

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

Release Date AUG 01 2012

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

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LAKE CHARLES HARBOR AND TERMINAL DISTRICT

FINANCIAL REPORT
December 31, 2011

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INTRODUCTORY SECTION

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May 17, 2012

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



**Lake Charles
Harbor
& Terminal
District**

Post Office Box 3753
Lake Charles LA 70602
Phone 337-439-3661
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Dear Commissioners:

The Comprehensive Annual Financial Report (CAFR) of the Lake Charles Harbor and Terminal District (District) for the year ended December 31, 2011 is hereby submitted for your review. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all note disclosures, rests with the District. The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) and have been independently audited in accordance with generally accepted auditing standards. The purpose of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. This transmittal letter should be read in conjunction with Management's Discussion and Analysis on pages 23-32. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities and operations have been included.

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

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

Overview of the Lake Charles Harbor and Terminal District

The District is an independent political subdivision of the State of Louisiana created by action of the Louisiana Legislature in 1924 and authorized by Louisiana Revised Statutes 34:201-217. The District operates a deep-water port on the Calcasieu Ship Channel and encompasses 203 square miles in Southwest Louisiana. Presently, the District owns and manages five public marine terminal facilities commonly designated as the Port of Lake Charles.

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



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

Local Economy

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

- ▶ According to research by the H. C. Drew Center for Economic Development, Manufacturing, Construction and Mining related activities, which includes the petrochemical plants and refineries, employ nearly 18,000 workers and provide for significant average annual wages in Southwest Louisiana. The mining sector provides an average annual wage of \$71,000, the manufacturing sector provides an average annual wage of \$76,000 and the construction sector provides an average annual wage of \$42,000. Calcasieu Parish is the home of approximately 25 petrochemical plants and refineries.



- Lake Charles is currently home to two riverboat casinos. Pinnacle Entertainment completed construction of its riverboat casino in June 2005 on land leased from the District. Pinnacle's hotel and casino, L'Auberge, is the second largest single deck riverboat in the United States and the only single deck riverboat in Louisiana. The hotel is 26 stories with approximately 1,000 rooms, a 26,000 sq ft event center, a 14,000 sq ft ballroom and an 18-hole Tom Fazio-designed Golf Course.

- During the third quarter of 2010, the District awarded an option to lease approximately 220 acres of land for the development of a casino resort and hotel to Creative Casinos who was later awarded the final riverboat gaming license in the State of Louisiana. During the first quarter of 2012, Ameristar Casinos, Inc. announced an agreement to acquire all of the equity interests of Creative Casinos, LLC. The acquisition is subject to the approval by the Louisiana Gaming Control Board. The resort proposed by Ameristar will include a casino, a 700 room hotel and spa and an 18-hole golf course. The resort is expected to open in 2014 at an estimated cost of \$500 million.

- During the second quarter of 2008, Lake Charles Cogeneration, LLC (LCC) issued \$1.0 billion in bonds to finance the construction of a petroleum coke and coal fueled poly-generation gasification facility to be built on property owned by the District. The District is leasing the site to LCC pursuant to a long-term ground lease agreement. Upon completion, it is expected that the facility will produce pipeline quality substitute natural gas and hydrogen. The initial feasibility work has been completed, including selection of the project's technology, project design and cost, and plans to commence front-end engineering and design (FEED) work which will allow LCC to file for its environmental permits. LCC expects to commence construction of the facility in 2012.

- Northrop Grumman and Aeroframe are located at the Chennault International Airport Authority where aircraft modification and maintenance is performed.

- During the first quarter of 2010, the Shaw Group completed construction of the first module fabrication and assembly facility focused on constructing components for new and modified nuclear reactors in the United States. The facility is expected to create 1,400 jobs in Lake Charles over the next several years at an average salary of \$50,000 plus benefits.

Dry Bulk Cargo Terminals

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

General Cargo Docks

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

Cargo Diversity

During 2010, the District was successful in attracting Francis Drilling Fluids (FDF) to City Docks. FDF imports frac sand from China which is used primarily in mining natural gas. The primary reasons FDF was attracted to the District related to the available transit shed space, access to deep water and inland distribution channel. Import tonnage through the District is estimated to be approximately 200,000 tons during 2012.

Real Estate

The District owns approximately 4,000 acres in Southwest Louisiana. These properties include leased acreage to both traditional and non-traditional port related tenants, spoil disposal sites, and acreage available for future development. During 2011, lease revenues accounted for approximately \$10.1 million, or 27% of total District operating revenues.



Security Initiatives

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



Long-Term Financial Planning

Over the next five years, the District's capital budget calls for approximately \$111.5 million in new construction and major improvements. The funding sources for these projects will be provided primarily by grant funding and District revenues.

Internal Controls

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

Budgetary Control

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

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial reporting to the Lake Charles Harbor and Terminal District for its comprehensive annual financial report for the fiscal year ended December 31, 2010. In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. Such reports must satisfy both GAAP and applicable legal requirements



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

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

Respectfully submitted,

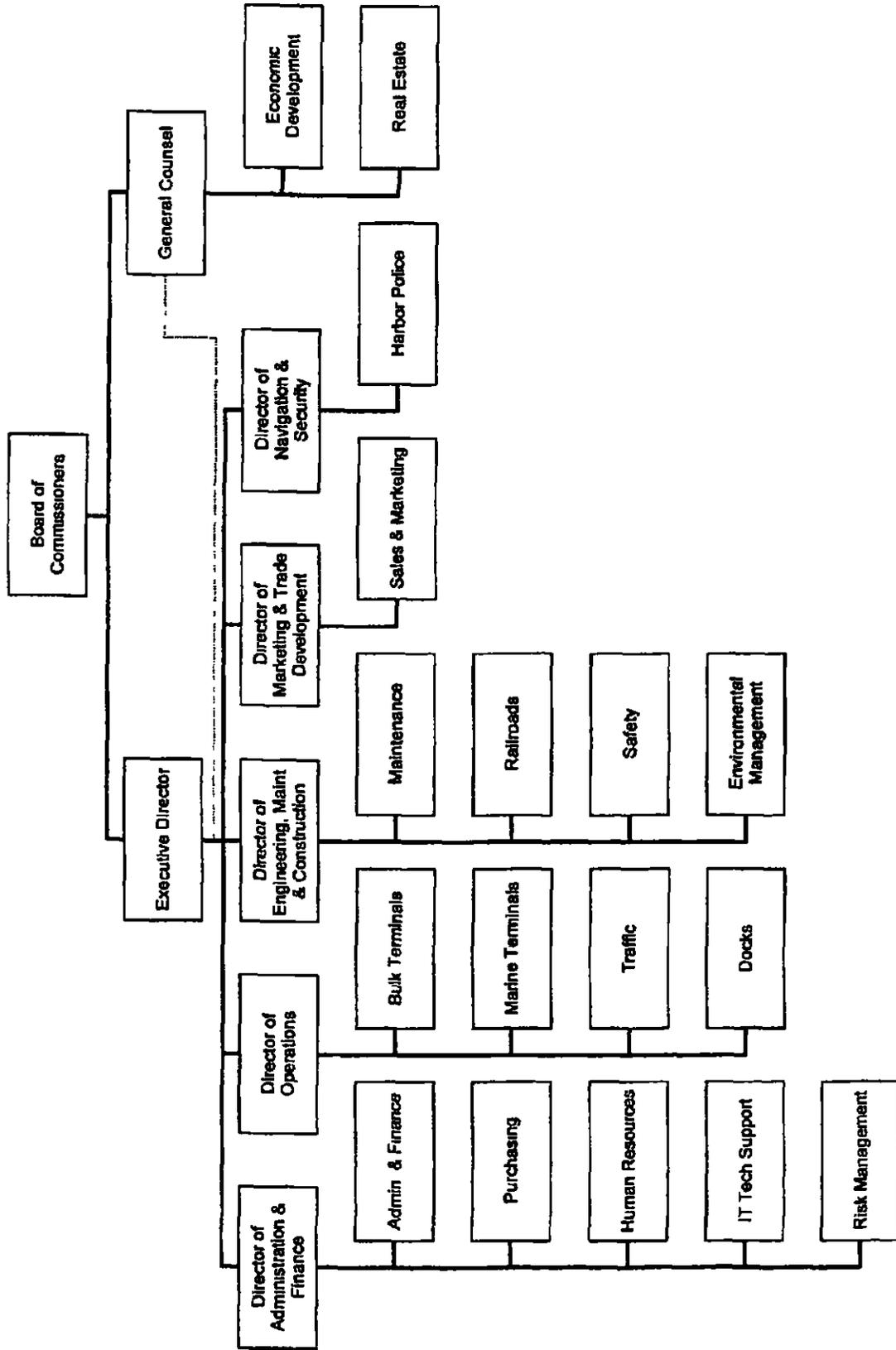
Handwritten signature of William J. Rase, III in black ink.

William J. Rase, III
Executive Director

Handwritten signature of Richard L. Self in black ink.

Richard L. Self
Director of Administration
and Finance

LAKE CHARLES HARBOR AND TERMINAL DISTRICT



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, 2010

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.



Linda C. Danson

President

Jeffrey R. Emery

Executive Director

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

**P.O. BOX 3753
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BOARD OF COMMISSIONERS

Walter Sanchez	President
Harry Hank	Vice President
John LeBlanc	Secretary/Treasurer
Elcie Guillory	Assistant Secretary/Treasurer
Daryl Burckel	Commissioner
Barbara McManus	Commissioner

EXECUTIVE DIRECTOR

William J. Rase, III

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FINANCIAL SECTION

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McELROY, QUIRK & BURCH

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Michael N. McGee, CPA
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Robin Anderson Conrad, CPA



Judson J. McCana, Jr., CPA, Retired
Marvin L. Chehovsky, CPA, CFE, CFP™
Carl W. Comenex, CPA, Retired

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

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

We have audited the accompanying basic financial statements of the Lake Charles Harbor and Terminal District (District), Lake Charles, Louisiana, as of and for the years ended December 31, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Lake Charles Harbor and Terminal District management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 opinions.

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, Lake Charles, Louisiana, as of December 31, 2011 and 2010, and the changes in financial position and cash flows for the year 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 our report dated May 18, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress for Lake Charles Harbor and Terminal District's retiree health plan on pages 23 through 32 and page 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana, basic financial statements. The introductory section, accompanying supplementary information and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Ms Elroy Quirk & Beach

Lake Charles, Louisiana
May 18, 2012

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Management's Discussion and Analysis

The following is the Lake Charles Harbor and Terminal District's Management Discussion and Analysis (MD&A) of the financial activities and performance for the years ended December 31, 2011 and 2010. It provides an introduction to the District's 2011 and 2010 financial statements. Information contained in this MD&A has been prepared by District management and should be considered in conjunction with the financial statements

Financial Highlights

- The assets of the Lake Charles Harbor and Terminal District exceeded its liabilities as of December 31, 2011 by \$282.4 million (*net assets*). Net assets totaled \$269.7 million as of December 31, 2010.
- As a result of the excess revenues over expenses, the District's net assets increased \$12.7 million during 2011 compared to an \$8.6 million increase during 2010.
- During 2011, operating revenues were \$36.9 million, an increase of \$1.2 million (3%) from 2010. Operating expenses were \$33.6 million, an increase of \$1.8 million (6%) compared to 2010.

Overview of the Financial Statements

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

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

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

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

The basic financial statements can be found on pages 34-39 of this report.

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to financial statements can be found on pages 40-65 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. This supplementary information can be found on pages 68-105 of this report.

Financial Analysis of the District

The following table presents the condensed statements of fund net assets as of December 31, 2011, 2010 and 2009:

Lake Charles Harbor and Terminal District Comparative Condensed Statements of Fund Net Assets

	2011 <u>(in thousands)</u>	2010 <u>(in thousands)</u>	2009 <u>(in thousands)</u>
Current and other assets	\$ 59,016	\$ 58,075	\$ 52,102
Capital assets	<u>235,220</u>	<u>232,425</u>	<u>234,082</u>
Total assets	<u>294,236</u>	<u>290,500</u>	<u>286,184</u>
Current liabilities	9,862	13,508	12,347
Non-current liabilities	<u>1,972</u>	<u>7,244</u>	<u>12,722</u>
Total liabilities	<u>11,834</u>	<u>20,752</u>	<u>25,069</u>
Net assets			
Invested in capital assets, net of related debt	235,167	225,586	221,495
Restricted	55	2,032	6,471
Unrestricted	<u>47,180</u>	<u>42,130</u>	<u>33,149</u>
Total net assets	<u>\$ 282,402</u>	<u>\$ 269,748</u>	<u>\$ 261,115</u>

2011:

The assets of the Lake Charles Harbor and Terminal District exceeded its liabilities as of December 31, 2011 by \$282.4 million compared to \$269.7 million as of December 31, 2010 (net assets).

The largest portion of the District's net assets reflects its investment in capital assets in the amount of \$235.2 million as of December 31, 2011 compared to \$225.6 million as of December 31, 2010. These capital assets include land, buildings, improvements, equipment and construction in progress, less any related outstanding debt used to acquire those assets. These assets are not available for future spending. Although restricted net assets total \$-0- and \$2.0 million for 2011 and 2010, respectively, it should be noted that the resources needed to repay the debt must be provided from operations, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's restricted net assets of \$.1 and \$2.0 million as of December 31, 2011 and 2010, respectively, represent amounts restricted for debt service in accordance with existing bond covenants. The Board of Commissioners has designated \$16.5 million in unrestricted net assets as of December 31, 2011 to be used for commitments on construction contracts compared to \$8.2 million in unrestricted net assets as of December 31, 2010 to be used for commitments on construction contracts. The remaining \$30.7 million and \$33.9 million as of December 31, 2011 and 2010, respectively, of unrestricted net assets may be used to meet the District's ongoing obligations to creditors.

2010:

The assets of the Lake Charles Harbor and Terminal District exceeded its liabilities as of December 31, 2010 by \$269.7 million compared to \$261.1 million as of December 31, 2009 (net assets).

The largest portion of the District's net assets reflects its investment in capital assets in the amount of \$225.6 million as of December 31, 2010 compared to \$221.5 million as of December 31, 2009. These capital assets include land, buildings, improvements, equipment and construction in progress, less any related outstanding debt used to acquire those assets. These assets are not available for future spending. Although restricted net assets total \$2.0 and \$6.5 million for 2010 and 2009, respectively, it should be noted that the resources needed to repay the debt must be provided from operations, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's restricted net assets of \$2.0 and \$6.5 million as of December 31, 2010 and 2009, respectively, represent amounts restricted for debt service in accordance with existing bond covenants. The Board of Commissioners has designated \$8.2 million in unrestricted net assets as of December 31, 2010 to be used for commitments on construction contracts compared to \$11.3 million in unrestricted net assets as of December 31, 2009 to be used for commitments on construction contracts. The remaining \$33.9 million and \$21.8 million as of December 31, 2010 and 2009, respectively, of unrestricted net assets may be used to meet the District's ongoing obligations to creditors.

The following table shows condensed revenue and expense data for the years ended December 31, 2011, 2010 and 2009.

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenues			
Vessel and cargo services	\$ 22,673,086	\$ 23,564,920	\$ 19,408,860
Rental of equipment and facilities	10,059,975	10,807,934	8,764,583
Other	<u>4,197,140</u>	<u>1,406,193</u>	<u>852,667</u>
Total operating revenues	<u>36,930,201</u>	<u>35,779,047</u>	<u>29,026,110</u>
Operating expenses			
Personnel services	10,344,600	9,727,094	8,583,507
Contractual services	4,361,893	4,477,504	4,663,870
Supplies, maintenance and operation of facilities	7,288,203	6,253,046	5,130,556
Heat, light and power	774,163	731,013	559,208
Depreciation and amortization	<u>10,868,415</u>	<u>10,694,862</u>	<u>10,338,613</u>
Total operating expenses	<u>33,637,274</u>	<u>31,883,519</u>	<u>29,275,754</u>
Operating income (loss)	<u>3,292,927</u>	<u>3,895,528</u>	<u>(249,644)</u>
Nonoperating revenues (expenses)			
Property taxes	2,623,133	2,634,642	2,318,463
Intergovernmental revenue	90,741	90,114	92,875
Interest income	248,971	280,535	298,711
Net increase (decrease) in fair value of investments	-	(11,094)	(83,629)
Interest expense and fiscal charges	(317,470)	(39,278)	(37,890)
Retirement of assets	1,754,198	(3,098)	(28,375)
Hurricane expenses net of recoveries	-	-	330,494
Other	<u>(10,000)</u>	<u>695,579</u>	<u>(18,532)</u>
Net nonoperating revenues (expenses)	<u>4,389,565</u>	<u>3,647,400</u>	<u>2,875,117</u>
Net income before contributions	<u>\$ 7,682,492</u>	<u>\$ 7,542,928</u>	<u>\$ 2,625,473</u>

2011

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

- Total operating revenues increased \$1.2 million or 3% during 2011 as compared to 2010. The increase is partially due to increased volumes of petroleum coke at Bulk Terminal No. 1 for a relatively new customer and a change in the mode of delivery on an existing customer, for which the District increased the handling rate. An additional contributing factor to the increase relates to the settlement of a claim during 2011 with Pinnacle Entertainment associated with the development of a casino resort and hotel on property owned by the District.

- Partially offsetting the increase in revenues is a decrease in bagged cargo and related revenue at City Docks as a result of a decline in tonnage in the United States Department of Agriculture (USDA) invitations. Tonnage on invitations issued by the USDA declined approximately 31% in 2011 as compared to 2010, as a result of the downturn in the United States economy.

- An additional contributing factor partially offsetting the increase in operating revenues is a decrease in rubber handled at City Docks. The District's customer utilizes several warehouses at City Docks for storage purposes. Because of demand for the commodity during 2011, the customer shipped the product direct from their facility which reduced the volume of rubber moving through City Docks.

- Also partially offsetting the increase in operating revenues is a decline in rental revenues as a result of receiving a favorable decision from the appeals court during 2010 associated with property involved in litigation with another governmental entity. The overall decrease in rental revenues in 2011 compared to 2010 is partially offset by increases in rental revenue associated with a new customer at City Docks who handles ceramic sand used in the drilling process for oil and natural gas.

- The final contributing factor partially offsetting the increase in revenues is a decrease in the volume of bulk grains handled at Bulk Terminal No. 2. During 2010, the District exported significant volumes of bulk grains through Bulk Terminal No. 2 to assist in the Haiti relief effort following the earthquake. The volumes handled through Bulk Terminal No. 2 during 2011 were more in line with annual volumes from previous years.

- Total operating expenses increased \$1.8 million or 6% during 2011 as compared to 2010. Contributing to the increase in expenses is higher personnel services as a result of a change in the mode of delivery of petroleum coke at Bulk Terminal No. 1. One of the District's primary exporters of petroleum coke changed the method of delivery from rail to truck. The change resulted in a more labor intensive activity which has increased payroll and other operating costs for handling petroleum coke for this customer.
- An additional contributing factor to the increase relates to the reinstatement of matching employee contributions, dollar-for-dollar up to 6% of the employee's salary, in the deferred compensation plan. The District did not match employee contributions in 2010.
- Also contributing to the increase in expenses in 2011 as compared to 2010 is an increase in the required contribution by the District to the Louisiana State Employees' Retirement System (LASERS). The employer contribution to the plan increased from 18.6% in 2010 to 25.6% in 2011.
- The final contributing factors to the increase relate to increases in dredging expenses associated with dredging Bulk Terminal No. 1, which occurred in 2011, a payment related to the automated terminal at City Docks associated with changes to the unloading contract, and increases in depreciation expense associated with the completion of several capital projects during 2011.
- Partially offsetting the increase in expenses is a decrease associated with projects that were originally expected to be capitalized but were expensed in 2010, when it was determined that the projects were no longer viable. The projects include Access Road and Bridge across Contraband Bayou, Corps of Engineers Anchorage Feasibility Study, new Maintenance Shop and Office at City Docks, and costs associated with a new 150,000 square foot warehouse for lumber. Also partially offsetting the increase is lower legal expenses in 2011 than 2010 as a result of the settlement of the Cameron Parish litigation in 2010.
- Net nonoperating revenues increased \$0.7 million or 20% during 2011 as compared to 2010. The increase is due primarily to the sale of land adjacent to the existing L'auberge du lac Casino and the proposed Mojito Pointe Casino during 2011.
- Partially offsetting the increase is a reduction in other nonoperating revenues associated with the settlement in 2010 of litigation related to the construction of Transit Sheds 16 and 17. Also partially offsetting the increase in net nonoperating revenues is the payment of breakage fees in 2011 to JP Morgan Chase when the District called the remaining outstanding bonds in an effort to reduce the overall cash outflow in the form of interest payments.

- The District received \$5.0 million in Federal and State capital contributions for the year ended December 31, 2011 compared to \$1.1 million for the year ended 2010. The majority of the grant funding received in 2011 related to the Railroad Improvements Project at City Docks and the New Stacker and Reclaimer Project at Bulk Terminal No. 1. The contributions received during 2010 related to the New Shop and Office at Bulk Terminal No 1 and Security Enhancements Project.

- The District's net assets increased \$12.7 million and \$8.6 million during the twelve months ended December 31, 2011 and 2010, respectively. The increase during 2011 was due partially to increased volumes and handling rates of petroleum coke, the settlement of a dispute with Pinnacle, the addition of a new customer leasing space at City Docks, the sale of land, and increases in grant revenue. Partially offsetting these increases were declines in tonnage and related revenue for USDA bagged cargo, rubber, and bulk grains. Also partially offsetting the increase in net assets were increases in personnel services associated with the matching contribution for the deferred compensation plan, increases in the employer contribution to LASERS, dredging expenses Bulk Terminal No. 1, the payment related to the automated terminal at City Docks associated with changes to the unloading contract, increased depreciation as a result of new capital projects, and the breakage fee associated with paying off the bonds early. There is no assurance that capital contributions will continue in the future.

2010

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

- Total operating revenues increased \$6.8 million or 23% during 2010 as compared to 2009. The increase is partially due to increased exports of petroleum coke at the District's Bulk Terminal No. 1 as a result of a new customer. An additional contributing factor relates to increases in barite imports associated with increased drilling activity and resulting demand for the product used in drilling mud at the District's Bulk Terminal 1. Also contributing is increased demand for calcined coke at the District's Bulk Terminal No 1, for which demand was significantly down in 2009 due to the downturn in the economy, but improved during 2010 as the end users replenished inventory. As a result of the earthquake in Haiti, the District exported significant volumes of bulk grains at the District's Bulk Terminal No. 2, which also contributed to the increase in revenues during 2010. Additionally, rental revenues increased as a result of receiving a favorable decision from the appeals court associated with property involved in litigation with another governmental entity. The final contributing factor relates to the settlement of a claim associated with the Shiploader Terminal No. 1 during 2010.

- Total operating expenses increased \$2.6 million or 9% during 2010 as compared to 2009. Contributing to the increase in expenses was higher personnel services as a result of handling additional petroleum coke for a new customer at Bulk Terminal No. 1. Additionally, the employer contribution to the Louisiana State Employees' Retirement System (LASERS) increased from 18.6% to 22.0%. Health care costs associated with the self-insured health and medical plan also increased due partially to additional claims and partially to a small increase in the number of employees as compared to 2009. Also contributing to the increase was an increase in the revised estimate for the annual required contribution recorded in accordance with Governmental Accounting Standards Board Statement (GASB) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* which was implemented in 2009. An additional contributing factor related to increases in depreciation expenses associated with the completion of several capital projects during 2010. The final factor causing the increase related to the following projects that were originally expected to be capitalized but were later expensed when it was determined that the projects were no longer viable. Access Road and Bridge across Contraband Bayou, Corps of Engineers Anchorage Feasibility Study, new Maintenance Shop and Office at City Docks, and costs associated with a new 150,000 square foot warehouse for lumber.
- Partially offsetting the increase in operating expenses was a decrease in professional services as a result of the Strategic Plan which was completed in 2009. The District did not incur any costs during 2010 associated with the Strategic Plan.
- Net nonoperating revenues increased \$0.8 million or 27% during 2010 as compared to 2009. The increase is due primarily to a partial settlement on litigation associated with the construction of Transit Sheds 16 and 17. An additional contributing factor relates to an increase in the property tax revenues as a result of an increase in property tax values in the District. Partially offsetting the increase was a reduction in recoveries of hurricane expenses associated with the completion of several projects in 2009 remaining from Hurricane Rita for which FEMA provided assistance.
- The District received \$1.1 million in Federal and State capital contributions for the year ended December 31, 2010 compared to \$5.3 million for the year ended 2009. The majority of the grant funding received in 2010 related to the New Shop and Office at Bulk Terminal No. 1 and the Security Enhancements Project. The contributions received during 2009 related to the Rehabilitation of the Bulk Terminal No. 1 Rollover Dump Project and the Security Enhancements Project.
- The District's net assets increased \$8.6 million and \$7.9 million during the twelve months ended December 31, 2010 and 2009, respectively. The increase during 2010 was due partially to increased volumes of petroleum coke, barite and bulk grains. An additional contributing factor relates to the partial settlement on litigation associated with the construction of Transit Sheds 16 and 17, and an increase in the property tax revenues as compared to 2009. Partially offsetting the increase in net assets were increases in personnel services and supplies maintenance and operating expenses associated with increased cargo handling,

expensing projects that were originally expected to be capitalized but were later determined not to be viable, increases in depreciation expenses associated with the completion of several capital projects during the year and a reduction in grant revenue as a result of the majority of the funding on several significant projects being received during 2009. There is no assurance that capital contributions will continue in the future.

Capital and Debt Administration

Capital assets. The District's capital assets were \$235.2 million and \$232.4 million (net of accumulated depreciation) as of December 31, 2011 and 2010, respectively. These balances include land, buildings, improvements, equipment, and construction in progress.

Major capital asset events during the year ended December 31, 2011 included the following:

- Construction continued on additional facilities for the District; construction in progress as of December 31, 2011 was \$25 million compared to \$18.0 million as of December 31, 2010.
- Construction related to the New Concrete Storage Pad at Bulk Terminal No. 1 was completed during the second quarter of 2011.
- Construction related to the New Shop and Office at Bulk Terminal No. 1 was completed in the third quarter of 2011.
- Construction related to the Rail Project at Bulk Terminal No. 1 was completed during the third quarter of 2011.

Major capital asset events during the year ended December 31, 2010 included the following:

- Construction continued on additional facilities for the District; construction in progress as of December 31, 2010 was \$18.0 million compared to \$11.7 million as of December 31, 2009.
- Construction related to the Rehabilitation of the Old Shiploader at Bulk Terminal No. 1 was completed during the second quarter of 2010.
- Construction related to the Rehabilitation of the Industrial Canal Railroad was completed in the fourth quarter of 2010.

Additional information on the Lake Charles Harbor and Terminal District's capital assets can be found in note 7 on page 52-54.

**Lake Charles Harbor and Terminal District
Capital Assets**

	2011 <u>(in thousands)</u>	2010 <u>(in thousands)</u>	2009 <u>(in thousands)</u>
Land	\$ 27,811	\$ 29,666	\$ 29,666
Buildings and facilities	310,052	304,960	304,247
Equipment	26,555	26,664	24,908
Construction in progress	25,022	17,981	11,731
Accumulated depreciation	<u>(154,220)</u>	<u>(146,846)</u>	<u>(136,470)</u>
	<u>\$ 235,220</u>	<u>\$ 232,425</u>	<u>\$ 234,082</u>

Long-term debt. The Lake Charles Harbor and Terminal District had \$-0- million in bonds outstanding as of December 31, 2011 compared to \$6.8 million as of December 31, 2010. These bonds consist of the 1994 Port Improvement Bonds with interest due in quarterly installments through 2016. Additional information on the Lake Charles Harbor and Terminal District's long-term debt can be found in note 11 on pages 55-56.

Economic Factors

The following factors were considered in preparing the District's budget for 2012:

- A decrease in expected volume and related revenues associated with the demolition of Bulk Terminal No. 2 during the third quarter of 2012.
- Increases in depreciation expense associated with the completion of several capital projects during 2012 and 2011

Requests for Information

This financial report is designed to provide a general overview of the Lake Charles Harbor and Terminal District's finances. Questions concerning this report or requests for additional information should be addressed to Richert Self, Director of Administration and Finance, Lake Charles Harbor and Terminal District, 150 Marine Street, Lake Charles, LA 70601.

BASIC FINANCIAL STATEMENTS

Exhibit 1

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF FUND NET ASSETS

ENTERPRISE FUND

December 31, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 42,183,508	\$ 40,251,976
Restricted current assets:		
Cash and cash equivalents	53,599	1,406,904
Investments	-	677,223
Interest receivable	-	1,794
Receivables:		
Trade, net of allowance for doubtful accounts	6,249,400	8,025,137
Intergovernmental	2,959,828	496,088
Other	1,750	-
Property taxes, net of allowance for doubtful accounts	2,643,868	2,618,486
Inventory	1,847,270	1,144,639
Prepaid expenses	318,375	358,855
Insurance deposits	2,758,417	2,946,657
Total current assets	<u>59,016,015</u>	<u>57,927,759</u>
NONCURRENT ASSETS		
Unamortized bond expense	-	147,005
Capital assets, net of depreciation	<u>235,220,049</u>	<u>232,425,492</u>
Total noncurrent assets	<u>235,220,049</u>	<u>232,572,497</u>
Total assets	<u>294,236,064</u>	<u>290,500,256</u>

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF FUND NET ASSETS
ENTERPRISE FUND

December 31, 2011 and 2010

LIABILITIES	<u>2011</u>	<u>2010</u>
CURRENT LIABILITIES (payable from current assets)		
Current maturities of long-term debt	\$ 17,641	\$ 17,734
Accounts payable	1,041,760	1,753,699
Contracts payable	3,433,648	2,373,506
Claims payable	434,574	382,527
Accrued expenses	1,670,458	1,353,927
Accrued interest payable	-	101,550
Deferred revenues	<u>3,263,476</u>	<u>6,274,970</u>
Total current liabilities (payable from current assets)	9,861,557	12,257,913
CURRENT LIABILITIES		
Current maturities of long-term debt	<u>-</u>	<u>1,250,000</u>
Total current liabilities	<u>9,861,557</u>	<u>13,507,913</u>
NONCURRENT LIABILITIES (payable from unrestricted assets)		
Compensated absences, less current portion	462,322	464,208
OPEB liability	1,246,701	931,044
Deferred revenues, less current portion	228,413	277,135
Long-term debt, less current maturities	<u>34,723</u>	<u>52,084</u>
Total noncurrent liabilities (payable from unrestricted assets)	1,972,159	1,724,471
NONCURRENT LIABILITIES (payable from restricted assets)		
Long-term debt, less current maturities	<u>-</u>	<u>5,520,000</u>
Total noncurrent liabilities	<u>1,972,159</u>	<u>7,244,471</u>
Total liabilities	<u>11,833,716</u>	<u>20,752,384</u>
NET ASSETS		
Invested in capital assets, net of related debt	235,167,685	225,585,674
Restricted for cash deposits required by the Dredge Material Management Plan	54,599	2,032,401
Unrestricted	<u>47,180,064</u>	<u>42,129,797</u>
Total net assets	<u>\$ 282,402,348</u>	<u>\$ 269,747,872</u>

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

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LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues		
Vessel and cargo services	\$ 22,673,086	\$ 23,564,920
Rental of equipment and facilities	10,059,975	10,807,934
Other	<u>4,197,140</u>	<u>1,406,193</u>
Total operating revenues	<u>36,930,201</u>	<u>35,779,047</u>
Operating expenses-		
Personnel services	10,344,600	9,727,094
Contractual services	4,361,893	4,477,504
Supplies, maintenance and operation of facilities	7,288,203	6,253,046
Heat, light and power	774,163	731,013
Depreciation and amortization	<u>10,868,415</u>	<u>10,694,862</u>
Total operating expenses	<u>33,637,274</u>	<u>31,883,519</u>
Operating income (loss)	<u>3,292,927</u>	<u>3,895,528</u>
Nonoperating revenues (expenses):		
Property taxes	2,623,133	2,634,642
Intergovernmental revenue	90,741	90,114
Interest income	248,971	280,535
Net increase (decrease) in the fair value of investments	-	(11,094)
Interest expense and fiscal charges	(317,470)	(39,278)
Retirement of assets	1,754,190	(3,098)
Other	<u>(10,000)</u>	<u>695,579</u>
Net nonoperating revenues (expenses)	<u>4,389,565</u>	<u>3,647,400</u>
Net income before contributions	<u>7,682,492</u>	<u>7,542,928</u>
Capital contributions		
Federal government	544,248	323,098
State government	<u>4,427,736</u>	<u>767,275</u>
Total capital contributions	<u>4,971,984</u>	<u>1,090,373</u>
Change in net assets	12,654,476	8,633,301
Net assets, beginning of year	<u>269,747,872</u>	<u>261,114,571</u>
Net assets, end of year	<u>\$ 282,402,348</u>	<u>\$ 269,747,872</u>

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

Exhibit 3

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF CASH FLOWS
 ENTERPRISE FUND
 Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from customers and users	\$ 35,643,972	\$ 31,973,914
Payments to employees and related benefits	(9,978,427)	(9,317,561)
Payments to suppliers	<u>(13,303,932)</u>	<u>(9,196,797)</u>
Net cash provided by operating activities	<u>12,361,613</u>	<u>13,459,556</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating subsidies received from other governments	<u>90,741</u>	<u>90,114</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Property taxes collected	2,597,751	2,508,659
Capital grants collected	2,508,244	1,492,795
Payments for capital acquisitions	(14,664,507)	(9,035,098)
Proceeds from sale of capital assets	3,815,866	24,849
Principal payments on long-term debt	(6,787,454)	(5,747,454)
Proceeds from lawsuits regarding capital assets	-	706,829
Interest and fiscal charges paid (net of amount capitalized)	<u>(272,015)</u>	<u>41,822</u>
Net cash (used in) capital and related financing activities	<u>(12,802,115)</u>	<u>(10,007,598)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	1,357,000	8,843,652
Receipts of interest	250,988	286,629
Payments for investments	<u>(680,000)</u>	<u>(5,657,000)</u>
Net cash provided by investing activities	<u>927,988</u>	<u>3,473,281</u>
Net increase (decrease) in cash and cash equivalents	578,227	7,015,353
Cash and cash equivalents:		
Beginning of year	<u>41,658,880</u>	<u>34,643,527</u>
End of year	<u>\$ 42,237,107</u>	<u>\$ 41,658,880</u>

(continued on next page)

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE STATEMENTS OF CASH FLOWS
 ENTERPRISE FUND
 Years Ended December 31, 2011 and 2010
 (Continued)

	<u>2011</u>	<u>2010</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 3,292,927	\$ 3,895,528
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	10,868,415	10,694,862
Changes in assets and liabilities		
(Increase) decrease in customer receivables	1,773,987	(3,815,737)
(Increase) decrease in inventory	(702,631)	193,454
Decrease in prepaid expenses and other assets	228,720	1,190,830
Increase (decrease) in accounts payable and accrued expenses	(29,589)	1,301,265
Increase (decrease) in deferred revenue	(3,060,216)	10,604
Other	(10,000)	(11,250)
Total adjustments	<u>9,068,686</u>	<u>9,564,028</u>
Net cash provided by operating activities	<u>\$ 12,361,613</u>	<u>\$ 13,459,556</u>
 Schedule of noncash investing, capital, and financing activities:		
Increase (decrease) in grants receivable	\$ (2,295,480)	\$ (402,422)
(Loss) on property dispositions	(168,320)	(3,098)
Net increase (decrease) in the fair value of investments	-	(11,094)

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

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

NOTES TO FINANCIAL STATEMENTS
December 31, 2011 and 2010

Note 1 Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

The District is reported as a stand-alone entity as defined by GASB Statement No. 14, *The Financial Reporting Entity*. The District is neither fiscally dependent on any other local government nor does it provide specific financial benefits to or impose specific financial burdens on any other government. No other potential component units meet the criteria for inclusion in the financial statements of the District.

B. Fund Accounting

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

C Basis of Accounting

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

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

Under the provisions of GASB Statement 20, *Accounting and Financial Reporting for Proprietary Fund Accounting*, the District applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict or contradict GASB pronouncements.

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

D. Budgets

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

During the year ended December 31, 2011, the District increased budgeted expenditures by \$2,000,000 for unanticipated dredging expenses and settlement of claims. There were no changes to originally budgeted amounts in 2010.

E. Cash, Cash Equivalents, and Investments

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

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

In accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the District has stated their investments at fair value at December 31, 2011 and 2010. Fair value was determined by obtaining "quoted" year end market prices. Cash and cash equivalents, which include cash, demand deposits, and money market deposits are stated at cost.

F. Receivables

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

G. Property Taxes

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

H. Inventories

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

I. Prepaid Expenses

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

J Restricted Assets

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

K. Capital Assets

Property constructed or acquired by purchase is stated at cost or estimated historical cost if actual historical cost is not available. Donated property received by the District should be stated at the property's fair market value at the time of the donation. Net interest costs are capitalized on major construction projects during the construction period. During the year ended December 31, 2011, total interest cost incurred was \$166,228 of which \$161,460 was capitalized. During the year ended December 31, 2010, total interest cost incurred was \$177,797 of which \$177,797 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. Assets with an individual cost in excess of \$500 are generally capitalized.

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

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

L. Compensated Absences

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

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

M. Net Assets

Equity is classified as net assets and displayed in three components:

- 1 Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets
- 2 Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

N. 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

O. Cash Flows Statement

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

Note 2. Legal Compliance - Budget

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

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

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

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

Note 3 Cash, Cash Equivalents and Investments

As of December 31, 2011, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Years</u>			<u>More Than 10</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	
US Treasury notes	\$ -	\$ -	\$ -	\$ -	\$ -

As of December 31, 2010, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Years</u>			<u>More Than 10</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	
US Treasury notes	\$ 677,223	\$ -	\$ 677,223	\$ -	\$ -

Investments as of December 31, 2011 were concentrated with the following issuers:

<u>Issuer</u>	<u>Fair Value</u>	
	<u>2011</u>	<u>2010</u>
United States Treasury notes	\$ -	\$ 677,223

All of the above investment instruments have a Standard and Poor's rating of AAA

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

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

- a. Direct United States Treasury obligations, the principal and interest of which are fully guaranteed by the government of the United States with maturities less than five years.
- b. United States federal instrumentalities, the principal and interest of which are fully guaranteed by the government of the United States, or United States government obligations, the principal and interest of which are guaranteed by any United States government agency or Government Sponsored Enterprise (GSE) with maturities less than five years.
- c. Direct security repurchase agreements of any federal book entry only securities enumerated in subparagraphs 1 and 2. "Direct security repurchase agreement," means an agreement under which the political subdivision buys, holds for a specified time, and then sells back those securities and obligations enumerated in subparagraphs 1 and 2
- d. Time certificates of deposit of state banks organized under the laws of Louisiana, or national banks having their principal offices in the State of Louisiana, savings accounts or shares of savings and loan associations and savings banks, as defined by LA. R S. 6:703 and as authorized by LA. R.S. 6:949, or share accounts and share certificate accounts of federally or state chartered credit unions issuing time certificates of deposit. For those funds made available for investment in time certificates of deposit, the rate of interest paid by the banks shall be established by contract between the bank and the political subdivision, however, the interest rate at the time of investment shall be a rate not less than fifty basis points below the prevailing market interest rate on direct obligations of the United States Treasury with a similar length of maturity.
- e. Mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940 and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies and which meet the requirements of applicable state law
- f. Funds invested in accordance with the provisions of subsection 4 above shall not exceed at any time the amount insured by the Federal Deposit Insurance Corporation in any one banking institution or in any one savings and loan association, unless the uninsured portion is collateralized by the pledge of securities in the manner provided by law.

- g. Guaranteed investment contracts issued by a bank, financial institution, insurance company, or other entity having one of the two highest short-term rating categories of either Standard & Poor's Corporation or Moody's Investors Service, provided that no such investment may be made except in connection with a financing program for political subdivisions which financing program is approved by the State Bond Commission and offered by a public trust having the state as its beneficiary, provided further that no such investment shall be for a term longer than eighteen months, and provided further that any such guaranteed investment contract shall contain a provision providing that in the event the issuer of the guaranteed investment contract is at any time no longer rated in either of the two highest short-term rating categories of Standard & Poor's Corporation or Moody's Investors Service, the investing unit of local government may either be released from the guaranteed investment contract without penalty, or be entitled to require that the guaranteed investment provider collateralize the guaranteed investment contract with any bonds or other obligations which as to principal and interest constitute direct general obligations of or are unconditionally guaranteed by the United States of America, including obligations set forth in subparagraphs 1 and 2 to the extent unconditionally guaranteed by the United States of America
- h. In no event will any investment be selected and utilized until the Port Director is fully convinced that the appropriate District personnel have full familiarity with the nature and nuances of the specific investment vehicle. Furthermore, the Port Director will reasonably endeavor to make available whatever professional training is necessary to assist appropriate District personnel in the performance of their cash management duties and responsibilities.
- i. Generally, the District will invest in "money market instruments", which shall be those allowable investments outlined in the policy (see item IV, A, 1-8). An investment plan will be developed and carried out by the Port Director and/or his designee, which generally provides for investments with staggered maturity dates not exceeding five (5) years except in exceptional circumstances. The investment plan will provide for appropriate liquidity in accordance with the cash needs of the District while at the same time providing for an appropriate portion the District's investment portfolio to be invested on a staggered maturity basis in accordance with policy. Quarterly reports reflecting all investments, including cost and market value and yields shall be furnished to the Board of Commissioners.
- j. Other forms of investments as may be authorized by law for the investment of public funds of political subdivisions of the State of Louisiana.

As of December 31, 2011, all of the Port's investments were held according to policy.

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

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

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

The District's deposits as of the balance sheet dates are entirely covered by FDIC insurance or by pledged collateral held by the District's agent banks in the District's name. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent

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

Investments held at December 31, 2011 and 2010, consist of \$100,378 and \$100,267, respectively, in LAMP. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. This pool is rated AAAM by Standard & Poor's.

At December 31, 2011 and 2010, cash equivalents and investments were restricted as shown below:

	<u>2011</u>	<u>2010</u>
Cash accounts required by the Dredge Material Management Plan	\$ 53,599	\$ 53,520
Trust funds pursuant to the issuance of the 1994 Port Improvement Revenue Bonds:		
Principal Fund	-	1,353,384
Debt Service Reserve Fund	-	677,223
Depreciation Reserve Fund	-	-
Total	<u>\$ 53,599</u>	<u>\$ 2,084,127</u>

The trust funds are more fully explained in Note 11.

Note 4 Allowances for Doubtful Accounts

The changes in allowances for doubtful accounts during 2011 follow:

	<u>Trade Receivables</u>	<u>Property Taxes</u>
Balance January 1, 2011	\$ 143,680	\$ 26,449
Additions	48,110	257
Recoveries	<u>(143,680)</u>	<u>-</u>
Balance December 31, 2011	<u>\$ 48,110</u>	<u>\$ 26,706</u>

The changes in allowances for doubtful accounts during 2010 follow

	<u>Trade Receivables</u>	<u>Property Taxes</u>
Balance January 1, 2010	\$ -	\$ 25,177
Additions	143,680	1,272
Recoveries	-	-
Balance December 31, 2010	<u>\$ 143,680</u>	<u>\$ 26,449</u>

Note 5. Property Taxes

The Lake Charles Harbor and Terminal District is authorized by Louisiana Revised Statute Number 34:209 to levy annually, when necessary, a property tax not to exceed 2.92 mills on the property subject to taxation situated within the District. All funds derived from this tax may be used for any lawful expenses or purposes by the Board. The 2011 assessed millage is 2.60 mills. The 2010 assessed millage was 2.60 mills.

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

Total taxes levied for the year ended December 31, 2011 were \$2,751,501 on property with assessed valuation totaling \$1,211,750,104 less exempt valuation of \$152,017,521, for a net valuation of \$1,059,732,583.

Total taxes levied for the year ended December 31, 2010 were \$2,723,861 on property with assessed valuation totaling \$1,201,628,433 less exempt valuation of \$152,098,006, for a net valuation of \$1,049,530,427.

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 \$84,747 for 2011 and \$83,861 for 2010.

Note 6 Intergovernmental Receivable

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

	<u>2011</u>	<u>2010</u>
State of Louisiana-Capital Outlay Program	\$ -	\$ 91,366
FEMA	311,485	224,180
Capital projects-State of Louisiana Ports Priority Program	<u>2,648,343</u>	<u>180,542</u>
	<u>\$ 2,959,828</u>	<u>\$ 496,088</u>

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

	<u>2011</u>	<u>2010</u>
Intergovernmental receivable, current	\$ 2,959,828	\$ 496,088
Intergovernmental receivable, noncurrent	<u>-</u>	<u>-</u>
	<u>\$ 2,959,828</u>	<u>\$ 496,088</u>

Note 7. Capital Assets

A summary of changes in capital assets for the years ended December 31, 2011 and 2010 is as follows:

<u>2011</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>
Capital assets not being depreciated				
Land	\$ 29,665,978	\$ 26,278	\$ (1,881,572)	\$ 27,810,684
Construction in progress	<u>17,980,773</u>	<u>15,739,507</u>	<u>(8,698,166)</u>	<u>25,022,114</u>
Total capital assets not being depreciated	<u>47,646,751</u>	<u>15,765,785</u>	<u>(10,579,738)</u>	<u>52,832,798</u>
Capital assets being depreciated				
Buildings and operating facilities	304,960,453	6,742,369	(1,651,219)	310,051,603
Equipment, furniture and fixtures	<u>26,663,797</u>	<u>1,914,658</u>	<u>(2,023,004)</u>	<u>26,555,451</u>
Total capital assets being depreciated	<u>331,624,250</u>	<u>8,657,027</u>	<u>(3,674,223)</u>	<u>336,607,054</u>

(continued on next page)

<u>2011</u>	<u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>
Less accumulated depreciation for				
Buildings and operating facilities	127,684,472	9,694,936	(1,570,687)	135,808,721
Equipment, furniture and fixtures	<u>19,161,037</u>	<u>1,173,479</u>	<u>(1,923,434)</u>	<u>18,411,082</u>
Total accumulated depreciation	<u>146,845,509</u>	<u>10,868,415</u>	<u>(3,494,121)</u>	<u>154,219,803</u>
Total capital assets being depreciated, net	<u>184,778,741</u>	<u>(2,211,388)</u>	<u>(180,102)</u>	<u>182,387,251</u>
Total capital assets, net	<u>\$ 232,425,492</u>	<u>\$ 13,554,397</u>	<u>\$(10,759,840)</u>	<u>\$ 235,220,049</u>

<u>2010</u>	<u>Beginning Of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>
Capital assets not being depreciated				
Land	\$ 29,665,978	\$ -	\$ -	\$ 29,665,978
Construction in progress	<u>11,730,467</u>	<u>10,020,062</u>	<u>(3,769,756)</u>	<u>17,980,773</u>
Total capital assets not being depreciated	<u>41,396,445</u>	<u>10,020,062</u>	<u>(3,769,756)</u>	<u>47,646,751</u>
Capital assets being depreciated				
Buildings and operating facilities	304,247,314	831,719	(118,580)	304,960,453
Equipment, furniture and fixtures	<u>24,907,965</u>	<u>1,999,546</u>	<u>(243,714)</u>	<u>26,663,797</u>
Total capital assets being depreciated	<u>329,155,279</u>	<u>2,831,265</u>	<u>(362,294)</u>	<u>331,624,250</u>
Less accumulated depreciation for				
Buildings and operating facilities	118,232,156	9,570,896	(118,580)	127,684,472
Equipment, furniture and fixtures	<u>18,217,349</u>	<u>1,123,966</u>	<u>(200,278)</u>	<u>19,161,037</u>
Total accumulated depreciation	<u>136,469,505</u>	<u>10,694,862</u>	<u>(318,858)</u>	<u>146,845,509</u>
Total capital assets being depreciated, net	<u>192,685,774</u>	<u>(7,863,597)</u>	<u>(43,416)</u>	<u>184,778,741</u>
Total capital assets, net	<u>\$ 234,082,219</u>	<u>\$ 2,156,465</u>	<u>\$(3,813,192)</u>	<u>\$ 232,425,492</u>

Depreciation expense was \$10,868,415 for the year ended December 31, 2011 and \$10,694,862 for the year ended December 31, 2010

Note 8. Operating Leases

Leases which the District has entered into as lessor are classified as operating leases. Following is a summary of property held for lease at December 31, 2011.

	<u>2011</u>	<u>2010</u>
Land	\$ 5,256,324	\$ 5,341,961
Buildings	<u>29,761,490</u>	<u>28,354,257</u>
	35,017,814	33,696,218
Less accumulated depreciation	<u>15,765,446</u>	<u>13,274,043</u>
	<u>\$ 19,252,368</u>	<u>\$ 20,422,175</u>

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

2012	\$ 7,449,660
2013	6,385,235
2014	5,881,967
2015	4,354,609
2016	3,213,081
After 2016	<u>44,418,196</u>
	<u>\$ 71,702,748</u>

Of the above, the amount of \$277,131 was paid in full at the inception of the lease by the lessee, and is included in deferred revenues at December 31, 2011. The amount of \$325,855 is included in deferred revenues at December 31, 2010

Note 9. Unamortized Expense

The District incurs certain expenses in connection with the issuance of revenue bonds. These expenses are being amortized over twenty-five years, which is the term of the bonds. Details of the balances are as follows at December 31, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Total expense	\$ 491,868	\$ 491,868
Less amount amortized	<u>491,868</u>	<u>308,863</u>
Unamortized at December 31	<u>\$ -</u>	<u>\$ 183,005</u>

	<u>2011</u>	<u>2010</u>
Amount shown in current assets (prepaid expenses)-to be amortized in one year	\$ -	\$ 36,000
Amount shown in other assets	-	<u>147,005</u>
Total	<u>\$ -</u>	<u>\$ 183,005</u>

Note 10 Compensated Absences

Compensated absences are included in personnel services expenses for 2011. The District's liabilities for accumulated compensated absences as of December 31, 2011 and 2010 are as follows.

		<u>2011</u>		
<u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>	<u>Due Within One Year</u>
\$ 515,787	\$ 43,086	\$ 45,182	\$ 513,691	\$ 51,369

		<u>2010</u>		
<u>Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>	<u>Due Within One Year</u>
\$ 507,361	\$ 70,735	\$ 62,309	\$ 515,787	\$ 51,579

Note 11. Noncurrent Liabilities

Long-Term Bonded Debt:

Bonds payable at December 31, 2011 and 2010 are comprised of the following:

	<u>2011</u>	<u>2010</u>
Revenue bonds		
\$25,000,000 1994 Port Improvement Revenue Bonds, interest due in semiannual installments beginning July 1, 2010 through January 1, 2015, interest set at 3 percent Fixed rate	\$ -	<u>\$ 6,770,000</u>

Certificates of Indebtedness.

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

Debt service payments related to the certificates of indebtedness as of December 31, 2011 are as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 17,541	\$ 3,646
2013	17,361	2,431
2014	17,362	1,215
	<u>\$ 52,364</u>	<u>\$ 7,292</u>

Changes in Noncurrent Liabilities:

Noncurrent liabilities activity for the years ended December 31, 2011 and 2010 are as follows:

	<u>January 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2011</u>	<u>Due Within One Year</u>
Bonds payable	\$ 6,770,000	\$ -	\$(6,770,000)	\$ -	\$ -
Certificates of indebtedness	69,818	-	(17,454)	52,364	17,641
	<u>\$ 6,839,818</u>	<u>\$ -</u>	<u>\$(6,787,454)</u>	<u>\$ 52,364</u>	<u>\$ 17,641</u>
	<u>January 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2010</u>	<u>Due Within One Year</u>
Bonds payable	\$ 12,500,000	\$ -	\$(5,730,000)	\$ 6,770,000	\$ 1,250,000
Certificates of indebtedness	86,806	-	(16,988)	69,818	17,734
Rent payable	29,829	-	(29,829)	-	-
	<u>\$ 12,616,635</u>	<u>\$ -</u>	<u>\$(5,776,817)</u>	<u>\$ 6,839,818</u>	<u>\$ 1,267,734</u>

Note 12. 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 11 pertaining to noncurrent liabilities. The bonds and the interest coupons appertaining thereto do not constitute an indebtedness of the issuer within the meaning of any state constitutional or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the issuer or a charge against its general credit or taxing powers

Following is a summary of port facilities revenue bonds outstanding at December 31, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
Polycom-Huntsman, Inc Project, Series 1995	\$ 8,000,000	\$ 8,000,000
Conoco, Inc. Project, Series 1999A	20,900,000	20,900,000
Conoco, Inc. Project, Series 1999B	3,400,000	3,400,000
Lake Charles Cogeneration, LLC, Series 2008	1,000,000,000	1,000,000,000
Lake Charles Cogeneration, LLC, Series 2010	90,000,000	90,000,000
Lake Charles Cogeneration, LLC, Series 2010A	161,000,000	161,000,000

Note 13. Retirement Benefits

Defined benefit pension plan

Plan description

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

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

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

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

Funding policy

Covered employees were required by Louisiana state statute to contribute 7.5% or 8%, depending on their hire date, of their salary to the plan. The current employer rate is 25.6% of annual covered payroll. Starting in 2011, Harbor police are treated as a separate group. Harbor police are required to contribute 9.5% of their salary to the plan. The current employer rate for Harbor police is 23.1% 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, 2011, 2010 and 2009 are presented below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Employer's contribution	\$ 1,239,376	\$ 1,044,532	\$ 894,220
Employees' contribution	<u>406,672</u>	<u>394,629</u>	<u>366,771</u>
Total	<u>\$ 1,646,048</u>	<u>\$ 1,439,161</u>	<u>\$ 1,260,991</u>

The required employer contribution percentage as of December 31, 2011, 2010 and 2009 were 25.6%, 22% and 18.6%, respectively. The required employer contribution percentage for Harbor police as of December 31, 2011 was 23.1%. The required employee contribution percentage was 7.5% for employees hired before July 1, 2006. The required employee contribution for employees hired after July 1, 2006 was 8%. The required employee contribution percentage for Harbor police was 9.5%. The District's contributions equaled the required contribution for each of the three years.

Post-retirement benefits:

By action of the Board of Commissioners, in addition to the pension benefits described in Note 13, the District provides postretirement health care insurance benefits for retired employees. In 2010 and 2011, the District paid 0% of the retirees' and retirees' dependents' premiums.

During 2011, twenty-five (25) retired employees were receiving benefits under this plan. During 2010, twenty-five (25) retired employees participated. These postretirement benefits are financed on a "pay-as-you-go basis" and the District recognizes the cost by expensing the annual insurance premiums. Total net cost to the District amounted to \$-0- for 2011 and \$-0- for 2010. The participants' share of the costs totaled \$142,188 for 2011 and \$142,032 for 2010.

Deferred compensation plan:

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

The contributions for the year ended December 31, 2011 consisted of \$223,574 from employees and \$196,943 from the District. Contributions for the year ended December 31, 2010 consisted of \$177,285 from employees and \$-0- from the District.

Note 14 Risk Management

In June, 2004, the District elected to enter into a joint cooperative agreement with the Calcasieu Parish Police Jury to implement a combined health and medical self-insurance plan for the employees of the District. The plan provides for both specific stop-loss and aggregate stop-loss coverage. For any one participant, the District is liable for the first \$200,000 of claims in any one calendar year. The aggregate stop-loss

coverage will pay all claims over a maximum amount, which is calculated by multiplying the number of employees covered each month by the monthly stop-loss unit, which is determined by the insurance underwriter. Any claims not paid by the end of the calendar year will be considered in the calculation of next year's stop-loss coverage. In the aggregate, the amount of settlements has not exceeded insurance coverage since the inception of the plan. Nonincremental claims adjustment expenses have been included as part of the liability for claims and judgments.

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

Unpaid claims, January 1, 2010	\$ 227,963
Incurred and adjusted claims	1,408,220
Claim payment	<u>(1,253,656)</u>
Unpaid claims, January 1, 2011	382,527
Incurred and adjusted claims	1,530,270
Claim payments	<u>(1,478,223)</u>
Total unpaid claims, December 31, 2011	<u>\$ 434,574</u>

The District's insurance reserves to fund future claims, on deposit with the Calcasieu Parish Police Jury, totaled \$2,758,417 and \$2,946,657 in 2011 and 2010, respectively.

Note 15. Contingent Liabilities and Commitments

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

At December 31, 2011, the District had committed approximately \$16.5 million for the purchase of equipment, the expansion of facilities, and repairs and maintenance of existing facilities. Such commitments at December 31, 2010 totaled approximately \$8.2 million.

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

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

Note 16 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 2012 settlement of homestead exemption was received in 2011 and is shown as deferred revenue.

The District has also received and recorded as receivable certain amounts from FEMA and insurance that will not be earned until applicable repairs are made. These amounts are also reflected in deferred revenue

	<u>Term Years</u>	<u>Total Rent</u>	<u>Deferred 12/31/11</u>	<u>Deferred 12/31/10</u>
Trunkline LNG land lease	40	\$ 741,907	\$ 92,738	\$ 111,286
Trunkline LNG land lease	40	1,208,430	184,393	214,569
Cash deposit on land - Pinnacle			2,500,000	5,000,000
Unearned grant			138,666	251,954
Various short-term leases			545,715	944,049
Homestead exemption settlement			<u>30,377</u>	<u>30,247</u>
Total			<u>\$ 3,491,889</u>	<u>\$ 6,552,105</u>

Note 17. Unrestricted Net Assets

All net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt" are classified as unrestricted net assets.

The Board of Commissioners of the Lake Charles Harbor and Terminal District has designated a portion of unrestricted net assets to be used for the following purposes:

	<u>2011</u>	<u>2010</u>
Commitments on construction contracts	\$ 16,472,689	\$ 8,233,276

Note 18. Budgetary - GAAP Reporting Reconciliation

The accompanying Statements of Revenues, Expenses, and Changes in Net Assets Budget and Actual (Budgetary Basis)-Enterprise Fund presents comparisons of the legally adopted budget (more fully described in Note 1) with actual data on a budgetary basis. The change in fair value of investment securities was not budgeted. Capital contributions were also not budgeted. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), reconciliations of resultant basis and perspective differences in net income for the years ended December 31, 2011 and 2010 are presented on the budgetary comparison statement.

Note 19. Major Customers

A significant portion of the District's operating revenue has been derived from two major customers in 2011 and two in 2010:

each of the two customers accounted for 22% and 9%, respectively, in 2011;

each of the two customers accounted for 19% and 12%, respectively, in 2010.

Trade receivables due from these customers as of December 31, 2011 and 2010 represented the following percentage of total trade receivables.

each of the two customers accounted for 11% and 22%, respectively, in 2011,

each of the two customers accounted for 9% and 17%, respectively, in 2010.

Note 20. Postemployment Healthcare Plan

Plan description:

As noted in Note 14, the District participates in a combined health and medical self-insurance plan with the Calcasieu Parish Police Jury. The arrangement may be classified as an Agent Multiple-Employer Defined Benefit Healthcare Plan in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. By action of the Board of Commissioners, the District provides postemployment health care insurance benefits for retired employees. A separate financial report is not issued by the plan.

Funding policy.

The contribution requirements are determined by the District. Members receiving benefits contribute \$388 per month for retiree-only coverage and \$613 per month for retiree and spouse coverage to age 65, and \$330 and \$660 per month, respectively, thereafter

The District funds the plan on a pay as you go basis, and therefore, does not contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 61.3 percent of annual covered payroll.

Annual OPEB cost:

For 2011, the District's annual OPEB cost (expense) was \$483,889 and the District's ARC was \$503,662. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 was as follows:

Table 1

Annual required contribution (ARC)	\$ 503,662
Interest on net OPEB obligation	37,242
Adjustment to ARC	<u>(57,015)</u>
Annual OPEB cost (expense)	483,889
Less contributions made	<u>(168,228)</u>
Increase in net OPEB obligation	315,661
Net OPEB obligation at beginning of year	<u>931,040</u>
Net OPEB at end of year	<u>\$ 1,246,701</u>

Table 2

Year Ended	Trend Information for OPEB Plan		
	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/09	\$ 310,280	0%	\$ 620,760
12/31/10	310,280	0%	931,040
12/31/11	483,889	34.77%	1,246,701

Funded status and funding progress:

The funded status of the plan as of December 31, 2011 was as follows:

Actuarial accrued liability (AAL)	\$ 5,367,308
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability	<u>\$ 5,367,308</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 6,708,135
UAAL as a percentage of covered payroll	80%

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

Actuarial methods and assumptions:

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

In the December 31, 2011, actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions include a 4% investment rate of return (net of administrative expenses) and an annual healthcare rate of 7.1% initially, reduced by decrements to an ultimate rate of 5% after ten years. Both rates include a 4% inflation assumption. The actuarial value of the plan assets was determined using techniques that spread the effects of short-term volatility to the market value of

investments over a three-year period. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011 was thirty (30) years.

Note 21 Reclassification

Certain transactions have been made to the 2010 financial statements to be in conformity with the 2011 method of presentation. The reclassifications had no effect on the change in net assets or net assets for the year ended December 31, 2010.

Note 22 Subsequent Events

Subsequent to December 31, 2011, Ameristar Casinos, Inc. entered into a definitive agreement to acquire all of the equity interests of Creative Casinos, LLC. Creative Casinos, LLC is the developer of Mojito Pointe, a proposed luxury casino resort on District property adjacent to the existing L'Auberge de Lac facility. The acquisition is subject to the approval of the Louisiana Gaming Control Board. Ameristar is expected to commence construction during the third quarter of 2012. The casino and resort are expected to be completed by the end of 2014.

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REQUIRED SUPPLEMENTARY INFORMATION

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
 SCHEDULE OF FUNDING PROGRESS FOR LAKE CHARLES HARBOR
 AND TERMINAL DISTRICT'S RETIREE HEALTH PLAN
 Year Ended December 31, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as of Percentage of Covered Payroll ((b-a)/c)
12/31/08**	\$ -	\$ 3,748,446	\$ 3,748,446	0%	\$ 6,194,612	60.5%
12/31/09	-	3,748,446	3,748,446	0%	6,111,309	61.3%
12/31/10	-	3,748,446	3,748,446	0%	6,662,326	56.2%
12/31/11	-	5,367,308	5,367,308	0%	6,708,135	80.0%

** 12/31/08 was the District's transition year

SUPPLEMENTARY INFORMATION

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 BUDGET AND ACTUAL (BUDGETARY BASIS) - ENTERPRISE FUND
 Years Ended December 31, 2011 and 2010

	2011			Variance With Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Operating revenue				
Vessel and cargo services	\$ 20,929,173	\$ 20,929,173	\$ 22,673,086	\$ 1,743,913
Rental of equipment and facilities	9,400,469	9,400,469	10,059,975	659,506
Other	491,800	491,800	4,197,140	3,705,340
Total operating revenue	<u>30,821,442</u>	<u>30,821,442</u>	<u>36,930,201</u>	<u>6,108,759</u>
Operating expenses				
Personnel services	10,055,934	10,055,934	10,344,600	(288,666)
Contractual services	4,536,498	4,536,498	4,361,893	174,605
Supplies, maintenance and operation of facilities	4,140,320	5,440,320	6,117,109	(676,789)
Heat, light and power	732,742	732,742	774,163	(41,421)
Depreciation and amortization	11,579,023	11,579,023	10,868,415	710,608
Dredging	325,000	1,025,000	1,171,094	(146,094)
Total operating expenses	<u>31,369,517</u>	<u>33,369,517</u>	<u>33,637,274</u>	<u>(267,757)</u>
Operating income (loss)	<u>(548,075)</u>	<u>(2,548,075)</u>	<u>3,292,927</u>	<u>5,841,002</u>
Nonoperating revenue (expenses)				
Property taxes	2,400,000	2,400,000	2,623,133	223,133
Intergovernmental revenue	90,000	90,000	90,741	741
Interest income	246,000	246,000	248,971	2,971
Interest expense and fiscal charges	(55,200)	(55,200)	(317,470)	(262,270)
Retirement/impairment of assets	(1,509,000)	(1,509,000)	1,754,190	3,263,190
Other	-	-	(10,000)	(10,000)
Net nonoperating revenue (expenses)	<u>1,171,800</u>	<u>1,171,800</u>	<u>4,389,565</u>	<u>3,217,765</u>
Net income (loss) before contributions (budget basis)	623,725	(1,376,275)	7,682,492	<u>\$ 9,058,767</u>

2010

Budgeted Amounts		Actual	Variance With Final Budget
Original	Final		
\$ 19,643,782	\$ 19,643,782	\$ 23,564,920	\$ 3,921,138
9,348,505	9,348,505	10,807,934	1,459,429
<u>539,500</u>	<u>539,500</u>	<u>1,406,193</u>	<u>866,693</u>
<u>29,531,787</u>	<u>29,531,787</u>	<u>35,779,047</u>	<u>6,247,260</u>
9,522,753	9,522,753	9,727,094	(204,341)
4,874,289	4,874,289	4,477,504	396,785
4,513,024	4,513,024	6,253,046	(1,740,022)
669,603	669,603	731,013	(61,410)
11,225,734	11,225,734	10,695,862	530,872
-	-	-	-
<u>30,805,403</u>	<u>30,805,403</u>	<u>31,883,519</u>	<u>(1,078,116)</u>
<u>(1,273,616)</u>	<u>(1,273,616)</u>	<u>3,895,528</u>	<u>5,169,144</u>
2,350,000	2,350,000	2,634,642	284,642
90,000	90,000	90,114	114
330,000	330,000	280,535	(49,465)
(45,600)	(45,600)	(39,278)	6,322
-	-	(3,098)	(3,098)
<u>(9,000)</u>	<u>(9,000)</u>	<u>695,479</u>	<u>704,579</u>
<u>2,715,400</u>	<u>2,715,400</u>	<u>3,658,494</u>	<u>943,094</u>
1,441,784	1,441,784	7,554,022	<u>\$ 6,112,238</u>

(continued on next page)

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

COMPARATIVE SCHEDULES OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 BUDGET AND ACTUAL (BUDGETARY BASIS) - ENTERPRISE FUND
 Years Ended December 31, 2011 and 2010
 (Continued)

	2011		Variance With Final Budget
	Budgeted Amounts		
	Original	Final	
Net income (loss) before contributions (budget basis)	\$ 623,725	\$ (1,375,275)	7,682,492
Adjustments			
Net increase (decrease) in the fair value of investments			-
Net income before contributions (GAAP basis)			7,682,492
Capital contributions			4,971,984
Net income (GAAP basis)			12,654,476
Net assets, beginning of year			269,747,872
Net assets, end of year			\$ 282,402,348

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

2010			
<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
<u>Original</u>	<u>Final</u>		
<u>\$ 1,441,784</u>	<u>\$ 1,441,784</u>	7,554,022	
		<u>(11,094)</u>	
		7,542,928	
		<u>1,090,373</u>	
		8,633,301	
		<u>261,114,571</u>	
		<u>\$ 262,747,872</u>	

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF INSURANCE IN FORCE
December 31, 2011

Insurance policies in force as of December 31, 2011.

<u>Policy Type</u>	<u>Policy Number</u>	<u>Policy Provider</u>	<u>Policy Period</u>
Boiler & machinery	BME18964L181TIL11	Travelers Insurance Company	1/1/11-1/1/12
Business travel	ETB101464	Hartford	10/3/09-10/2/12
Commercial Automobile	ASK-291-433903-011	Liberty Mutual Insurance Company	4/15/11-4/15/12
Crime	CCP002364706	The Fidelity and Deposit Co of Maryland	10/1/10-10/1/13
General liability	NY494348006	Liberty Mutual Insurance Company	10/1/11-10/10/12
Excess liability	NY494373006	Liberty Mutual Insurance Company	10/1/11-10/1/12
Excess liability	MASILSF00012011	Starr	10/1/11-10/1/12
Excess liability	SE11LIA9511/81	Navigators Insurance Company	10/1/11-10/1/12
Inland Marine equipment floater	RRP1365-5	Essex Insurance Company	4/21/11-4/21/12
Law enforcement liability	0202-1493	Darwin Select Insurance Company	6/18/11-6/18/12
Maritime employers liability	PP11V08107	Navigators Insurance Company	6/18/11-6/18/12
Public officials liability	G23632500 006	Illinois Union Insurance Company	10/1/11-10/1/12
Railroad liability	SCO9319035-00	Steadfast Insurance Company	10/1/11-10/1/12
Primary property	B0823PP1108007	Lloyd's of London	1/1/11-1/1/12
Primary property	B0823PP1108008	Lloyd's of London	1/1/11-1/1/12
Property Terrorism	PP1108009	Lloyd's of London	1/1/11-1/1/12
Excess property	D37373898002	Westchester Surplus Lines Insurance Co.	1/1/11-1/1/12
Excess property	MAX4XP0050749	Alterra Excess & Surplus Ins Company	1/1/11-1/1/12
Excess property	ESP0031158-02	Arch Specialty Insurance Company	1/1/11-1/1/12
Excess property	000208794	James River Insurance Company	1/1/11-1/1/12
Excess property	030623852A	Allied World Assurance Company, (U S.), Inc	1/1/11-1/1/12
Excess property	GEP8967	Lloyd's of London	1/1/11-1/1/12
Workers compensation	100510-D	Louisiana Worker Compensation Corporation	6/18/11-6/18/12
Health care	Self insured with CPPJ	Stop loss carrier through CPPJ	1/1/11-12/31/11

STATISTICAL SECTION

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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Table 1

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

	Invested in Capital Assets, Net of Related <u>Debt</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
2003	\$ 155,808	\$ 20,000	\$ 21,292	\$ 197,100
2004	163,677	18,750	22,787	205,214
2005	171,040	6,350	39,340	216,730
2006	191,430	6,391	37,125	234,946
2007	200,356	6,611	39,085	246,052
2008	208,860	6,583	37,723	253,166
2009	221,495	6,471	33,149	261,115
2010	225,586	2,032	42,130	269,748
2011	235,167	55	47,180	282,402

* District is reporting only for periods since GASB 34 implementation.

Table 2

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SUMMARY OF REVENUES AND EXPENSES
Years Ended December 31, 2002 through 2011
(Unaudited)

	2002	2003	2004	2005
OPERATING REVENUES				
Charges for services	\$ 13,772,957	\$ 15,590,573	\$ 20,474,040	\$ 19,351,888
Rentals	1,583,269	1,626,396	2,202,282	5,023,533
Other	435,520	607,008	436,657	375,375
Total	<u>15,791,746</u>	<u>17,823,977</u>	<u>23,112,979</u>	<u>24,750,796</u>
NONOPERATING REVENUES				
Property taxes	1,686,852	1,720,786	1,758,018	1,491,824
Intergovernmental revenue	89,367	89,221	655,857	89,318
Interest income	1,218,252	928,744	766,636	1,173,282
Other income	-	(374,355)	(162,031)	19,751
Total	<u>2,994,471</u>	<u>2,364,396</u>	<u>3,018,480</u>	<u>2,774,175</u>
OPERATING EXPENSES				
General and administrative	4,692,137	5,788,198	6,111,759	6,653,471
Maintenance and operation	12,169,140	10,924,350	10,882,954	8,752,833
Depreciation	5,428,032	5,435,259	5,393,955	6,601,979
Total	<u>22,289,309</u>	<u>22,147,807</u>	<u>22,388,668</u>	<u>22,008,283</u>
NONOPERATING EXPENSES				
Interest expense and fiscal charges	271,806	284,242	267,506	171,645
Intergovernmental expense	-	1,001,354	567,158	-
Other expenses	76,483	1,314,002	43,083	822,071
Total	<u>348,289</u>	<u>2,599,598</u>	<u>877,747</u>	<u>993,716</u>
Net income (loss) before contributions	<u>(3,851,381)</u>	<u>(4,559,032)</u>	<u>2,865,044</u>	<u>4,522,972</u>
Capital contributions.				
Federal government	-	140,000	2,282,572	1,433,812
State government	4,250,406	9,486,517	2,916,184	5,558,945
Other	-	1,410,246	50,000	-
Total capital contributions	<u>4,250,406</u>	<u>11,036,763</u>	<u>5,248,756</u>	<u>6,992,757</u>
Change in net assets	<u>\$ 399,025</u>	<u>\$ 6,477,731</u>	<u>\$ 8,113,800</u>	<u>\$ 11,515,729</u>

Table 2

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 21,073,220	\$ 21,040,668	\$ 21,841,492	\$ 19,408,860	\$ 23,564,920	\$ 22,673,086
7,871,065	8,034,696	8,564,493	8,764,583	10,807,934	10,059,975
<u>379,341</u>	<u>260,484</u>	<u>672,272</u>	<u>852,667</u>	<u>1,406,193</u>	<u>4,197,140</u>
<u>29,323,626</u>	<u>29,335,848</u>	<u>31,078,257</u>	<u>29,026,110</u>	<u>35,779,047</u>	<u>36,930,201</u>
2,300,615	2,197,493	2,370,487	2,318,463	2,634,642	2,623,133
89,166	89,102	91,827	92,875	90,114	90,741
1,991,916	1,898,195	1,215,960	298,711	280,535	248,971
<u>61,827</u>	<u>212,541</u>	<u>128,604</u>	<u>(83,629)</u>	<u>(11,094)</u>	<u>-</u>
<u>4,443,524</u>	<u>4,397,331</u>	<u>3,806,878</u>	<u>2,626,420</u>	<u>2,994,197</u>	<u>2,962,845</u>
7,128,631	7,527,770	9,086,400	8,583,507	9,727,094	10,344,600
10,627,105	11,399,575	11,907,649	10,353,634	11,461,563	12,424,259
<u>7,724,388</u>	<u>8,804,644</u>	<u>9,531,318</u>	<u>10,338,613</u>	<u>10,694,862</u>	<u>10,868,415</u>
<u>25,480,124</u>	<u>27,731,989</u>	<u>30,525,367</u>	<u>29,275,754</u>	<u>31,883,519</u>	<u>33,637,274</u>
168,401	21,631	21,866	37,890	39,278	317,470
-	-	-	-	-	-
<u>(347,485)</u>	<u>(886,908)</u>	<u>(218,347)</u>	<u>(286,587)</u>	<u>(692,481)</u>	<u>(1,744,190)</u>
<u>(179,084)</u>	<u>(865,277)</u>	<u>(196,481)</u>	<u>(248,697)</u>	<u>(653,203)</u>	<u>(1,426,720)</u>
<u>8,466,110</u>	<u>6,866,467</u>	<u>4,556,249</u>	<u>2,625,473</u>	<u>7,542,928</u>	<u>7,682,492</u>
529,061	40,907	500,000	2,334,638	323,098	544,248
9,221,249	4,198,125	2,057,751	2,988,308	767,275	4,427,736
-	-	-	-	-	-
<u>9,750,310</u>	<u>4,239,032</u>	<u>2,557,751</u>	<u>5,322,946</u>	<u>1,090,373</u>	<u>4,971,984</u>
<u>\$ 18,216,420</u>	<u>\$ 11,105,499</u>	<u>\$ 7,114,000</u>	<u>\$ 7,948,419</u>	<u>\$ 8,633,301</u>	<u>\$ 12,654,476</u>

Table 3

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

VESSEL AND CARGO REVENUES

Years Ended December 31, 2002 through 2011
(Unaudited)

	<u>Dockage</u>	<u>Wharfage</u>	<u>Storage</u>	<u>Cargo Handling</u>
2002	\$ 2,095,305	\$ 793,286	\$ 141,087	\$ 10,743,279
2003	2,205,695	1,090,234	119,054	12,175,590
2004	2,129,766	1,145,668	187,801	17,010,805
2005	3,365,562	1,002,350	1,399,026	13,584,950
2006	3,532,713	1,010,328	1,757,223	14,772,956
2007	3,102,139	1,068,156	1,128,523	15,741,850
2008	3,900,503	1,564,268	598,616	15,778,105
2009	3,709,754	1,110,636	660,631	13,927,839
2010	3,671,637	1,332,864	621,922	17,938,497
2011	3,157,617	1,186,285	735,987	17,593,197

SHIPPING ACTIVITIES

TONNAGE

(Unaudited)

2011 CARGO IMPORTS/EXPORTS
(Tons)

<u>Cargo</u>	<u>Imports</u>	<u>Exports</u>	<u>Totals</u>
General cargo	313,870	275,479	589,349
Bulk	<u>2,314,815</u>	<u>2,775,596</u>	<u>5,090,411</u>
Totals	<u>2,628,685</u>	<u>3,051,075</u>	<u>5,679,760</u>

Table 3

<u>Total Vessel & Cargo Revenue</u>	<u>Per Ton Dockage</u>	<u>Per Ton Wharfage</u>	<u>Per Ton Storage</u>	<u>Per Ton Cargo Handling</u>	<u>Per Ton Vessel & Cargo Revenue</u>
\$ 13,772,957	\$ 0.47	\$ 0.18	\$ 0.03	\$ 2.39	\$ 3.06
15,590,573	0.51	0.25	0.03	2.80	3.58
20,474,040	0.48	0.26	0.04	3.83	4.61
19,351,888	0.68	0.20	0.28	2.74	3.90
21,073,220	0.71	0.20	0.35	2.97	4.23
21,040,668	0.64	0.22	0.23	3.23	4.32
21,841,492	0.74	0.30	0.11	3.00	4.15
19,408,860	0.83	0.25	0.15	3.12	4.35
23,564,920	0.77	0.28	0.13	3.74	4.92
22,673,086	0.69	0.26	0.16	3.86	4.98

TEN YEAR CARGO
IMPORT/EXPORT TONNAGE

	<u>Imports</u>	<u>Exports</u>	<u>Totals</u>
2002	3,712,106	3,749,590	7,461,696
2003	7,173,473	3,261,115	10,434,588
2004	5,323,538	3,205,853	8,529,391
2005	4,264,583	3,552,555	7,817,138
2006	5,420,466	3,270,760	8,691,226
2007	8,156,562	3,002,325	11,158,887
2008	2,602,599	3,397,882	6,000,481
2009	2,848,714	3,176,306	6,025,020
2010	3,201,428	3,396,998	6,598,426
2011	2,628,685	3,051,075	5,679,760

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Table 4

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

TAX REVENUES FOR BUSINESS TYPE ACTIVITIES

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

<u>Fiscal Year Ended</u>	<u>Property Tax</u>	<u>Revenue Sharing</u>	<u>Total</u>
2002	\$ 1,686,852	\$ 89,367	\$ 1,776,219
2003	1,720,786	89,221	1,810,007
2004	1,758,018	89,294	1,847,312
2005	1,491,824	89,318	1,581,142
2006	2,300,615	89,166	2,389,781
2007	2,197,493	89,102	2,286,595
2008	2,370,487	91,827	2,462,314
2009	2,318,463	92,875	2,411,338
2010	2,634,642	90,114	2,724,756
2011	2,623,133	90,741	2,713,874
	<u>\$ 21,102,313</u>	<u>\$ 901,025</u>	<u>\$ 22,003,338</u>

Table 5

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Fiscal Year Ended December 31	Real Property		Personal Property	Less:
	Residential Property	Public Services	Other	Tax Exempt Real Property
2002	\$ 345,252,000	\$ 47,243,000	\$ 349,243,000	\$ 134,138,000
2003	350,638,000	48,225,000	357,536,000	136,442,000
2004	359,913,000	60,089,000	376,705,000	136,969,000
2005	230,705,641	123,471,370	326,935,009	139,750,000
2006	261,771,883	122,992,500	231,499,680	141,183,060
2007	274,250,190	60,996,297	508,161,757	143,112,086
2008	340,730,510	64,628,447	531,748,403	148,564,836
2009	353,374,500	67,125,422	578,661,575	151,231,776
2010	362,117,416	91,626,557	595,786,454	152,098,006
2011	368,306,819	85,478,540	605,947,224	152,017,521

All property assessments are made by the Calcasieu Parish Assessor.

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

Table 5

<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value Percentage of Actual Value</u>
\$ 607,600,000	2.87	\$ 3,823,065,000	15.89%
619,957,000	2.87	3,893,604,000	15.92%
659,738,000	2.74	4,136,859,000	15.95%
541,362,020	2.74	4,813,048,373	17.19%
616,264,063	2.74	5,298,097,993	16.80%
843,408,244	2.74	6,412,911,778	13.15%
937,107,360	2.60	7,210,808,241	13.00%
999,161,497	2.60	7,293,149,613	13.70%
1,049,530,427	2.60	8,264,019,110	12.70%
1,059,732,583	2.60	8,410,576,056	12.60%

Table 6

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

<u>Fiscal Year</u>	<u>Lake Charles Harbor and Terminal District</u>		<u>Calcasieu Parish School Board</u>		
	<u>Operating Millage</u>	<u>Total</u>	<u>General Fund</u>	<u>Debt Service Funds</u>	<u>Total</u>
2002	2.87	2.87	19.56	25.00	44.56
2003	2.87	2.87	19.56	39.50	59.06
2004	2.74	2.74	19.56	35.00	54.56
2005	2.74	2.74	18.72	36.50	55.22
2006	2.74	2.74	18.72	25.00	43.72
2007	2.74	2.74	18.72	25.50	44.22
2008	2.60	2.60	18.72	27.50	46.22
2009	2.60	2.60	18.72	24.00	42.72
2010	2.60	2.60	18.72	24.00	42.72
2011	2.60	2.60	18.72	24.00	42.72

Table 6

Calcasieu Parish				City of Lake Charles			Total Direct & Overlapping Rates
Parish Police Jury	Special Districts	Airport Harbor & Terminal	Total	General & Special Revenue Funds	Debt Service Fund	Total	
45.40	37.49	9.20	92.09	16.43	0.00	16.43	155.95
45.40	38.49	9.20	93.09	16.43	0.00	16.43	171.45
52.84	37.89	9.20	99.93	16.43	0.00	16.43	173.66
44.19	38.50	8.80	91.49	16.09	0.00	16.09	165.54
44.99	48.49	8.80	102.28	16.09	0.00	16.09	164.83
47.21	49.00	8.80	105.01	16.09	0.00	16.09	168.06
41.50	46.65	8.80	96.95	16.09	0.00	16.09	161.86
39.28	45.50	8.34	93.12	15.35	0.00	15.35	153.79
33.02	41.78	8.34	83.14	15.35	0.00	15.35	143.81
33.02	40.92	8.34	82.28	15.35	0.00	15.35	142.95

Table 7

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Taxpayer	Type of Business	2011		Percentage of Total Valuation
		Assessed Valuation 2011	Rank	
Conoco, Inc.	Chemical plant	\$ 65,763,010	1	6.21%
Entergy Gulf States, Inc	Electric company	64,085,320	2	6.05%
CITGO Petroleum Corporation	Refinery	42,220,420	3	3.98%
PPG Industries, Inc	Chemical plant	41,806,330	4	3.94%
FNK (Lake Charles) LLC	Hotel & casino	40,215,570	5	3.79%
Excel Paralubes	Lubricants	35,211,060	6	3.32%
SASOL North America, Inc. (previously Condea Vista)	Chemical plant	34,761,640	7	3.28%
Global Industries	Oil & gas equipment & services	17,348,330	8	1.64%
Entergy Texas, Inc.	Chemical plant	17,307,790	9	1.63%
WPT Corporation	Chemical plant	15,859,840	10	1.50%
Lyondell Chemicals Worldwide	Chemical plant			
Bellsouth Telecommunication	Telephone company			
Basell USA, Inc.	Chemical plant			
W.R. Grace & Co.	Chemical plant			
Totals		<u>\$ 374,579,310</u>		<u>35.34%</u>

Table 7

2001		
2002	Rank	Percentage of Total Valuation
\$ 41,841,890	1	6.89%
8,975,980	9	1.48%
17,190,520	4	2.83%
34,651,800	2	5.70%
22,572,870	3	3.72%
11,507,720	8	1.89%
14,494,560	5	2.39%
12,852,900	6	2.12%
11,533,680	7	1.90%
8,125,020	10	1.34%
<u>\$ 183,746,940</u>		<u>30.26%</u>

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Table 8

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

TOP CUSTOMERS

For the Current Year and Nine Years Ago
(Unaudited)

<u>Customer</u>	<u>2011</u>		<u>2002</u>	
	<u>Revenue</u>	<u>Percent of Operating Revenue</u>	<u>Revenue</u>	<u>Percent of Operating Revenue</u>
Citgo Petroleum Corporation	\$ 8,018,645	21.71%	\$ 5,123,694	32.45%
Alcoa, Inc	3,403,191	9.22%		
Pinnacle Entertainment	3,369,027	9.12%		
Conoco, Inc.	2,921,939	7.91%	2,458,336	15.57%
Halliburton	2,575,728	6.97%	1,128,197	7.14%
	<u>\$ 20,288,530</u>	<u>54.93%</u>	<u>\$ 8,710,227</u>	<u>55.16%</u>

Table 9

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Fiscal Year Ended December 31	Total Tax Levy	Collected within the Fiscal Year of the Levy	
		Amount	Percentage of Levy
2002	\$ 1,743,819	\$ 1,623,359	93.09%
2003	1,779,281	1,682,699	94.57%
2004	1,818,194	1,676,994	92.23%
2005	1,866,251	1,747,084	93.61%
2006	2,052,496	1,759,850	85.74%
2007	2,284,697	1,610,842	70.51%
2008	2,436,497	1,545,071	63.41%
2009	2,567,398	1,916,152	74.63%
2010	2,723,861	2,175,430	79.87%
2011	2,751,501	2,278,067	82.79%

Data source - Calcasieu Parish Tax Collector

Table 9

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 11,235	\$ 1,634,594	93.74%
12,315	1,695,014	95.26%
11,912	1,688,906	92.89%
4,164	1,751,249	93.84%
17,632	1,777,482	86.60%
22,608	1,633,450	71.50%
2,622	1,547,693	63.52%
6,639	1,922,791	74.89%
8,365	2,183,795	80.17%
-	2,278,067	82.79%

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Table 10

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

RATIOS OF OUTSTANDING DEBT
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Business Type Activities Bonds and Certificates of Indebtedness</u>	<u>Percentage of Personal Income 1</u>	<u>Per Capita 1</u>
2002	\$ 21,250,000	0 50	115 05
2003	20,000,000	0.48	108.69
2004	18,750,000	0.50	101 18
2005	17,500,000	0.45	93 99
2006	16,250,000	0 40	86 89
2007	15,000,000	0 38	81.48
2008	14,020,767	0 36	75.97
2009	12,857,572	0.31	69.24
2010	6,839,818	0.15	35 48
2011	52,364	0 00	0.27

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

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

Table 11

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

REVENUE BACKED DEBT COVERAGE
Last Ten Fiscal Years
(amounts expressed in thousands)
(Unaudited)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Gross revenues	\$ 18,786,217	\$ 20,562,728	\$ 26,293,490	\$ 27,505,220
Deductible operating expenses	<u>17,142,190</u>	<u>18,006,894</u>	<u>17,833,127</u>	<u>16,398,763</u>
Net revenues available	<u>1,644,027</u>	<u>2,555,834</u>	<u>8,460,363</u>	<u>11,106,457</u>
Current maturities long-term debt	1,250,000	1,250,000	1,250,000	1,250,000
Certificates of indebtedness	-	-	-	-
Interest expense	<u>443,831</u>	<u>339,163</u>	<u>357,962</u>	<u>478,281</u>
CMLTD plus interest expense	<u>1,693,831</u>	<u>1,589,153</u>	<u>1,607,962</u>	<u>1,728,281</u>
Debt service coverage ratio	0.97	1.61	5.26	6.43

Table 11

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 33,705,323	\$ 33,520,638	\$ 34,756,531	\$ 31,736,159	\$ 38,784,338	\$ 39,893,046
<u>17,555,817</u>	<u>18,060,856</u>	<u>19,823,472</u>	<u>18,660,069</u>	<u>20,532,356</u>	<u>23,096,329</u>
<u>16,149,506</u>	<u>15,459,782</u>	<u>14,933,059</u>	<u>13,076,090</u>	<u>18,251,982</u>	<u>16,796,717</u>
1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	-
-	-	-	17,361	17,361	17,361
<u>658,776</u>	<u>693,239</u>	<u>455,421</u>	<u>180,198</u>	<u>177,797</u>	<u>317,471</u>
<u>1,908,776</u>	<u>1,943,239</u>	<u>1,705,421</u>	<u>1,447,559</u>	<u>1,445,158</u>	<u>334,832</u>
8 46	7 96	8 76	9 03	12 63	50.16

Table 12

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt limit	\$ 84,473	\$ 86,452	\$ 92,021	\$ 82,086
Total net debt applicable to limit	-	-	-	-
Legal debt margin	<u>\$ 84,473</u>	<u>\$ 86,452</u>	<u>\$ 92,021</u>	<u>\$ 82,086</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%

Legal Debt Margin Calculated for Fiscal Year 2011

Assessed value

Add back: Exempt real property
 Total assessed value

Debt limit (10% of total assessed value)

Total restricted assets available for principal payment

Legal capacity of Lake Charles Harbor and Terminal District

Note

1. In the State of Louisiana, the first \$75,000 of a homeowners' primary residence is exempt from property tax. This is referred to as a "Homestead Exemption"
2. Under specific conditions, businesses can qualify for a ten year property tax exemption. The State grants this as an economic incentive for companies to locate or expand their business in Louisiana.
3. The \$25,000,000 Port Improvement 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

Table 12

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 89,051	\$ 101,000	\$ 108,567	\$ 115,039	\$ 120,163	\$ 121,175
-	-	-	-	-	-
<u>\$ 89,051</u>	<u>\$ 101,000</u>	<u>\$ 108,567</u>	<u>\$ 115,039</u>	<u>\$ 120,163</u>	<u>\$ 121,175</u>
0%	0%	0%	0%	0%	0%

\$ 1,059,732,583

152,017,521

1,211,750,104

121,175,010

52,364

121,122,646

Table 13

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>
2002	184,700	\$ 4,220,395,000	\$ 22,850
2003	184,005	4,194,209,970	22,794
2004	185,311	3,734,757,894	20,154
2005	186,181	3,924,323,118	21,078
2006	187,017	4,089,687,756	21,868
2007	184,092	3,916,189,116	21,273
2008	184,563	3,935,252,286	21,322
2009	185,697	4,136,957,766	22,278
2010	192,768	4,488,988,416	23,287
2011	192,777	4,626,069,669	23,997

Data sources

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

Table 13

<u>Median Age</u>	<u>Average ACT Score Core²</u>	<u>School Enrollment²</u>	<u>Unemployment Rate³</u>
34	20.1	32,975	5.5
35	19.8	33,677	6.2
35	20.1	33,086	5.2
34	20.1	33,294	7.1
34	20.4	32,821	3.4
36	20.3	32,975	3.7
36	20.3	32,500	4.8
36	20.2	32,651	6.4
35	20.3	32,939	7.0
31	20.4	33,134	8.3

Table 14

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Employers	Type of Business	Rank	2011		Rank	2002	
			Number of Employees	Percentage		Number of Employees	Percentage
Calcasieu Parish School Board	Education	1	5,000	30%	1	4,000	20%
Pinnacle Entertainment	Gaming	2	2,400	15%			0%
Turner Industries	Fabrication	3	1,500	9%	3	2,000	10%
PPG Industries, Inc.	Basic chemical plant	4	1,250	8%	8	1,625	8%
Lake Charles Memorial Hospital	Health care	5	1,194	7%	7	1,700	8%
CITGO Petroleum Corporation	Oil products	6	1,160	7%	6	1,865	9%
Isle of Capri	Gaming	7	1,155	7%	3	2,000	10%
City of Lake Charles	Government	8	1,032	6%			0%
Calcasieu Parish Sheriff's Office	Police protection	9	972	6%			0%
Christus St. Patrick Hospital	Health care	10	871	5%	2	2,782	14%
Harras's Riverboat Casino	Gaming				3	2,000	10%
Northrop Grumman	Aerospace				9	1,312	6%
Conoco, Inc.	Refinery				10	1,200	6%
Total			<u>16,534</u>	<u>100%</u>		<u>20,484</u>	<u>100%</u>

Source: SWLA Chamber of Commerce and INCAL

Table 15

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Function	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Board of Commissioners	7	7	7	7	7	7	7	7	7	6
Executive	2	2	2	2	2	2	2	2	2	2
Administrative	24	15	16	15	15	14	14	14	15	15
Legal	3	3	3	3	3	3	3	3	2	2
Engineering	1	1	2	4	4	3	3	3	3	3
Sales and Marketing	2	2	3	3	3	3	3	3	3	2
Security	18	17	12	13	14	15	16	17	17	14
Traffic	2	2	3	3	3	2	2	2	2	2
Safety	1	1	1	1	2	2	2	2	2	2
Maintenance	29	24	35	36	29	24	18	25	22	22
Operation	<u>39</u>	<u>33</u>	<u>31</u>	<u>39</u>	<u>48</u>	<u>47</u>	<u>54</u>	<u>54</u>	<u>54</u>	<u>50</u>
Total	<u>128</u>	<u>107</u>	<u>115</u>	<u>126</u>	<u>130</u>	<u>122</u>	<u>124</u>	<u>132</u>	<u>129</u>	<u>120</u>

Table 16

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Function	2002	2003	2004	2005
Transit sheds - square feet	871,760	871,760	871,760	1,021,760
Warehouses - square feet	543,360	543,360	543,360	538,000
Docks - number amount				
Dry cargo	10	10	11	11
Bulk materials	3	3	3	3
Open berth	1	1	1	1
Grain elevator	1	1	1	1
Track - miles	37	37	37	37

Sources: Various District departments

Table 16

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
1,021,760	1,221,760	1,221,760	1,221,760	1,221,760	1,221,760
538,000	538,000	520,400	520,400	520,400	520,400
11	11	11	11	11	11
3	3	3	3	3	3
1	1	1	1	1	1
1	1	1	1	1	1
37	37	37	37	37	37

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

REPORT ON

**COMPLIANCE AND INTERNAL CONTROL OVER
FINANCIAL REPORTING**

YEAR ENDED DECEMBER 31, 2011

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

LAKE CHARLES, LOUISIANA

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

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

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

We have audited the financial statements of the Lake Charles Harbor and Terminal District (the District), Lake Charles, Louisiana as of and for the year ended December 31, 2011, and have issued our report thereon dated May 18, 2012. 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 Audit Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Lake Charles Harbor and Terminal District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lake Charles Harbor and Terminal District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lake Charles Harbor and Terminal District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information of the audit committee, management, Board of Commissioners, federal awarding agencies, and other state and federal audit agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Ms Elroy Quirk & Beach

Lake Charles, Louisiana
May 18, 2012

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2011

<u>Grant Description</u>	<u>Federal CFDA Number</u>	<u>Current Grant Expenditures</u>
Disaster Grants - Public Assistance	97.036	\$ 144,113
Port Security Grant Program	97 116	<u>337,966</u>
		<u>\$ 482,079</u>

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings to report.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2011

No findings to report.