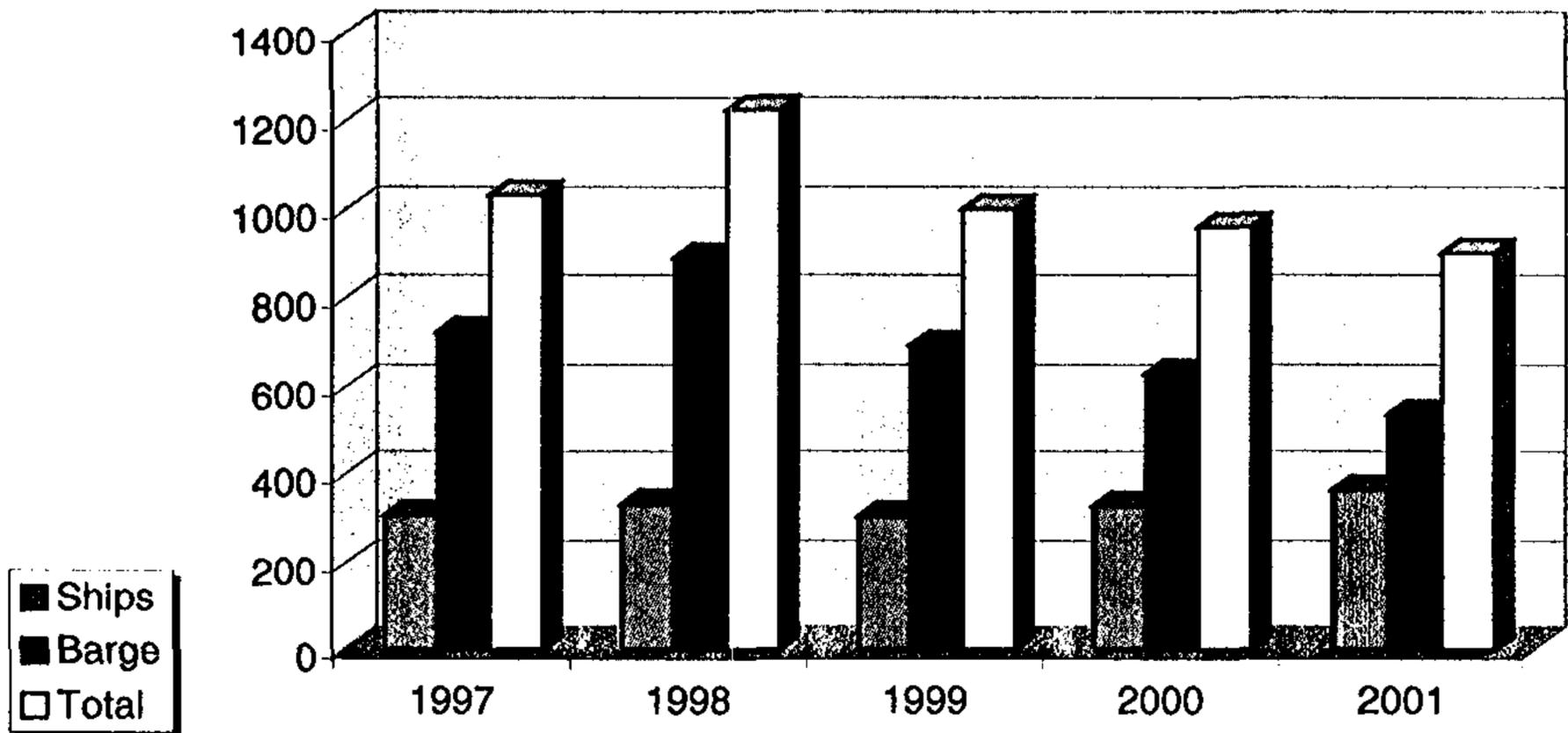


Table 3

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SHIPPING ACTIVITIES
TONNAGE
(Unaudited)2001 CARGO IMPORTS/EXPORTS
(Tons)

| <u>CARGO</u> | <u>IMPORTS</u> | <u>EXPORTS</u> | <u>TOTALS</u> |
|---------------|------------------|------------------|------------------|
| GENERAL CARGO | 3,934 | 720,754 | 724,688 |
| BULK | <u>5,351,820</u> | <u>2,457,499</u> | <u>7,809,319</u> |
| | <u>5,355,754</u> | <u>3,178,253</u> | <u>8,534,007</u> |

FIVE YEAR CARGO
IMPORT/EXPORT TONNAGE

| | <u>IMPORTS</u> | <u>EXPORTS</u> | <u>TOTALS</u> |
|------|----------------|----------------|---------------|
| 1997 | 2,813,798 | 3,455,133 | 6,268,931 |
| 1998 | 3,030,627 | 4,108,758 | 7,139,385 |
| 1999 | 3,358,221 | 4,156,775 | 7,514,996 |
| 2000 | 5,004,025 | 3,327,536 | 8,331,561 |
| 2001 | 5,355,754 | 3,178,253 | 8,534,007 |

MONTHLY CARGO TONNAGE
SHIPS AND BARGES

| <u>MONTH</u> | <u>TONNAGE</u> | <u>SHIPS</u> | <u>BARGES</u> |
|--------------|------------------|--------------|---------------|
| January | 768,655 | 28 | 40 |
| February | 624,796 | 23 | 57 |
| March | 782,516 | 36 | 42 |
| April | 684,409 | 31 | 29 |
| May | 943,694 | 38 | 69 |
| June | 794,148 | 35 | 49 |
| July | 842,482 | 23 | 19 |
| August | 824,431 | 37 | 50 |
| September | 783,741 | 37 | 45 |
| October | 720,934 | 31 | 38 |
| November | 350,370 | 22 | 39 |
| December | <u>413,831</u> | <u>24</u> | <u>60</u> |
| Totals | <u>8,534,007</u> | <u>365</u> | <u>537</u> |

Table 4

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Years
(Unaudited)

| Year | Total Tax Levy | Less: Cancellations and Reductions | Net Tax Levy | Less: Outstanding Delinquent Taxes |
|------|-------------------|---|-----------------|---|
| 1992 | \$ 1,139,718 | \$ 26,980 | \$ 1,112,738 | \$ 5,060 |
| 1993 | 1,165,286 | 27,653 | 1,137,633 | 7,500 |
| 1994 | 1,283,535 | 13,910 | 1,269,625 | 6,000 |
| 1995 | 1,290,268 | 9,700 | 1,280,568 | 7,200 |
| 1996 | 1,372,800 | 17,779 | 1,355,021 | 7,455 |
| 1997 | 1,421,729 | 9,970 | 1,411,759 | 14,750 |
| 1998 | 1,459,998 | 12,386 | 1,447,612 | 36,273 |
| 1999 | 1,485,818 | 10,134 | 1,475,684 | 6,679 |
| 2000 | 1,628,607 | 31,895 | 1,596,712 | 12,068 |
| 2001 | 1,700,997 | 12,898 | 1,688,099 | 24,765 |

Notes:

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

Table 4

| | <u>Net Total Taxes Collected</u> | <u>Percent of Net Levy Collected</u> | <u>Percent of Deliquent Taxes to Net Levy</u> |
|----|--|--|---|
| \$ | 1,107,678 | 99.55% | 0.45% |
| | 1,130,133 | 99.34% | 0.66% |
| | 1,263,625 | 99.53% | 0.47% |
| | 1,273,368 | 99.44% | 0.56% |
| | 1,347,566 | 99.45% | 0.55% |
| | 1,397,009 | 98.96% | 1.04% |
| | 1,411,339 | 97.49% | 2.51% |
| | 1,469,005 | 99.55% | 0.45% |
| | 1,584,645 | 99.24% | 0.76% |
| | 1,663,333 | 98.53% | 1.47% |

Table 5

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Years
(Unaudited)

(In Thousands)

| Year | Real and Mobile Home Property | | | Personal Property | | |
|------|----------------------------------|---------------------|--------------------------------|------------------------------|------------------------------|------------|
| | Assessed Values | | | Estimated Actual Value | Estimated Actual Value | |
| | Total Real and Mobile Home | Homestead Exempt | Net Real and Mobile Home | | | |
| 1992 | \$ 214,529 | \$ 103,798 | \$ 110,731 | \$1,107,310 | \$ 239,570 | \$ 958,280 |
| 1993 | 219,691 | 105,458 | 114,233 | 1,142,330 | 245,084 | 980,336 |
| 1994 | 223,868 | 107,207 | 116,661 | 1,166,610 | 282,851 | 1,131,404 |
| 1995 | 232,181 | 109,511 | 122,670 | 1,226,700 | 276,919 | 1,107,676 |
| 1996 | 292,827 | 125,207 | 167,620 | 1,676,200 | 290,308 | 1,161,232 |
| 1997 | 287,276 | 123,118 | 164,158 | 1,641,580 | 310,844 | 1,243,376 |
| 1998 | 300,199 | 128,469 | 171,730 | 1,717,300 | 315,902 | 1,263,608 |
| 1999 | 315,240 | 130,421 | 184,819 | 1,848,194 | 311,256 | 1,245,023 |
| 2000 | 323,771 | 131,950 | 191,821 | 1,918,208 | 328,457 | 1,313,827 |
| 2001 | 337,299 | 132,670 | 204,629 | 2,046,293 | 341,326 | 1,365,304 |

Notes:

- (1) Louisiana state law establishes all assessment limitations.
- (2) Real Property is assessed at: 10% - land, improvements and buildings
Commercial: 10% - land; 15% - improvements and buildings
Personal: 25%
- (3) Public utilities are assessed by Louisiana Tax Commissions annually - value and ratio
- (4) All property assessments are made by the Calcasieu Parish Assessor.

Table 5

| <u>Public Utilities</u> | | <u>Total All Property</u> | | <u>Ratio of Total Assessed To Total Estimated Actual Value</u> |
|---------------------------|---------------------------------------|---------------------------|---------------------------------------|--|
| <u>Assessed Value</u> | <u>Estimated Actual Value</u> | <u>Assessed Value</u> | <u>Estimated Actual Value</u> | |
| \$ 40,014 | \$ 266,760 | \$ 390,315 | \$2,332,350 | 16.73% |
| 39,754 | 265,027 | 399,071 | 2,387,693 | 16.71% |
| 40,054 | 267,027 | 439,566 | 2,565,041 | 17.14% |
| 40,860 | 272,400 | 440,449 | 2,606,776 | 16.90% |
| 39,463 | 263,087 | 497,391 | 3,100,519 | 16.04% |
| 40,118 | 267,453 | 515,120 | 3,152,409 | 16.34% |
| 41,352 | 275,680 | 528,984 | 3,256,588 | 16.24% |
| 42,264 | 281,763 | 538,340 | 3,374,980 | 15.95% |
| 47,300 | 315,334 | 567,578 | 3,547,369 | 16.00% |
| 46,725 | 311,498 | 592,680 | 3,723,095 | 15.92% |

Table 6

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
Last Ten Years
(Unaudited)

| Year | <u>*Population</u> | <u>Assessed Value (in Thousands)</u> | <u>Gross Bonded Debt</u> | <u>Restricted Assets Available for Debt Service</u> |
|------|--------------------|--|--------------------------|---|
| 1992 | 169,644 | \$ 494,112 | \$ - | \$ - |
| 1993 | 171,900 | 504,528 | - | - |
| 1994 | 172,200 | 602,549 | - | - |
| 1995 | 174,000 | 607,925 | - | - |
| 1996 | 176,100 | 682,397 | - | - |
| 1997 | 180,200 | 702,150 | - | - |
| 1998 | 179,400 | 726,559 | - | - |
| 1999 | 183,400 | 744,911 | - | - |
| 2000 | 183,600 | 781,253 | - | - |
| 2001 | 184,700 | 827,269 | - | - |

Notes:

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

Table 7

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPUTATION OF LEGAL DEBT MARGIN

December 31, 2001

(Unaudited)

| | | |
|---|--------------------|-----------------------|
| Net assessed value | | \$ 592,679,850 |
| Plus exempt property: | | |
| Homestead exemption (1) | \$ 132,670,180 | |
| Business exempt property (2) | <u>101,918,910</u> | <u>234,589,090</u> |
| Total assessed value | | <u>\$ 827,268,940</u> |
| | | |
| Debt Limit - 10 percent of total assessed value | | \$ 82,726,894 |
| | | |
| Amount of debt applicable to debt limit: | \$ - | |
| Total bonded debt | | |
| | | |
| Less: | | |
| Restricted assets available for payment of principal | <u>1,250,000</u> | |
| Total amount of debt applicable | | <u>1,250,000</u> |
| | | |
| Legal debt margin | | <u>\$ 81,476,894</u> |

Note:

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

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
December 31, 2001
(Unaudited)

| <u>Jurisdiction</u> | <u>Net Debt Outstanding</u> | <u>Percentage Applicable to District</u> | <u>Amount Applicable to District</u> |
|---|---------------------------------|--|--|
| Calcasieu Parish School District (All) | \$ 5,920,000 | 56% | \$ 3,315,200 |
| Calcasieu Parish School District No. 31 | 15,437,747 | 100% | 15,437,747 |
| Calcasieu Parish School District No. 23 | 20,769,044 | 80% | 16,615,235 |
| Calcasieu Parish School District No. 22 | 19,420,000 | 100% | 19,420,000 |
| Calcasieu Parish School District No. 30 | 25,365,000 | 10% | 2,536,500 |
| Calcasieu Parish School District No. 28 | 1,500,000 | 10% | 150,000 |
| Calcasieu Parish School District No. 21 | 1,695,000 | 1% | 16,950 |
| City of Westlake | 3,050,000 | 100% | 3,050,000 |
| City of Westlake | 145,000 | 100% | 145,000 |
| City of Lake Charles | 3,600,000 | 100% | 3,600,000 |
| City of Lake Charles | 6,373,171 | 100% | 6,373,171 |
| Calcasieu Parish Police Jury | <u>3,776,411</u> | 56% | <u>2,114,790</u> |
| | <u><u>\$ 107,051,373</u></u> | | <u><u>\$ 72,774,593</u></u> |

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

Table 9

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COVERAGE PROVIDED BY NET REVENUES FOR
ANNUAL DEBT SERVICE REQUIREMENTSLast Ten Years
(Unaudited)

| <u>Year</u> | <u>Gross Revenue</u> | <u>Operating Expenses</u> | <u>Net Revenue Available for Debt Service</u> |
|-------------|--------------------------|-------------------------------|---|
| 1992 | \$ 19,818,466 | \$ 14,565,316 | \$ 5,253,150 |
| 1993 | 19,579,422 | 13,816,523 | 5,762,899 |
| 1994 | 18,387,642 | 13,734,198 | 4,653,444 |
| 1995 | 20,853,323 | 14,170,937 | 6,682,386 |
| 1996 | 21,209,947 | 16,180,487 | 5,029,460 |
| 1997 | 22,028,369 | 17,546,951 | 4,481,418 |
| 1998 | 23,669,281 | 18,236,102 | 5,433,179 |
| 1999 | 18,755,648 | 19,703,137 | (947,489) |
| 2000 | 23,680,439 | 20,109,106 | 3,571,333 |
| 2001 | 21,136,879 | 21,009,957 | 126,922 |

NOTE:

- (1) Gross revenues included operating and nonoperating revenues of the District.
- (2) Operating expenses included costs directly associated with the District's primary activities.
- (3) Only general obligation debt is included in this table.

Table 9

| Debt Service Requirements | | | |
|---------------------------|------------|------------|----------|
| Principal | Interest | Total | Coverage |
| \$ 610,000 | \$ 189,312 | \$ 799,312 | 657.21 |
| 600,000 | 147,250 | 747,250 | 771.21 |
| 480,000 | 129,413 | 609,413 | 763.59 |
| . | . | . | . |
| . | . | . | . |
| . | . | . | . |
| . | . | . | . |
| . | . | . | . |
| . | . | . | . |
| . | . | . | . |

Table 10

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 (PER \$100 OF ASSESSED VALUE)
 Last Ten Years
 (Unaudited)

| Year | District (4) | Parish (1) | School Districts | Cities (2) | Other (3) | Total (Memorandum Only) (5) |
|------|-----------------|---------------|---------------------|---------------|--------------|-----------------------------------|
| 1992 | 2.92 | 154.55 | 157.90 | 43.60 | 296.66 | 655.63 |
| 1993 | 2.92 | 156.00 | 148.50 | 43.52 | 292.03 | 642.97 |
| 1994 | 2.92 | 144.14 | 184.70 | 42.98 | 277.59 | 652.33 |
| 1995 | 2.92 | 134.87 | 191.73 | 42.98 | 251.42 | 623.92 |
| 1996 | 2.76 | 134.57 | 171.03 | 37.06 | 220.61 | 566.03 |
| 1997 | 2.76 | 132.09 | 143.67 | 36.80 | 236.05 | 551.37 |
| 1998 | 2.76 | 132.54 | 95.92 | 36.04 | 232.11 | 499.37 |
| 1999 | 2.76 | 132.54 | 97.77 | 36.57 | 226.51 | 496.15 |
| 2000 | 2.87 | 134.97 | 100.78 | 37.19 | 250.04 | 525.85 |
| 2001 | 2.87 | 137.49 | 86.06 | 36.96 | 252.09 | 515.47 |

NOTE:

- (1) Includes assessments of all wards whose boundaries fell partially or totally within the District.
- (2) Includes assessment of all cities whose boundaries fell partially or totally within the District (Lake Charles, Sulphur and Westlake)
- (3) Includes all other assessments whose boundaries fell partially or totally within the District (Water, Gravity, Fire protection, etc.)
- (4) Lake Charles Harbor and Terminal District
- (5) The Lake Charles Harbor and Terminal District's boundaries overlap into several different school, water, gravity, fire protection, etc. districts. Thus the above table does not reflect the average millage assessed within the District. The average millage within the Lake Charles Harbor and Terminal District boundaries is approximately 170 mills, while the average millage within the Parish is 160 mills.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

DEMOGRAPHIC STATISTICS

Last Ten Years
(Unaudited)

| <u>Years</u> | <u>(1) Population</u> | <u>(1) Per Capita Income</u> | <u>(1) Median Age</u> | <u>Education Level In Years of Formal Schooling</u> | <u>(2) School Enrollment</u> | <u>Unemployment Rate Percent</u> |
|--------------|---------------------------|--|-------------------------------|---|--------------------------------------|--|
| 1992 | 169,644 | \$ 15,408 | 31.5 | * | 32,833 | 8.7 |
| 1993 | 171,900 | 16,056 | 31.8 | * | 33,384 | 7.8 |
| 1994 | 172,200 | 16,690 | 31.5 | * | 33,939 | 7.2 |
| 1995 | 174,000 | 17,929 | 32.2 | * | 33,905 | 5.4 |
| 1996 | 176,100 | 19,109 | 32.5 | * | 33,503 | 6.6 |
| 1997 | 180,200 | 19,906 | 35.0 | * | 33,453 | 5.6 |
| 1998 | 179,200 | 20,901 | 32.0 | * | 33,534 | 5.1 |
| 1999 | 183,400 | 21,840 | 33.8 | * | 32,881 | 4.0 |
| 2000 | 184,300 | 22,139 | 33.5 | * | 32,099 | 5.1 |
| 2001 | 184,700 | 22,792 | 34.3 | * | 31,963 | 5.7 |

NOTE:

- (1) Census information was obtained from the local Chamber of Commerce.
- (2) Calcasieu Parish School Board

Table 12

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
Last Ten Years
(Unaudited)

| <u>Year</u> | <u>Commercial Construction</u> | | <u>Residential Construction</u> | |
|-------------|--------------------------------|---------------|---------------------------------|---------------|
| | <u>Number of Units</u> | <u>Value*</u> | <u>Number of Units</u> | <u>Value*</u> |
| 1992 | 270 | \$ 27,884,991 | 691 | \$ 4,446,637 |
| 1993 | 285 | 55,234,530 | 713 | 4,128,425 |
| 1994 | 216 | 21,848,875 | 622 | 4,987,188 |
| 1995 | 283 | 47,431,671 | 552 | 4,536,337 |
| 1996 | 311 | 97,633,110 | 784 | 6,800,564 |
| 1997 | 329 | 62,691,854 | 736 | 6,708,083 |
| 1998 | 444 | 29,747,777 | 950 | 5,609,288 |
| 1999 | 287 | 21,275,879 | 805 | 11,633,499 |
| 2000 | 289 | 28,374,567 | 689 | 8,751,892 |
| 2001 | 574 | 79,854,735 | 845 | 28,329,654 |

NOTE:

- (1) Includes all banks in the City of Lake Charles
- (*) Assessed value - estimated value available

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

Table 12

| Bank Deposits (1) | Property Value* | |
|----------------------|-----------------|----------------|
| | Taxable | Nontaxable |
| \$ 1,405,528,985 | \$ 390,314,380 | \$ 103,798,030 |
| 1,331,842,000 | 399,070,550 | 104,113,040 |
| 1,397,813,000 | 439,566,780 | 107,206,220 |
| 1,395,149,000 | 444,872,600 | 108,087,400 |
| 1,647,834,000 | 497,391,300 | 125,206,700 |
| 1,619,879,000 | 517,109,420 | 124,508,480 |
| 1,848,275,000 | 528,984,630 | 197,574,790 |
| 3,004,576,000 | 538,339,520 | 206,571,920 |
| 3,024,391,000 | 567,577,660 | 213,675,330 |
| 3,330,156,000 | 592,679,850 | 234,589,090 |

Table 13

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

PRINCIPAL TAXPAYERS IN DISTRICT
 December 31, 2001
 (Unaudited)

| <u>Taxpayer</u> | <u>Type of Business</u> | <u>2000 Assessed Valuation</u> | <u>Percentage of Total Assessed Valuation</u> |
|------------------------------|-------------------------|--|---|
| Conoco, Inc. | Refinery | \$ 42,942,300 | 5.50% |
| PPG Industries, Inc. | Chemical Plant | 35,181,690 | 4.50% |
| Condea Vista Company | Chemical Plant | 19,180,070 | 2.46% |
| Citgo Petroleum Corporation | Refinery | 18,648,730 | 2.39% |
| Lyondell Chemical Worldwide | Chemical Plant | 14,213,970 | 1.82% |
| Bellsouth Telecommunications | Telephone Company | 13,169,340 | 1.69% |
| Basell USA, Inc. | Chemical Plant | 11,882,950 | 1.52% |
| St. Charles Gaming Company | Gaming | 8,844,820 | 1.13% |
| Entergy Gulf States, Inc. | Electricity | 8,646,790 | 1.11% |
| Westlake Polymers, Inc. | Chemical Plant | 8,125,020 | 1.04% |
| | | <u>\$180,835,680</u> | <u>23.15%</u> |

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

MISCELLANEOUS STATISTICS
December 31, 2001
(Unaudited)

DATE OF INCORPORATION
1926

NUMBER OF EMPLOYEES:
126

FORM OF GOVERNMENT:
Political Subdivision of State
of Louisiana

AERIAL CLEARANCE:
Highlines 170 feet
I-210 Bridge 135 feet

GEOGRAPHICAL LOCATION:
Latitude 30 13' North
Longitude 90 15' West
32 miles inland from Gulf
of Mexico

ELEVATION:
Sea level to 20 feet

TEMPERATURE:
77.6 maximum average
63.7 minimum average
71.2 mean
Average yearly rainfall
53.03 inches

TIDAL INFORMATION:
Mean tide level 1.0 feet
Diorhan range 2.0 feet
Neap tides MLWN 0.3 feet
MHWN 1.0 feet
Spring tides MLWN 0.0 feet
MHWN 1.8 feet

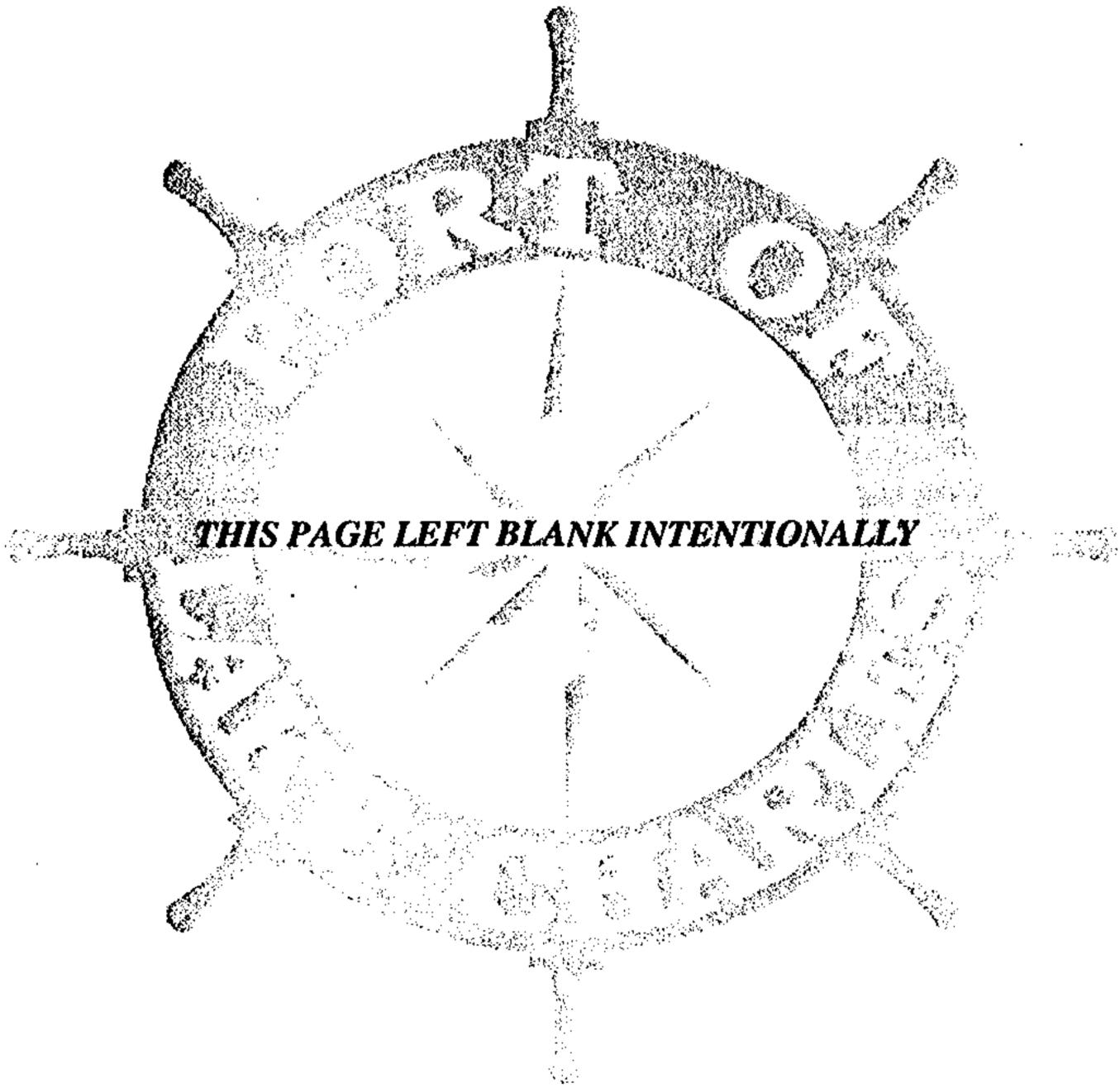
GENERAL CARGO FACILITIES:
935,835 sq. feet of transit sheds
606,3000 sq. feet of warehouse
(available for lease)

PRINCIPAL CARGO:
Flour Petroleum coke
Rice Petroleum products
Soybeans Barite
Other grains Fertilizers
Rutile Linerboard/newsprint

PUBLIC DOCKS:

| | |
|-----------------|-----------|
| Dry cargo | 10 |
| Bulk materials | 2 |
| Bulk materials | 1 |
| Open berth | 2 |
| Grain elevators | 1 |
| General cargo | 1 |
| | <u>17</u> |

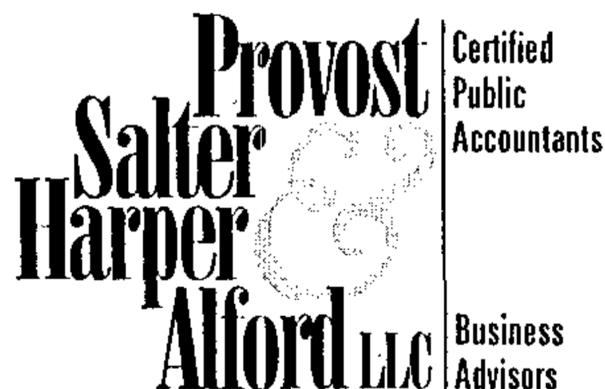
- City Docks
- Bulk Terminal No. 1 - Rosebluff
- Bulk Terminal No. 4 - Westlake
- City Docks
- City Docks
- Industrial Canal



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

**REPORTS ON
COMPLIANCE AND INTERNAL CONTROL OVER
FINANCIAL REPORTING, SUPPLEMENTARY INFORMATION,
COMPLIANCE RELATED TO \$25,000,000
LAKE CHARLES HARBOR AND TERMINAL DISTRICT
PORT IMPROVEMENT REVENUE BONDS, SERIES 1994,
AND COMMUNICATION TO OVERSIGHT GROUP
YEAR ENDED DECEMBER 31, 2001**



8550 United Plaza Boulevard, Suite 600, Baton Rouge, Louisiana 70809, Phone: (225) 924-1772 / Facsimile: (225) 927-9075

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Table of Contents

December 31, 2001

| | |
|---|---|
| Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 1 |
| Independent Auditor's Report on Supplementary Information | 3 |
| Schedule of Supplementary Information | 4 |
| Independent Auditor's Report on Compliance Related to \$25,000,000 Lake Charles Harbor and Terminal District Port Improvement Revenue Bonds, Series 1994, Based on an Audit of General Purpose Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 6 |
| Communication to Oversight Group | 8 |

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

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

We have audited the general purpose financial statements of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated February 15, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lake Charles Harbor and Terminal District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the

internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Commissioners, management, and the Legislative Auditor of the State of Louisiana, and it not intended to be and should not be used by anyone other than these specified parties.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

February 15, 2002



Certified
Public
Accountants

Business
Advisors

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

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

We have audited the general purpose financial statements of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated February 15, 2002. These general purpose financial statements are the responsibility of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, taken as a whole. The accompanying schedule of supplementary information is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

February 15, 2002

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

Schedule of Supplementary Information

Year Ended December 31, 2001

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

| <u>Vendor & Explanation</u> | <u>Amount</u> |
|--|---------------|
| Dr. Daryl Burkel Prepare and analyze L.C. pilot tariff proposal | \$ 1,600 |
| EAP Employee assistance | \$ 2,169 |
| FHP, Inc. Consulting -- market development | \$ 35,292 |
| James Robinson Navigation consultant | \$ 15,991 |
| John M. Love, Jr. Real estate consultation and research | \$ 500 |
| MJ Shiehl & Associates Survey of 4 barges on condition and value | \$ 3,000 |
| Morrison Surveying Surveying Nelson Rd. and photos of ship channel | \$ 7,704 |
| Standard & Poor's Rating Group Analytical services rendered for bond rating | \$ 3,500 |
| Thomas Watson Writing Port history | \$ 24,656 |

Payments to members of the Board of Commissioners for per diem payments or compensation for services on the Board:

None

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

*Schedule of Supplementary Information**Year Ended December 31, 2001*

Insurance policies in force as of December 31, 2001:

| Policy Provider | Policy Number | Policy Type | Policy Period |
|--|----------------------|-----------------------------------|----------------------|
| Dakota Specialty Insurance Company | ACV604639 | Commercial auto | 10/1/01-10/1/02 |
| Underwriters at Lloyds, London | PL98000969 | General liability | 10/1/01-12/31/01 |
| Coregis Insurance Company | POD0021642 | Public official liability | 10/1/01-10/1/02 |
| Great American Insurance Company | GCM-19448 | Marine insurance | 6/25/01-6/25/02 |
| Navigators Insurance Company | REN/ARS-PN00099 | Commercial umbrella | 10/1/01-10/1/02 |
| Great American Insurance Company | GCM-19448 | Pollution liability | 6/25/01-6/25/02 |
| Steadfast Insurance Company | SCC3618870-03 | FELA | 10/1/01-10/1/02 |
| American International South Insurance Company | WC5842220 | Workers compensation insurance | 6/18/01-6/18/02 |
| Hartford Life & Accident Insurance Co. | ETB101464 | Group business travel | 10/3/00-10/3/03 |
| The Fidelity and Deposit Co. of Maryland | CCP0023647 | Employee dishonesty bond | 10/11/01-10/11/02 |
| Factory Mutual | 755901-00 | Excess property | 10/1/01-12/31/01 |

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

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

We have audited the general purpose financial statements of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana as of and for the years ended December 31, 2001 and 2000 and have issued our report thereon dated February 15, 2002.

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

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

The District has complied with Section 8.09(h) Insurance of the Amended and Restated Trust Indenture between Lake Charles Harbor and Terminal District and Hibernia National Bank of Lake Charles, as Trustee, dated as of January 1, 1994, \$25,000,000 Lake Charles Harbor and Terminal District Port Improvement Revenue Bonds, Series 1994. As required by paragraph 3 of this Section 8.09(h), a listing of all policies carried by the District as of December 31, 2001 is included in the supplementary information section of these reports. All insurance premiums upon the insurance policies to which reference is herein before made have been paid.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

February 15, 2002

COMMUNICATION WITH OVERSIGHT GROUP

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

We have audited the general purpose financial statements of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana for the years ended December 31, 2001 and 2000, and have issued our report thereon dated February 15, 2002. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Generally Accepted Auditing Standards and Government Auditing Standards.

As stated in our audit contracts dated September 30, 1999, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Lake Charles Harbor and Terminal District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Other Information in Documents Containing Audited Financial Statements.

The comprehensive annual financial report for the Lake Charles Harbor and Terminal District for the years ended December 31, 2001 and 2000 includes, in addition to the financial statements, management's discussion and analysis of financial condition and results of operations and certain statistical information. Our responsibility for this additional information does not extend beyond the financial information identified in our report and we have no obligation to perform any procedures to corroborate the additional

information contained in these documents. We have read the additional information and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Significant Accounting Policies.

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our contract, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Lake Charles Harbor and Terminal District are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2001. We noted no transactions entered into by the Lake Charles Harbor and Terminal District during the year that were both significant and unusual other than the matter described in Note 20, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates.

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based upon management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Significant estimates in the District's financial statements include depreciation and loss contingencies after considering opinion of legal counsel. These estimates were arrived at after taking into consideration the cost of the assets involved, the estimated life of the assets, and its estimated salvage or residual value, and the possibility of the concurrence of material losses.

Audit Adjustments.

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the District, either individually or in the aggregate, indicate matters that could have a significant effect on the District's financial reporting process.

In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements With Management.

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

Consultation With Other Accountants.

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

Issues Discussed Prior to Retention of Independent Auditors.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit.

We encountered no difficulties in dealing with management in performing our audit.

This communication is intended solely for the use of the Board of Commissioners of the Lake Charles Harbor and Terminal District and management the Lake Charles Harbor and Terminal District and is not intended to be and should not be used by anyone other than these specified parties.

PROVOST, SALTER, HARPER & ALFORD, L.L.C.

Provost, Salter, Harper & Alford, L.L.C.

February 15, 2002

**Lake Charles Harbor & Terminal District
Uncorrected Financial Statement Misstatements
December 31, 2001**

| | | Debit | Credit |
|------------|---------------------|--------------|---------------|
| 2010-02002 | Accounts Payable | | 44,675.22 |
| 7300-23210 | Repairs – Equipment | 44,675.22 | |
| 1041-00137 | GNMA | | 134.74 |
| 5000-07011 | Unrealized loss | 134.74 | |