

Comprehensive Annual Financial Report For The Year Ended December 31, 2019



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

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2019

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, 2019

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INTRODUCTORY SECTION

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June 29, 2020

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

Dear Commissioners:



**Lake Charles
Harbor
& Terminal
District**

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

The Comprehensive Annual Financial Report (CAFR) of the Lake Charles Harbor and Terminal District (District) for the year ended December 31, 2019 is hereby submitted for your review. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all note disclosures, rests with the District. The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) and have been independently audited in accordance with generally accepted auditing standards. The purpose of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. This transmittal letter should be read in conjunction with Management's Discussion and Analysis on pages 23-34. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities and operations have been included.

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

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

Overview of the Lake Charles Harbor and Terminal District

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

The District operates a deep-water port on the Calcasieu Ship Channel and encompasses 203 square miles in Southwest Louisiana. Presently, the District owns and manages five public marine terminal facilities commonly designated as the Port of Lake Charles.

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



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

Local Economy

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

- According to Dr. Loren Scott, economics professor emeritus, at Louisiana State University, the Lake Charles region is not only the fastest growing MSA in the state of Louisiana, but Lake Charles has often been one of the fastest growing in the entire country, expected to grow at 2 to 2 ½ times faster than the national economy. Job growth in the area is due largely to the deep draft Calcasieu Ship Channel, the abundance of domestic natural gas and existing pipeline infrastructure.

- Lake Charles is currently the home of three riverboat casinos, two of which are located on land leased from the District. Overall, the riverboat gaming sector of Southwest Louisiana provides a total employment of approximately 4,000 employees, generates monthly average gaming revenues of approximately \$58.6 million and generates monthly average taxable sales of approximately \$14.4 million.

- During the fourth quarter of 2014, the Golden Nugget Lake Charles Casino and Resort completed construction of its riverboat casino resort and hotel on land leased from the District. The resort features 740 hotel rooms and suites, an 18-hole championship golf course, an 18,000 square-foot ballroom, a 30,000 square-foot meeting and event center, spa, pool and a number of Landry's signature restaurants. During 2018, Golden Nugget Lake Charles completed construction of a new 300 room tower.

- Pinnacle Entertainment completed construction of its riverboat casino in June of 2005 on land leased from the District. Pinnacle's hotel resort and casino, L'Auberge, is 26 stories with approximately 1,000 rooms, a 26,000 square-foot event center, spa, pool, numerous restaurants and an 18-hole championship golf course designed by Tom Fazio.

- Northrop Grumman and AAR are located at the Chennault International Airport Authority where aircraft modification and maintenance is performed. In May of 2018, Citadel Completions announced plans to invest \$17.6 million and hire approximately 250 people for an aircraft center to be located at Chennault, which will be dedicated to interior jet modifications and maintenance. ERA Helicopter and PHI, another helicopter service firm, both have locations at the Lake Charles Regional Airport.



- During 2014 Cameron LNG began construction of a new \$10 billion liquefaction export facility in Southwest Louisiana. The liquefaction project will be comprised of three-train natural gas liquefaction facilities with an export capability of 12 million tons annually. In February 2016 it was announced that Cameron LNG was applying for an expansion of the existing project, adding two additional trains and increasing the export capability to 20-22 million tons annually. Cameron LNG began operating the facility's Train 1 in May 2019 with the first shipment of LNG departing the same month, while the operation of Train 2 began in December 2019.



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

Cargo Diversity

During 2019, the District was successful in attracting a shipper of windmill blades to City Docks. The windmill blades are being railed and trucked out to windmill farms throughout the United States. The primary reason the shipper was attracted to the District related to the available storage space, access to deep water via the Calcasieu Ship Channel, and inland distribution modes.



Real Estate

The District owns approximately 5,400 acres in Southwest Louisiana. These properties include leased acreage to both traditional and non-traditional port related tenants, spoil disposal sites, and acreage available for future development. During 2019, lease revenues accounted for approximately \$17.6 million, or 44% of total District operating revenues.

Security Initiatives

The District has been awarded various security related grants by the Department of Homeland Security to assist in undertaking necessary District security initiatives. The grants have provided resources to install long-range radars and cameras at various District Terminals and along the Calcasieu River Waterway, a command and control center at City Docks which opened in 2014 and to reconfigure the front entrance at City Docks to facilitate a more efficient flow of traffic while checking TWIC cards.

Long-Term Financial Planning

Over the next five years, the District's capital budget calls for approximately \$228 million in new construction and major improvements. The funding sources for these projects will be provided primarily by grant funding and District revenues. During 2013, the District issued \$39.6 million in bonds for the financing and reimbursing of the District for the costs of construction of a dock and wharf and related improvements on land owned by the District to facilitate shipping of various products as well as the construction of various capital improvements for the benefit of the District and paying the cost of issuance of the bonds.

Internal Controls

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

Budgetary Control

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

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial reporting to the Lake Charles Harbor and Terminal District for its comprehensive annual financial report for the fiscal year ended December 31, 2018. 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,

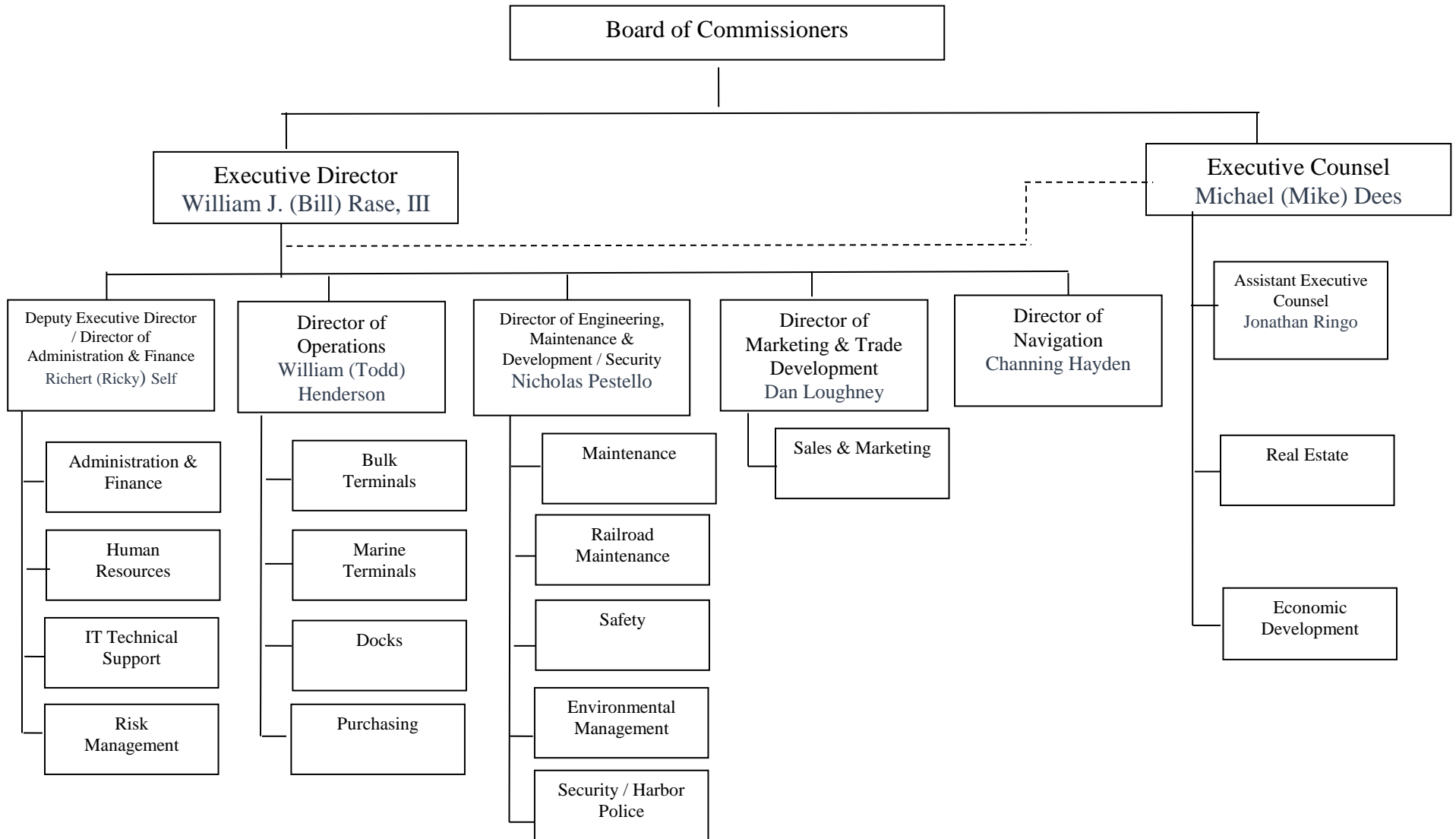


Richert L. Self
Executive Director



Cameron S. Landry
Director of Administration
and Finance







Government Finance Officers Association

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

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Executive Director/CEO

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

BOARD OF COMMISSIONERS

David J. Darbonne	President
Carl J. Krielow	Vice President
Thomas L. Lorenzi	Secretary/Treasurer
Dudley R. Dixon	Assistant Secretary/Treasurer
Michael G. Eason	Commissioner
M. Keith Prudhomme	Commissioner

EXECUTIVE DIRECTOR

William J. Rase, III

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FINANCIAL SECTION

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Lake Charles Harbor and Terminal District (District), Lake Charles, Louisiana, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 18 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement Number 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* for the year ended December 31, 2019. The new standard requires the District to expense interest costs that were previously capitalized with construction in progress. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of changes in total OPEB liability and related ratios, schedule of employer's proportionate share of net pension liability and schedule of employer's pension contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical

context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Charles Harbor and Terminal District, Lake Charles, Louisiana's basic financial statements. The introductory section, the budgetary comparison schedule, schedule of compensation, benefits and other payments to Executive Director, the insurance in force schedule and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule, schedule of compensation, benefits and other payments to Executive Director, and the insurance in force schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules, schedule of compensation, benefits and other payments to Executive Director, and the insurance in force schedule are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2020, on our consideration of the Lake Charles Harbor and Terminal District, Lake Charles, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 in the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake Charles Harbor and Terminal District, Lake Charles, Louisiana's internal control over financial reporting and compliance.

Mr. Elroy Quirk & Branch

Lake Charles, Louisiana

June 29, 2020

Management's Discussion and Analysis

The following is the Lake Charles Harbor and Terminal District's Management Discussion and Analysis (MD&A) of the financial activities and performance for the year ended December 31, 2019. It provides an introduction to the District's 2019 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, 2019 by \$304.1 million (*net position*). Net position, restated for 2018, totaled \$302.3 million as of December 31, 2018.
- As a result of the excess revenues over expenses, the District's net position increased \$1.8 million during 2019 compared to a \$4.7 million increase during 2018.
- During 2019, operating revenues were \$40.3 million, a decrease of \$2.1 million (5%) from 2018. Operating expenses were \$42.4 million, an increase of \$0.8 million (2%) compared to 2018.

Overview of the Financial Statements

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

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

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

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

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

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to financial statements can be found on pages 41-70 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. This supplementary information can be found on pages 72-113 of this report.

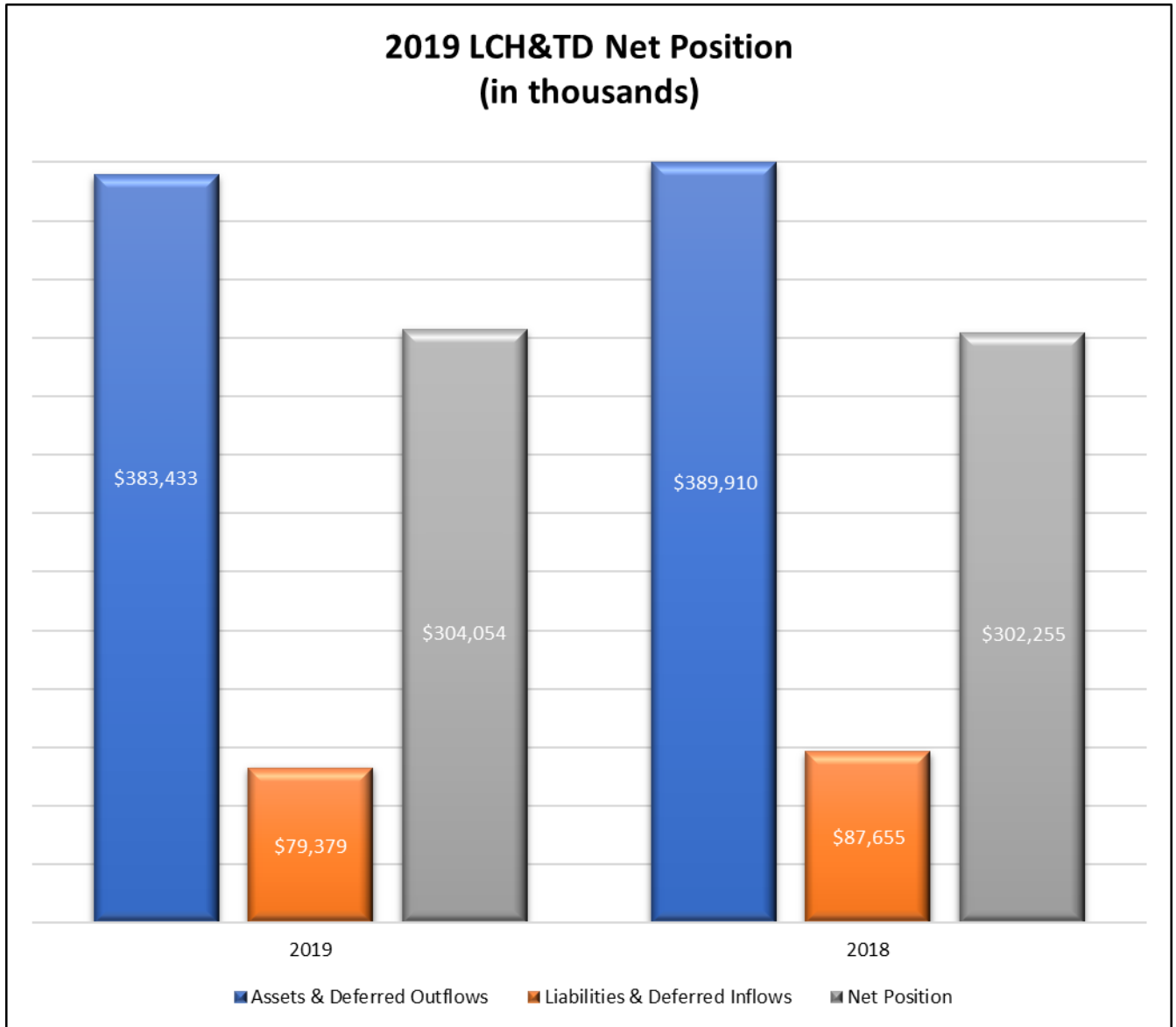
Financial Analysis of the District

The following table presents the condensed statements of fund net position as of December 31, 2019 and 2018:

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

	2019 <u>(in thousands)</u>	2018 <u>(in thousands)</u>
Current and other assets	\$ 84,345	\$ 86,236
Capital assets	<u>294,499</u>	<u>300,492</u>
Total assets	<u>378,844</u>	<u>386,728</u>
Deferred outflow of resources	<u>3,340</u>	<u>2,075</u>
Current liabilities	13,009	19,142
Non-current liabilities	<u>63,706</u>	<u>64,176</u>
Total liabilities	<u>76,716</u>	<u>83,318</u>
Deferred inflows of resources	<u>1,414</u>	<u>1,095</u>
Net position:		
Net investment in capital assets	259,324	264,260
Restricted	5,221	5,152
Unrestricted	<u>39,509</u>	<u>34,978</u>
Total net position	<u>\$ 304,054</u>	304,390
Effects of GASB's 89 implementation		<u>(2,135)</u>
Net position - restated for 2018		<u>\$ 302,255</u>

2019 LCH&TD Net Position (in thousands)



2019:

The assets and deferred outflows of the Lake Charles Harbor and Terminal District exceeded its liabilities and deferred inflows as of December 31, 2019 by \$304.1 million compared to \$302.3 million as of December 31, 2018 (*net position*).

The largest portion of the District’s net position reflects its investment in capital assets in the amount of \$259.3 million as of December 31, 2019 compared to \$264.3 million as of December 31, 2018. These capital assets include land, buildings, improvements, equipment and construction in progress, less any related outstanding debt used to acquire those assets. These assets are not available for future spending.

The District's restricted net position of \$5.2 million and \$5.2 million as of December 31, 2019 and 2018, respectively, represent amounts restricted for debt service in accordance with existing bond covenants. The Board of Commissioners has designated \$2.8 million in unrestricted net position as of December 31, 2019 to be used for commitments on construction contracts compared to \$4.1 million in unrestricted net position as of December 31, 2018 to be used for commitments on construction contracts. The remaining \$36.7 million as of December 31, 2019 of unrestricted net position may be used to meet the District's ongoing obligations to creditors.

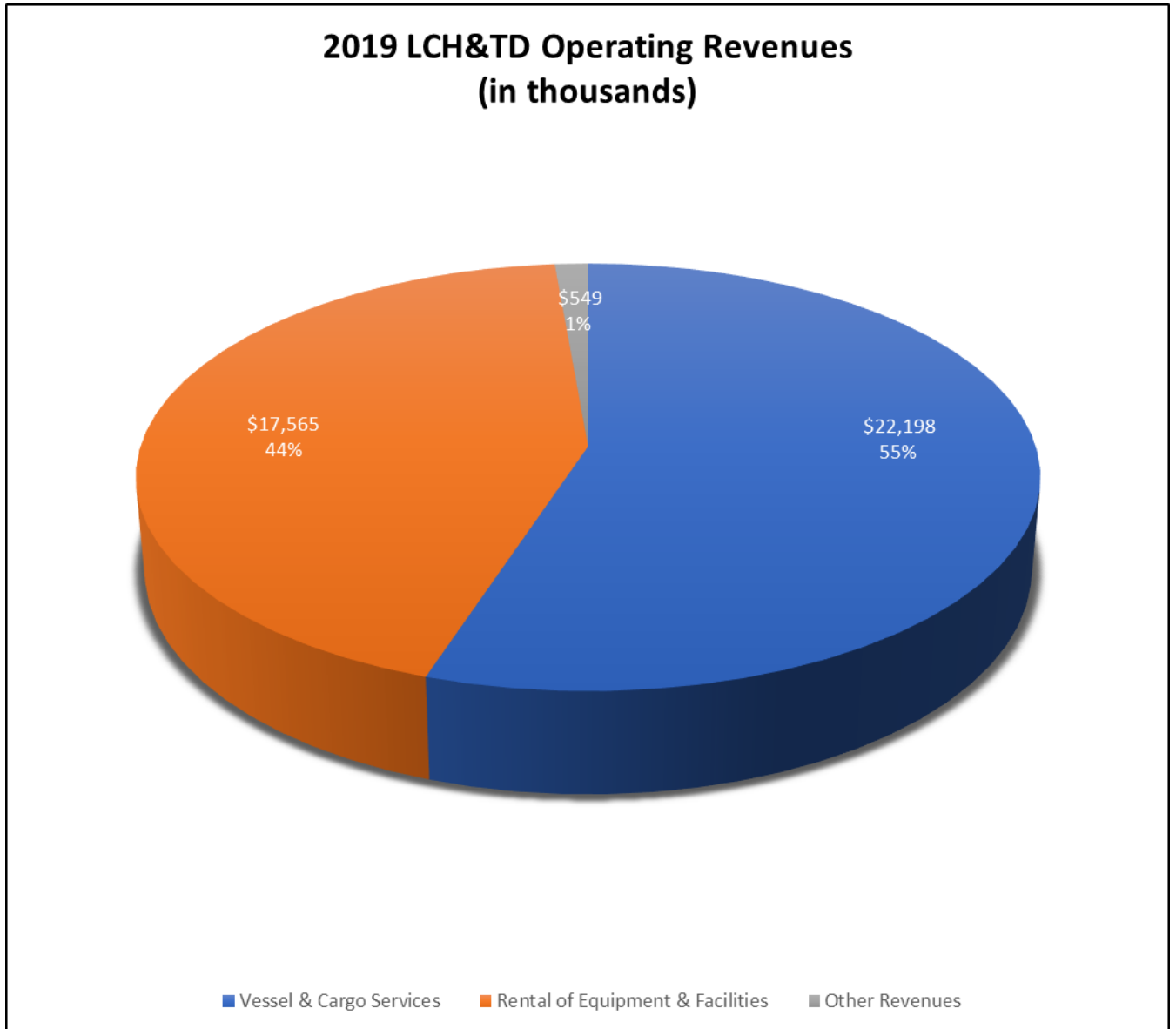
The following table shows condensed revenue and expense data for the years ended December 31, 2019 and 2018:

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

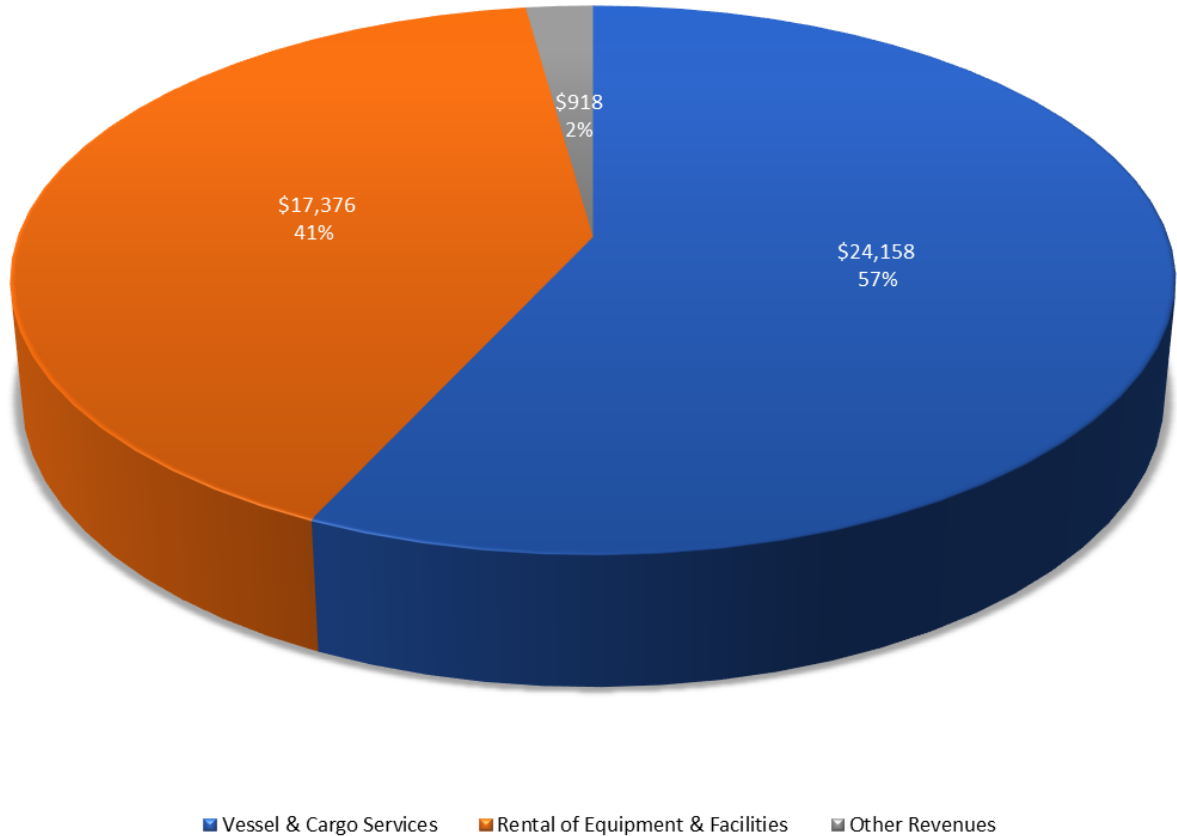
	<u>2019</u>	<u>2018</u>
Operating revenues:		
Vessel and cargo services	\$ 22,198,001	\$ 24,157,645
Rental of equipment and facilities	17,564,904	17,375,854
Other	549,400	918,468
Total operating revenues	<u>40,312,305</u>	<u>42,451,967</u>
Operating expenses:		
Personnel services	13,278,704	13,123,252
Contractual services	6,658,388	6,530,746
Supplies, maintenance and operation of facilities	6,351,378	5,680,998
Heat, light and power	772,721	794,559
Depreciation and amortization	15,379,123	15,504,901
Total operating expenses	<u>42,440,314</u>	<u>41,634,456</u>
Operating income (loss)	<u>(2,128,009)</u>	<u>817,511</u>
Nonoperating revenues (expenses):		
Property taxes	4,099,984	3,777,885
Intergovernmental revenue	92,011	90,927
Interest income	1,687,068	1,598,483
Interest expense and fiscal charges	(1,741,834)	(35,601)
Retirement of assets	(6,248)	6,121
Intergovernmental	(1,341,788)	(4,145,753)
Other	(210,000)	(40,000)
Net nonoperating revenues (expenses)	<u>2,579,193</u>	<u>1,252,062</u>
Net income before contributions	451,184	2,069,573
Capital contributions	<u>1,347,873</u>	<u>2,627,000</u>
Change in net position	1,799,057	4,696,573
Net position - beginning balance	<u>302,255,318</u>	<u>299,692,973</u>
Net position - ending balance	<u>\$ 304,054,375</u>	304,389,546
Effects of GASB's 89 implementation		<u>(2,134,228)</u>
Net position - restated for 2018		<u>\$ 302,255,318</u>

2019:

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



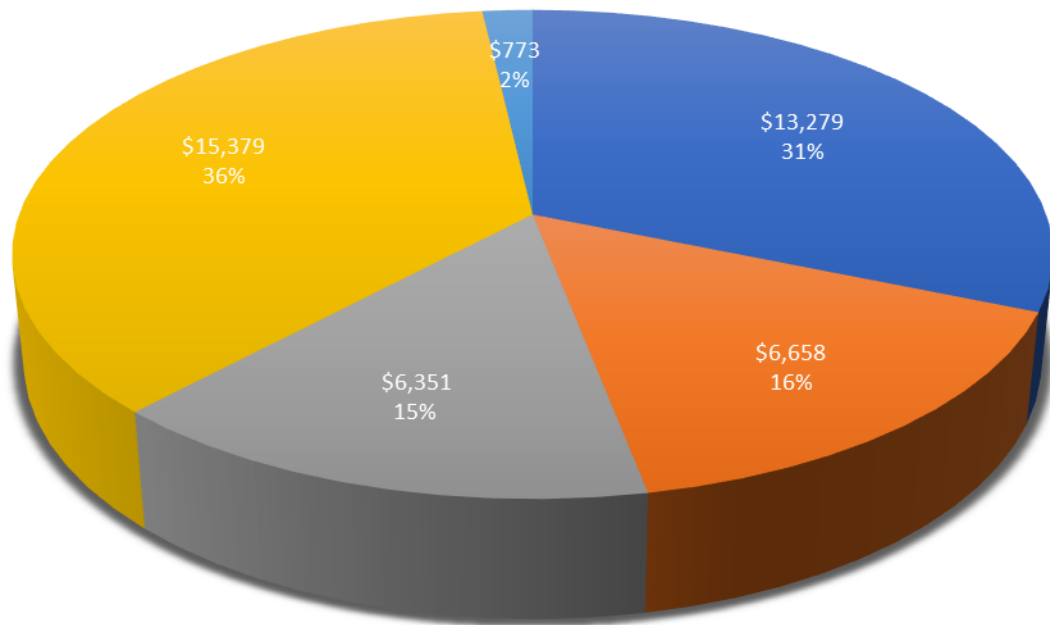
2018 LCH&TD Operating Revenues (in thousands)



- Total operating revenues decreased \$2.1 million or 5% during 2019 as compared to 2018. The decrease is partially due to a decline in the volume of petroleum coke and related dockage resulting from an increase in the use of sweet crude and greater amounts of diesel being produced. Also contributing to the decrease is a decline in through-put revenue due to lower tonnage at the bulk grain. An additional factor relates to a lower volume of calcine loaded into containers at the District's Bulk Terminal No. 1 during 2019, as compared to 2018. The final contributing factors to the decrease relates to a favorable settlement of the District received during 2018.

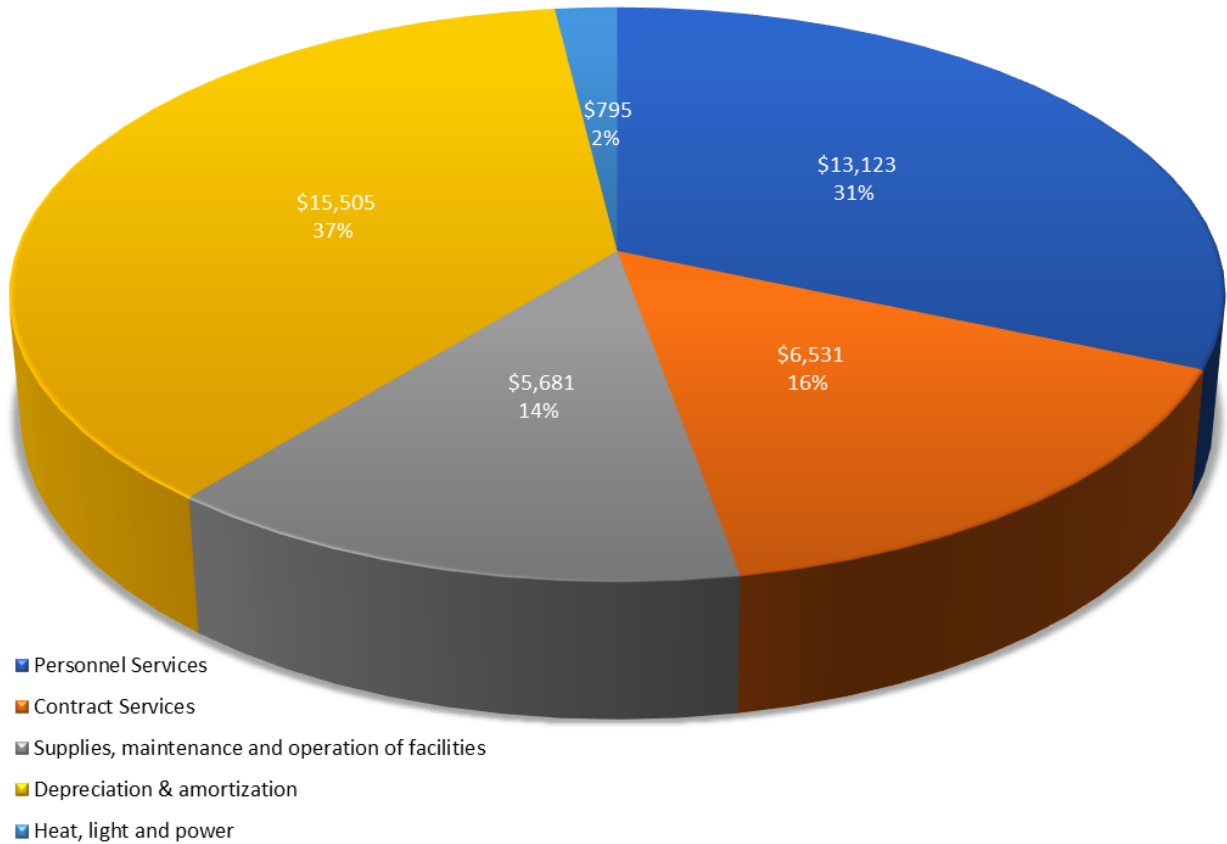
- Partially offsetting the overall decrease in revenues is an increase in the volume of Barite and the associated revenues. Additional contributing factors relate to the commencement of handling windmill blades and an increase in the volume of rubber at the District's City Docks. The final contributing factor partially offsetting the decrease in revenues, is an increase in the utilization of District dredged material sites by channel users during 2019 as compared to 2018.

2019 LCH&TD Operating Expenses (in thousands)



- Personnel Services
- Contract Services
- Supplies, Maintenance, and Operation of Facilities
- Depreciation & Amortization
- Heat, Light, and Power

2018 LCH&TD Operating Expenses (in thousands)



➤ Total operating expenses increased \$0.8 million or 2% during 2019 as compared to 2018. The increase is primarily due to an increase in maintenance dredging of the District berths. An additional contributing factor relates to legal expenses associated with an ongoing lawsuit resulting in higher legal expenses in 2019 compared to 2018.

- Partially offsetting the increase in overall operating expenses is decreases associated with lower petroleum coke tonnage in 2019, compared to 2018. An additional factor relates to lower railcar switching expenses associated with lower tonnages for multiple railcar users. The final contributing factor offsetting the increase was the incurrence of fewer major maintenance project expenses in 2019 as compared to 2018.
- Net nonoperating revenues increased \$1.3 million during 2019, compared to 2018. The primary contributing factor relates to a payment for the cost sharing arrangement with the U.S. Army Corps of Engineers in 2018, whereas a similar payment was not required in 2019. An additional contributing factor relates to an increase in Ad Valorem Tax collected in 2019 as compared to 2018.
- Partially offsetting the increase in net nonoperating revenues is an increase in bond interest expense due to the implementation of Governmental Accounts Standards Board (GASB) Number 89 in 2019. GASB 89 requires interest to be recognized as an expense in the period in which the cost is incurred.
- The District received \$1.3 million in Federal, State and private capital contributions for the year ended December 31, 2019 compared to \$2.6 million for the year ended 2018. The capital contributions during 2019 and 2018 relate primarily to the District being designated as an Energy Port in the Water Resources Reform and Development Act, which provides federal funding for dredging related activities.
- The District's net position increased \$1.8 million during the twelve months ended December 31, 2019. The increase is due to increases in the volume of barite, rubber, windmill blades, and the related revenues during 2019. The District also benefitted from an increase in revenue associated with an increase in dredge material site usage. Additionally the District experienced a decrease in expenses associated with lower major maintenance projects, as well as lower railcar switching expenses due to lower railcar user tonnages.
- Partially offsetting the overall increase in net position is a decline in the volume of raw coke, bulk grain, calcine containers, and the related revenues during 2019. An additional factor offsetting the increase is an increase in maintenance dredging expenses. The final contribution factor relates to higher legal expenses associated with an ongoing lawsuit.

Capital and Debt Administration

Capital assets. The District's capital assets were \$294.5 million and \$300.5 million (net of accumulated depreciation) as of December 31, 2019 and 2018, respectively. These balances include land, buildings, improvements, equipment, and construction in progress.

Major capital asset events during the year ended December 31, 2019 included the following:

- Construction continued on additional facilities for the District; construction in progress as of December 31, 2019 was \$24.8 million compared to \$19.4 million as of December 31, 2018.
- The rehabilitation of the concrete on Berth 7 at the District's City Docks was completed during the first quarter of 2019.
- The replacement of culverts at the Industrial Canal Railroad was completed during the second quarter of 2019.

Additional information on the Lake Charles Harbor and Terminal District's capital assets can be found in note 8 on page 52.

Lake Charles Harbor and Terminal District Capital Assets

	2019 <u>(in thousands)</u>	2018 <u>(in thousands)</u>
Land	\$ 56,683	\$ 56,683
Buildings and facilities	365,530	365,482
Equipment	84,457	80,662
Construction in progress	24,761	19,395
Accumulated depreciation	<u>(236,932)</u>	<u>(221,731)</u>
	<u>\$ 294,499</u>	<u>\$ 300,491</u>

Debt Administration

As of December 31, 2019, the District had \$63.7 million in non-current liabilities as compared to \$64.2 million as of December 31, 2018. Approximately 53% of the total is bonded debt and approximately 38% is due within ten years.

The District underwent a formal bond rating process for the first time in recent history during 2013. The District received an "A3" rating from Moody's and an "A-" rating from Standard and Poor's. In January of 2019, Standard and Poor's and Moody's updated the ratings of the District. Standard and Poor's upgraded the District two (2) notches to "A+" from a rating of "A-". Moody's upgraded the District to "A2" from a rating of "A3".

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

Additional information on the District's long-term debt can be found in Note 11 which begins on page 54 of this report.

Economic Factors

The following factors were considered in preparing the District's budget for 2020:

- A decrease in vessel and cargo services revenue attributable to the COVID-19 pandemic and steep decline in oil prices.

- A decrease in lease revenue due to closures during the COVID-19 Pandemic.

- An increase in depreciation expense associated with the completion of several large capital projects.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

Exhibit 1

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 December 31, 2019

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Lake Charles Harbor and Terminal District</u>	<u>Port Rail, Inc.</u>	<u>2019</u>
ASSETS			
Current assets:			
Cash	\$ 58,624,461	\$ 345,579	\$ 58,970,040
Restricted cash	7,232,002	-	7,232,002
Receivables:			
Trade, net of allowance for doubtful accounts	6,887,805	348,648	7,236,453
Intergovernmental	143,496	-	143,496
Property taxes, net of allowance for doubtful accounts	4,160,003	-	4,160,003
Due from other funds	1,249,528	-	1,249,528
Inventory	3,755,797	-	3,755,797
Prepaid expenses	846,998	40,335	887,333
Insurance deposits	1,959,900	-	1,959,900
Total current assets	<u>84,859,990</u>	<u>734,562</u>	<u>85,594,552</u>
Capital assets:			
Capital assets, net of depreciation	<u>294,490,045</u>	<u>8,885</u>	<u>294,498,930</u>
Total assets	<u>379,350,035</u>	<u>743,447</u>	<u>380,093,482</u>
 DEFERRED OUTFLOW OF RESOURCES			
Deferred amounts related to net pension liabilities	2,494,373	-	2,494,373
OPEB	<u>845,282</u>	<u>-</u>	<u>845,282</u>
Total deferred outflow of resources	3,339,655	-	3,339,655

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Lake Charles Harbor and Terminal District</u>	<u>Port Rail, Inc.</u>	<u>2019</u>
LIABILITIES			
Current liabilities:			
Current maturities of long-term debt	\$ 1,107,159	\$ -	\$ 1,107,159
Accounts payable	1,180,105	19,455	1,199,560
Contracts payable	1,897,334	-	1,897,334
Claims payable	533,889	-	533,889
Accrued expenses	2,689,281	30,236	2,719,517
Accrued interest payable	852,569	-	852,569
Unearned revenue	4,699,083	-	4,699,083
Due to other funds	-	1,249,528	1,249,528
Total current liabilities	<u>12,959,420</u>	<u>1,299,219</u>	<u>14,258,639</u>
Non-current liabilities:			
Compensated absences, less current portion	636,341	-	636,341
OPEB liability	5,355,963	-	5,355,963
Net pension liability	22,729,472	-	22,729,472
Unearned revenue, less current portion	916,827	-	916,827
Long-term debt, less current maturities	34,067,853	-	34,067,853
Total non-current liabilities	<u>63,706,456</u>	<u>-</u>	<u>63,706,456</u>
Total liabilities	<u>76,665,876</u>	<u>1,299,219</u>	<u>77,965,095</u>
DEFERRED INFLOW OF RESOURCES			
Deferred amounts related to net pension liabilities	928,106	-	928,106
OPEB	485,561	-	485,561
Total deferred inflow of resources	<u>1,413,667</u>	<u>-</u>	<u>1,413,667</u>
NET POSITION			
Net investment in capital assets	259,315,033	8,885	259,323,918
Restricted for debt service	5,221,228	-	5,221,228
Unrestricted	40,073,886	(564,657)	39,509,229
Total net position	<u>\$ 304,610,147</u>	<u>\$ (555,772)</u>	<u>\$ 304,054,375</u>

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

Exhibit 2

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

For the Year Ended December 31, 2019

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Lake Charles Harbor and Terminal District</u>	<u>Port Rail, Inc.</u>	<u>2019</u>
Operating revenues:			
Vessel and cargo services	\$ 20,302,282	\$ 1,895,719	\$ 22,198,001
Rental of equipment and facilities	17,564,904	-	17,564,904
Other	549,400	-	549,400
Total operating revenues	<u>38,416,586</u>	<u>1,895,719</u>	<u>40,312,305</u>
Operating expenses:			
Personnel services	12,407,478	871,226	13,278,704
Contractual services	6,142,089	516,299	6,658,388
Supplies, maintenance and operation of facilities	6,262,927	88,451	6,351,378
Heat, light and power	762,820	9,901	772,721
Depreciation and amortization	15,373,995	5,128	15,379,123
Total operating expenses	<u>40,949,309</u>	<u>1,491,005</u>	<u>42,440,314</u>
Net operating income	<u>(2,532,723)</u>	<u>404,714</u>	<u>(2,128,009)</u>
Nonoperating revenues (expenses):			
Property taxes	4,099,984	-	4,099,984
Intergovernmental revenue	92,011	-	92,011
Interest income	1,687,068	-	1,687,068
Interest expense and fiscal charges	(1,715,789)	(26,045)	(1,741,834)
Retirement of assets	(6,248)	-	(6,248)
Intergovernmental expenses	(1,341,788)	-	(1,341,788)
Other	(210,000)	-	(210,000)
Total nonoperating revenues	<u>2,605,238</u>	<u>(26,045)</u>	<u>2,579,193</u>
Income (loss) before operating transfers	72,515	378,669	451,184
Capital contributions:			
Grants	1,347,873	-	1,347,873
Change in net position	1,420,388	378,669	1,799,057
Net position at beginning of year-restated	<u>303,189,759</u>	<u>(934,441)</u>	<u>302,255,318</u>
Net position at end of year	<u>\$ 304,610,147</u>	<u>\$ (555,772)</u>	<u>\$ 304,054,375</u>

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

Exhibit 3

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended December 31, 2019

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Lake Charles Harbor and Terminal District</u>	<u>Port Rail, Inc.</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers and users	\$ 37,241,223	\$ 1,604,974	\$ 38,846,197
Payments to employees and related benefits	(12,299,078)	(871,226)	(13,170,304)
Payments to suppliers	(18,641,408)	(596,853)	(19,238,261)
Internal activity-payments from other funds	-	142,141	142,141
Internal activity-payments to other funds	(142,141)	-	(142,141)
Net cash provided by operating activities	<u>6,158,596</u>	<u>279,036</u>	<u>6,437,632</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Shared revenue from governmental agencies	<u>92,011</u>	<u>-</u>	<u>92,011</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Property taxes collected	3,718,665	-	3,718,665
Capital grants received	1,347,874	-	1,347,874
Payments for capital acquisitions	(14,867,083)	(7,177)	(14,874,260)
Proceeds from sale of capital assets	500	-	500
Principal payments on long-term debt	(1,057,160)	-	(1,057,160)
Interest and fiscal charges paid (net of amount capitalized)	(1,741,914)	(26,045)	(1,767,959)
Net cash (used for) capital and related financing acquisitions	<u>(12,599,118)</u>	<u>(33,222)</u>	<u>(12,632,340)</u>
NET FLOWS FROM INVESTING ACTIVITIES:			
Receipts of interest	<u>1,806,833</u>	<u>-</u>	<u>1,806,833</u>
Net increase (decrease) in cash and cash equivalents	(4,541,678)	245,814	(4,295,864)
Cash and cash equivalents at beginning of year	<u>70,398,141</u>	<u>99,765</u>	<u>70,497,906</u>
Cash and cash equivalents at end of year	<u>\$ 65,856,463</u>	<u>\$ 345,579</u>	<u>\$ 66,202,042</u>

(continued on next page)

Exhibit 3 (continued)

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended December 31, 2019

	<u>Business-type Activities-Enterprise Funds</u>		
	<u>Lake Charles</u>		
	<u>Harbor and</u>	<u>Port</u>	
	<u>Terminal</u>	<u>Rail, Inc.</u>	<u>2019</u>
	<u>District</u>		
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED (USED BY) OPERATING			
ACTIVITIES:			
Operating income (loss)	\$ (2,532,723)	\$ 404,714	\$ (2,128,009)
Adjustments to reconcile operating			
income (loss) to net cash provided			
by (used in) operating activities:			
Depreciation expense	15,373,995	5,128	15,379,123
(Increase) in accounts receivable	(920,024)	(290,745)	(1,210,769)
(Increase) decrease in internal			
balance	(142,141)	142,141	-
(Increase) in inventories	(816,288)	-	(816,288)
(Increase) decrease in prepaid items	(109,375)	(6,749)	(116,124)
Decrease in deferred outflows of			
resources	(1,264,633)	-	(1,264,633)
(Decrease) in accounts payable			
and accrued expenses	(1,878,284)	24,547	(1,853,737)
(Decrease) in unearned revenue	(113,198)	-	(113,198)
Increase in NP liability	(205,264)	-	(205,264)
Increase in due deferred inflows			
of resources	318,319	-	318,319
Other	(1,551,788)	-	(1,551,788)
Total adjustments	<u>8,691,319</u>	<u>(125,678)</u>	<u>8,565,641</u>
Net cash provided by (used in)			
operating activities	<u>\$ 6,158,596</u>	<u>\$ 279,036</u>	<u>\$ 6,437,632</u>

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

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

GASB Statement 80 requires that primary governments present certain component unit information in a manner similar to the reporting of the primary government's balances and transactions, which is referred to as blending. This method of reporting is required if an entity is incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. Port Rail, Inc. meets this criteria and is presented as a blended component unit of the District.

B. Fund Accounting

The Lake Charles Harbor and Terminal District uses proprietary funds 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 enterprise fund types of the proprietary 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 two proprietary funds including its blended component unit, Port Rail. The District's operations are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from leasing properties or providing services. Operating expenses include the cost of providing services, administrative services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Budgets

Budgetary practices differ from generally accepted accounting principles (GAAP). Perspective differences result from the structure of financial information for budgetary purposes. Capital contributions (grants) received by the District also are not budgeted. During the year ended December 31, 2019, the District amended its budget as a result of its implementation of GASB Statement No. 89 which eliminated the capitalization of interest costs resulting in those costs being expensed in the current year.

E. Cash, Cash Equivalents, and Investments

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

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

Cash and cash equivalents, which include cash, demand deposits, and money market deposits are stated at cost.

F. Receivables

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

G. Property Taxes

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

H. Inventories

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

I. Prepaid Expenses

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

J. Restricted Assets

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

K. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Assets with an individual cost in excess of \$5,000 are generally capitalized.

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

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

L. Compensated Absences

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

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

M. Deferred Outflows of Resources and Deferred Inflows of Resources

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

N. Net Position Flow Assumption

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

O. Net Position

Net position is displayed in three components:

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

P. Cash Flows Statement

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

Note 2. Legal Compliance - Budget

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

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

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

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

Note 3. Cash, Cash Equivalents and Investments

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

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

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

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

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

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

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

- i. Generally, the District will invest in "money market instruments", which shall be those allowable investments outlined in the policy (see item IV, A, 1-8). An investment plan will be developed and carried out by the Executive Director and/or his designee, which generally provides for investments with staggered maturity dates not exceeding five (5) years except in exceptional circumstances. The investment plan will provide for appropriate liquidity in accordance with the cash needs of the District while at the same time providing for an appropriate portion of the District's investment portfolio to be invested on a staggered maturity basis in accordance with policy. Quarterly reports reflecting all investments, including cost and fair value and yields shall be furnished to the Board of Commissioners.

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

As of December 31, 2019, all of the District did not hold any assets that would be classified as investments.

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.

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

At December 31, 2019, cash equivalents and investments were restricted as shown below:

Wetlands restoration escrow accrual	\$ 1,170,043
Trust funds pursuant to the issuance of the 2014 Port Improvement Revenue Bonds:	
Debt Service Reserve Fund	1,959,324
Debt Service Fund	3,261,904
PRM-C&E	535,916
PRM-LTM	<u>304,815</u>
Total	<u>\$ 7,232,002</u>

Note 4. Allowances for Doubtful Accounts

The changes in allowances for doubtful accounts during 2019 follow:

	<u>Property Taxes</u>	<u>Accounts Receivable</u>
Balance January 1, 2019	\$ 38,169	\$ 912,170
Additions	3,851	380,304
Reductions	<u>-</u>	<u>(100,000)</u>
Balance December 31, 2019	<u>\$ 42,020</u>	<u>\$ 1,192,474</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 2019 assessed millage is 2.53 mills.

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

Total taxes levied for the year ended December 31, 2019 were \$4,337,447 on property with assessed valuation totaling \$1,873,508,979 less exempt valuation of \$159,102,923, for a net valuation of \$1,714,406,056.

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 \$135,405 for 2019.

Note 6. Intergovernmental Receivable

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

	<u>2019</u>
FEMA Public Assistance Grant	<u>\$ 143,496</u>

Note 7. Interfund Receivables and Payables

Due to/from other funds at December 31, 2019 consists of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Lake Charles Harbor and Terminal District	\$ 1,249,528	\$ -
Port Rail, Inc.	<u>-</u>	<u>1,249,528</u>
	<u>\$ 1,249,528</u>	<u>\$ 1,249,528</u>

The interfund balance represents a long-term loan between the funds. Of the balance, \$1,249,528 is not expected to be repaid in the next fiscal year. The balances are included on the proprietary fund financial statements but are eliminated in the government-wide presentation.

Note 8. Capital Assets

A summary of changes in capital assets for the years ended December 31, 2019 is as follows:

<u>2019</u>	<u>Restated Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>End of Year</u>
Capital assets not being depreciated:				
Land	\$ 56,683,340	\$ -	\$ -	\$ 56,683,340
Construction in progress	<u>17,260,536</u>	<u>11,609,250</u>	<u>4,109,188</u>	<u>24,760,598</u>
Total capital assets not being depreciated	<u>73,943,876</u>	<u>11,609,250</u>	<u>4,109,188</u>	<u>81,443,938</u>
Capital assets being depreciated:				
Buildings and operating facilities	365,482,270	48,000	-	365,530,270
Equipment, furniture and fixtures	<u>80,662,387</u>	<u>4,605,246</u>	<u>811,053</u>	<u>84,456,580</u>
Total capital assets being depreciated	<u>446,144,657</u>	<u>4,653,246</u>	<u>811,053</u>	<u>449,986,850</u>
Less accumulated depreciation for:				
Buildings and operating facilities	188,443,972	10,972,498	-	199,416,470
Equipment, furniture and fixtures	<u>33,286,945</u>	<u>4,443,697</u>	<u>215,254</u>	<u>37,515,388</u>
Total accumulated depreciation	<u>221,730,917</u>	<u>15,416,195</u>	<u>215,254</u>	<u>236,931,858</u>
Total capital assets being depreciated, net	<u>224,413,740</u>	<u>(10,762,949)</u>	<u>595,799</u>	<u>213,054,992</u>
Total capital assets, net	<u>\$ 298,357,616</u>	<u>\$ 846,301</u>	<u>\$ 4,704,987</u>	<u>\$ 294,498,930</u>

Depreciation expense was \$15,379,123 for the year ended December 31, 2019.

Note 9. Operating Leases

Leases which the District has entered into as lessor are classified as operating leases. Following is a summary of property held for lease at December 31, 2019:

Land	\$ 23,345,795
Buildings	<u>35,757,450</u>
	59,103,245
Less depreciation	<u>20,430,263</u>
	<u>\$ 38,672,982</u>

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

2020	\$ 11,318,206
2021	9,528,353
2022	9,215,927
2023	6,378,158
2024	5,341,425
After 2024	<u>51,366,713</u>
	<u>\$ 93,148,782</u>

Of the above, the amount of \$1,185,167 was paid in full at the inception of the lease by the lessee, and is included in unearned revenues at December 31, 2019.

Note 10. Compensated Absences

Compensated absences are included in personnel services expenses for 2019. The District's liabilities for accumulated compensated absences as of December 31, 2019 are as follows:

Beginning of <u>Year</u>	<u>Additions</u>	<u>Reductions</u>	End of <u>Year</u>	Due Within <u>One Year</u>
\$ 697,370	\$ 68,464	\$ 58,788	\$ 707,046	\$ 70,705

Note 11. Long-Term Bonded Debt

Bonds payable at December 31, 2019 comprised of the following:

Revenue bonds:

\$6,995,000 Lake Charles Harbor and Terminal District State of Louisiana Revenue Bonds 2013A (Non-AMT), interest is due semi-annually beginning July 1, 2013 and principal amounts are due annually beginning January 1, 2037; interest rate 4.75% for the life of the bonds maturing January 1, 2039	\$ 6,995,000
\$32,620,000 Lake Charles Harbor and Terminal District State of Louisiana Revenue Bonds 2013B (AMT), interest is due semi-annually beginning July 1, 2014 and principal amounts are due annually beginning January 1, 2018; interest rate ranging from 3% to 5.5% for the life of the bonds maturing January 1, 2037	<u>27,950,000</u>
Total bonds payable	<u>\$ 34,945,000</u>

The bonds are limited obligations of the District payable solely from and secured by a pledge of the revenue derived from the operation of the properties and facilities maintained and operated by the District, including all or part of the dockage and other fees charged by the District after payment of the District's operating and maintenance costs.

The purpose of the bonds is for the financing and reimbursing of the District for the costs of construction of a dock and wharf and related improvements on land owned by the District to facilitate shipping of various products as well as the construction of various capital improvements for the benefit of the District and paying the costs of issuance of the bonds.

The bonds are subject to applicable federal arbitrage regulations.

The bonds require the District to meet a debt service coverage ratio equal to 1.25 times the current maturities of long-term debt plus interest.

Debt service requirements related to bonds outstanding as of December 31, 2019 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,095,000	\$ 1,688,712
2021	1,130,000	1,653,925
2022	1,165,000	1,615,175
2023	1,205,000	1,572,194
2024	1,250,000	1,515,225
2025-2029	7,370,000	6,434,050
2030-2034	9,545,000	4,231,125
2035-2039	<u>12,185,000</u>	<u>1,526,456</u>
	<u>\$ 34,945,000</u>	<u>\$ 20,236,862</u>

Changes in Long-Term Debt:

Noncurrent liabilities activity for the year ended December 31, 2019 is as follows:

	<u>Restated January 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2019</u>	<u>Due Within One Year</u>
Revenue bonds	\$ 35,990,000	\$ -	\$ 1,045,000	\$ 34,945,000	\$ 1,095,000
Premium on revenue bonds	242,172	-	12,159	230,013	12,159
Net pension liability	22,934,736	3,857,438	4,062,702	22,729,472	-
OPEB liability	4,253,343	1,328,531	225,911	5,355,963	-
Compensated absences	697,370	68,464	58,788	707,046	70,705
Unearned revenue	<u>1,453,507</u>	<u>-</u>	<u>268,340</u>	<u>1,185,167</u>	<u>268,340</u>
	<u>\$ 65,571,128</u>	<u>\$ 5,254,433</u>	<u>\$ 5,672,900</u>	<u>\$ 65,152,661</u>	<u>\$ 1,446,204</u>

Note 12. Retirement Benefits

Defined benefit pension plan:

Plan Description

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

Benefits Provided

Retirement benefits - LASERS

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

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

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

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

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

Deferred Retirement Benefits

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

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

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

Disability Benefits

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

Survivor's Benefit

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

Cost of Living Increases

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

Contributions

LASERS employer contribution rates are established annually under LA R.S. 11:101-11:104 by the Public Retirement Systems' Actuarial Committee (PRSAC), taking into consideration the recommendation of the system's actuary. Each plan pays a separate actuarially-determined employer contribution rate. However, all assets of each plan are used for the payment of benefits for all classes of members within each system, regardless of their plan membership. Employer contributions to LASERS were \$2,576,699 for the year ended December 31, 2019. Contribution rates for the year ended December 31, 2019 are as follows:

<u>Plan</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>
Regular Employees:		
Hired before 7/1/2006	7.5%	40.70%
Hired after 6/30/2006	8.0%	40.70%
Hired after 12/31/2010	8.0%	40.70%
Hired after 7/1/2018	8.0%	40.70%
Optional Retirement Plan (ORP):		
Hired before 7/1/2006	7.5%	36.01%
Hired after 6/30/2006	8.0%	36.01%
Hazardous Duty	9.5%	41.70%

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

At December 31, 2019, the Lake Charles Harbor and Terminal District reported a liability for LASERS of \$22,729,472 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuations as of that date. The Lake Charles Harbor and Terminal District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Lake

Charles Harbor and Terminal District's proportion for LASERS was 0.313730. This reflects a decrease for LASERS of 0.022560% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Lake Charles Harbor and Terminal District recognized pension expense, for which there were no forfeitures, of \$2,369,497.

At December 31, 2019, the Lake Charles Harbor and Terminal District reported deferred outflows of resources and deferred inflows of resources related to LASERS from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference between expected and actual experience	\$ 139,567	\$ 47,230
Changes in assumptions	194,770	-
Net difference between projected and actual earnings on investments	785,275	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	44,650	880,876
Employer contributions subsequent to the measurement date	<u>1,330,111</u>	<u>-</u>
Total	<u>\$ 2,494,373</u>	<u>\$ 928,106</u>

During the year ended December 31, 2019, employer contributions totaling \$1,330,111 were made subsequent to the measurement date for LASERS. These contributions are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ended June 30:	
2020	\$ (45,705)
2021	(228,537)
2022	216,046
2023	294,352
2024	<u>-</u>
Total	<u>\$ 236,156</u>

Actuarial Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. The components of the net pension liability of LASERS employers as of June 30, 2019 are as follows:

	<u>LASERS</u>
Total pension liability	\$ 19,527,612,295
Plan fiduciary net position	<u>12,282,698,991</u>
Total net pension liability	<u>\$ 7,244,913,304</u>

The Lake Charles Harbor and Terminal District's allocation is 0.313730% of the total net pension liability for LASERS.

The total pension liabilities for LASERS in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

LASERS

Actuarial cost method	Entry age normal
Expected remaining service lives	2 years
Investment rate of return	7.60% per annum, net of investment expense
Inflation rate	2.50% per annum
Projected salary increases	Regular 3.2%-13%; hazardous duty 3.8%-14%
Cost of living adjustments	None
Mortality	Non-disabled members - Mortality rates based on the RP-2014 Healthy Mortality Table with mortality improvement Projected to using MP-2018 Mortality Improvement Scale Disabled members - Mortality rates based on the RP-2000 Disabled Retiree Mortality Table, with no projection for mortality improvement

The forecasted long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return for LASERS is 9.00% for 2019.

Best estimates of geometric real rates of return for each major asset class included in the target asset allocation for LASERS as of June 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
	<u>LASERS</u>
Cash	0.24%
Domestic equity	4.83%
International equity	5.83%
Domestic fixed income	2.79%
International fixed income	4.49%
Alternative investments	8.32%
Risk parity	5.06%
Total fund	6.09%

Discount Rates

The discount rate used to measure the total pension liability for LASERS was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by PRSAC taking into consideration the recommendation of the actuary. Based on those assumptions, the net position of LASERS was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the Lake Charles Harbor and Terminal District's proportionate share of the net pension liability using the discount rate of 7.60% for LASERS, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.60%) or one percentage-point higher (8.60%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
LASERS	\$ 28,687,485	\$ 22,729,472	\$ 17,696,940

Payable to the Pension Plans

At December 31, 2019, payable to LASERS was \$243,037 for December, 2019 employee and employer legally-required contributions.

Post-retirement Benefits

By action of the Board of Commissioners, in addition to the pension benefits described in Note 17, the District provides postretirement health care insurance benefits for retired employees. In 2019, the District paid 0% of the retirees' and retirees' dependents' premiums.

During 2019, nineteen (19) retired employees were receiving benefits under this plan. These postretirement benefits are financed on a "pay-as-you-go basis" and the District recognizes the cost by expensing the annual insurance premiums. Total net cost to the District amounted to \$-0- for 2019. The participants' share of the costs totaled \$101,731 for 2019.

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, 2019 consisted of \$424,730 from employees and \$304,944 from the District.

Note 13. Risk Management

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

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

Unpaid claims, January 1, 2018	\$ 516,594
Incurred and adjusted claims	1,193,546
Claim payments	<u>(1,159,912)</u>
Unpaid claims, January 1, 2019	550,228
Incurred and adjusted claims	1,252,611
Claim payments	<u>(1,268,950)</u>
Total unpaid claims, December 31, 2019	<u>\$ 533,889</u>

The District's insurance reserves to fund future claims on deposit with the Calcasieu Parish Police Jury totaled \$1,959,900 in 2019.

Note 14. Contingent Liabilities and Commitments

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

At December 31, 2019, the District had committed approximately \$2.8 million for the purchase of equipment, the expansion of facilities, and repairs and maintenance of existing facilities.

The District is currently involved in litigation with IFG Port Holdings, LLC. The trial has been completed and all the evidence has been presented to the judge. Post-trial briefs were due by the end of May and the judge will issue a ruling at any time afterward. At this point we are unable to estimate any amount of damages, if any, which could be potentially owed by the District, but it is reasonably possible that the District may be required to pay some amount in damages. Regardless, the trial judge's ruling, both sides are likely to appeal.

The District is involved in various other 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.

Note 15. Unearned Revenue

	<u>Term Years</u>	<u>Total Rent</u>	<u>Unearned 12/31/19</u>
PRM site-C&E			\$ 510,897
PRM site-LTM			304,815
Wetland restoration			1,074,199
GSA lease	10	2,683,396	1,185,167
Unearned grant			107,704
Various short-term leases			2,402,084
Homestead exemption settlement			<u>31,044</u>
Total			<u>\$ 5,615,910</u>

Note 16. Major Customers

A significant portion of the District's operating revenue has been derived from one major customer that accounted for 18% of the District's operating revenue in 2019.

A significant portion of the District's accounts receivable has been derived from (3) customer that accounted for 63% of total trade receivables outstanding at December 31, 2019.

Note 17. Other Postemployment Benefits Other than Pensions (OPEB)

Plan Description:

The District provides certain continuing health care benefits for its retired employees. The District's OPEB Plan is an Agent Multiple Employer Defined Benefit Healthcare Plan administered by the Calcasieu Parish Police Jury. The contribution requirements of the retirees and the participating employees are established in the annual operating budget and may be amended in the subsequent year by District management. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

Benefits Provided:

Employees are eligible for retiree health benefits if they are enrolled in the District's health plan at the time of retirement. District employees may retire upon attaining 1) age 60 with 10 years of service, or 2) age 55 with 25 years of service, 3) at any age with 30 years of service.

For coverage under the plan, retirees pay 100% of the blended active premium. There is no retiree contribution to the OPEB plan other than the retiree share of insurance premiums paid monthly which for 2019 consisted of \$502 per month for retiree only and \$778 for retiree and dependent coverage for Pre-65 participants. At age 65, retirees without Medicare coverage would also pay \$502 per month for retiree only and \$778 for retiree and dependent coverage. After age 65, retirees with Medicare coverage would pay \$262 per month for retiree only and \$524 for retiree and dependent coverage.

Employees Covered by Benefit Terms:

The December 31, 2019 total OPEB liability was determined using the January 1, 2019 actuarial valuation that included the following employees covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	26
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>116</u>
Total	<u><u>142</u></u>

Total OPEB Liability:

The District's total OPEB liability of \$5,355,963 was measured at December 31, 2019 and was determined by an actuarial valuation as of January 1, 2019.

Actuarial Assumptions and Other Inputs:

The total OPEB liability in January 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified.

- Inflation rate was 2.3%
- Salary increase rate was 3.0%
- Discount rate was 2.74% net of expenses. The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.
- Health care cost trend rate
 - o Short-term trend rate for no Medicare retirees starts off at 4.4%, and at 6.3% for Medicare retirees and reflects the repeal of the ACA Excise Tax.

- Mortality rate
 - Pre-retirement: PUB-2010 General Employees Amount Weighted Mortality Table projected with Mortality Improvement Scale MP-2019 on a generational basis.
 - Post-retirement: PUB-2010 General Retirees, contingent survivors, and Disabled Retirements Amount-Weighted Mortality Table projected with Mortality Improvement Scale MP-2019 on a generational basis.

Changes in the Total OPEB Liability:

Balance at December 31, 2018	<u>\$ 4,253,343</u>
Change for the year:	
Service cost	141,889
Interest cost	175,619
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	1,011,023
Benefit payments	<u>(225,911)</u>
Net changes	<u>1,102,620</u>
Balance at December 31, 2019	<u>\$ 5,355,963</u>

The amount of total OPEB liability estimated to be due and payable within one year is \$167,885.

Sensitivity Analysis:

Sensitivity of the total OPEB liability to changes in the discount rate
 - The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate.

	<u>1% Decrease</u> <u>(1.74%)</u>	<u>Current Discount Rate</u> <u>(2.74%)</u>	<u>1% Increase</u> <u>(3.74%)</u>
Total OPEB liability	<u>\$ 6,357,266</u>	<u>\$ 5,355,963</u>	<u>\$ 4,574,010</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate - The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare trend rates.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$ 4,458,908</u>	<u>\$ 5,355,963</u>	<u>\$ 6,518,710</u>

For the year ended December 31, 2019, the District recognized OPEB expense of \$384,155. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OEB from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ 416,466	\$ -
Changes in assumptions	<u>69,095</u>	<u>845,282</u>
Total	<u>\$ 485,561</u>	<u>\$ 845,282</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ended December 31:	
2020	\$ 66,647
2021	66,647
2022	66,647
2023	66,647
2024	76,556
Thereafter	<u>16,577</u>
	<u>\$ 359,721</u>

Note 18. Net Position

The beginning net position as reflected on the Statement of Revenues, Expenses, and Changes in Fund Net Position has been restated to reflect the following adjustments

Balance at December 31, 2018	\$ 305,323,987
Implementation of GASB 89	
Recognition of capitalized interest	<u>(2,134,228)</u>
Balance at December 31, 2018, as Restated	<u>\$ 303,189,759</u>

Note 19. Subsequent Events

The District has performed a review of subsequent events through the date of the opinion, which is the date the financial statements were available for issuance.

The District is monitoring the impact of the COVID-19 pandemic on all aspects of its operations. This includes how it will impact its customers, staff, suppliers and vendors. While, the District did not incur significant disruptions during the year ended December 31, 2019 from COVID-19, it is unable to predict the impact that COVID 19 will have on its financial position and operating results due to numerous uncertainties.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS
 Years Ended December 31, 2019 and 2018
 (Unaudited)

	2019	2018
TOTAL OPEB LIABILITY		
Service cost	\$ 141,889	\$ 168,071
Interest on total OPEB liability	175,619	167,600
Effect of plan changes	-	-
Effect of economic/demographic gains or losses	-	(586,452)
Effect of assumption changes or inputs	1,011,023	(97,297)
Benefit payments	(225,911)	(203,427)
Net change in total OPEB liability	1,102,620	(551,505)
Total OPEB liability, beginning	4,253,343	4,804,848
Total OPEB liability, ending (a)	5,355,963	4,253,343
Covered payroll	8,102,608	7,944,224
Total OPEB liability as a % of covered payroll	66.10%	53.54%

The schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
 SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE
 OF NET PENSION LIABILITY
 Years Ended December 31, 2014 Through 2019

<u>Plan Year</u>	<u>Employer Proportionate % of the Net Pension Liability (Asset)</u>	<u>Employer Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of It's Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
LASERS:					
2019	0.31373%	\$ 22,729,472	\$ 6,600,274	344.4%	62.9%
2018	0.33629%	22,934,736	6,348,680	361.3%	64.3%
2017	0.34087%	23,993,259	6,329,316	379.1%	62.5%
2016	0.32847%	25,793,355	5,968,274	432.2%	57.7%
2015	0.31313%	21,297,567	5,935,106	358.8%	62.7%
2014	0.31758%	19,857,745	5,611,145	353.9%	65.0%

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

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

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
 SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS
 Years Ended December 31, 2014 Through 2019

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to Contractually Required Contribution</u>	<u>Employer's Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percent of Covered Payroll</u>
LASERS:					
2019	\$ 2,576,699	\$ 2,576,699	\$ -	\$ 6,549,254	39.3%
2018	2,469,497	2,469,497	-	6,510,947	37.9%
2017	2,304,479	2,304,479	-	6,249,062	36.9%
2016	2,287,025	2,287,025	-	6,266,472	36.5%
2015	2,190,378	2,190,378	-	5,908,712	37.1%
2014	1,998,527	1,998,527	-	5,857,444	34.1%

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

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended December 31, 2019

PENSION - LASERS

Changes to benefit terms:

There were no changes in benefit terms for the measurement period ending June 30, 2019.

Changes of Assumptions:

- Investment rate of return changed from 7.65% to 7.60%
- Inflation rate changed from 2.75% to 2.50%
- Expected remaining service lives changed from 3 years to 2 years
- Mortality tables used were updated to reflect more current information

OPEB

Changes to benefit terms:

There were no changes in benefit terms for the measurement period ending December 31, 2019.

Changes of assumptions

- Discount rate changed from 4.22% to 2.74%

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SUPPLEMENTARY INFORMATION

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL (BUDGETARY BASIS) - ENTERPRISE FUND
 Year Ended December 31, 2019

	2019			Variance With Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Operating revenue:				
Vessel and cargo services	\$ 21,662,086	\$ 21,662,086	\$ 20,302,282	\$(1,359,804)
Rental of equipment and facilities	17,168,880	17,168,880	17,564,904	396,024
Other	749,500	749,500	549,400	(200,100)
Total operating revenue	<u>39,580,466</u>	<u>39,580,466</u>	<u>38,416,586</u>	<u>(1,163,880)</u>
Operating expenses:				
Personnel services	12,757,409	12,757,409	12,407,478	349,931
Contractual services	5,643,327	5,643,327	6,142,089	(498,762)
Dredging	1,500,000	1,500,000	1,500,895	(895)
Supplies, maintenance and operation of facilities	5,711,265	5,711,265	4,762,032	949,233
Heat, light and power	799,144	799,144	762,820	36,324
Depreciation and amortization	15,886,210	15,886,210	15,373,995	512,215
Total operating expenses	<u>42,297,355</u>	<u>42,297,355</u>	<u>40,949,309</u>	<u>1,348,046</u>
Operating income (loss)	<u>(2,716,889)</u>	<u>(2,716,889)</u>	<u>(2,532,723)</u>	<u>184,166</u>
Nonoperating revenue (expenses):				
Property taxes	3,600,000	3,600,000	4,099,984	499,984
Intergovernmental revenue	90,000	90,000	92,011	2,011
Interest income	1,480,000	1,480,000	1,687,068	207,068
Interest expense and fiscal charges	(9,600)	(1,740,863)	(1,715,789)	25,074
Retirement/impairment of assets	-	-	(6,248)	(6,248)
Other	(1,222,420)	(1,422,420)	(1,551,788)	(129,368)
Net nonoperating revenue (expenses)	<u>3,937,980</u>	<u>2,006,717</u>	<u>2,605,238</u>	<u>598,521</u>
Net income (loss) before contributions (budget basis)	1,221,090	(710,172)	72,515	<u>\$ 782,687</u>

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL (BUDGETARY BASIS) - ENTERPRISE FUND

Year Ended December 31, 2019

(Continued)

	2019			Variance With Final Budget
	Budgeted Amounts		Actual	
	Original	Final		
Net income (loss) before contributions (budget basis)	<u>\$ 1,221,090</u>	<u>\$ (710,170)</u>	72,515	<u>\$ 782,687</u>
Capital contributions			<u>1,347,873</u>	
Net income (GAAP basis)			1,420,388	
Net position, beginning of year (restated)			<u>303,189,759</u>	
Net position, end of year			<u>\$ 304,610,147</u>	

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

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO EXECUTIVE DIRECTOR
Year Ended December 31, 2019

Agency Head Name: William Rase, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 324,817
Benefits - insurance	11,967
Benefits - retirement (LASERS)	122,470
Benefits - deferred compensation	12,500
Car allowance	13,828
Travel	1,040

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

SCHEDULE OF INSURANCE IN FORCE
December 31, 2019

Insurance policies in force as of December 31, 2019:

<u>Policy Type</u>	<u>Policy Number</u>	<u>Policy Provider</u>	<u>Policy Period</u>
Business travel	ETB101464	Hartford	10/3/18-10/2/21
Commercial automobile	710038476	Atlantic Specialty Insurance Company	10/1/19-10/1/20
Crime	CCP0053160	The Fidelity and Deposit Co. of Maryland	10/1/19-10/1/22
Equipment breakdown coverage	4030391227	Continental Casualty Company	1/1/19-1/1/20
General liability	B5JH31908	Atlantic Specialty Insurance Company	10/1/19-10/1/20
Bumbershoot	SL19XS1M12616	Stonington Insurance Co.	10/1/19-10/1/20
Bumbershoot	MASILNWOOO99319	Starr Indemnity	10/1/18-10/1/20
Inland marine equipment floater	RRP1365-13	Evanston Insurance Company	10/1/19-10/1/20
Maritime employers liability	B0UMA191372	Star Net Insurance Co.	10/1/19-10/1/20
Police professional liability	PPL09502021	Indian Harbor Insurance Company	6/18/19-6/18/20
Primary property	MALIA1900004	Lloyd's of London	1/1/19-1/1/20
Terrorism	MALIA1900006	Lloyd's of London	1/1/19-1/1/20
Public officials' liability	2528204	Ironshore Specialty Insurance Co.	10/1/19-10/1/20
Railroad liability	SCO9319035-08	Steadfast Insurance Company Zurich	10/1/19-10/1/20
Workers compensation	100100510D	Louisiana Worker Compensation Corporation	6/18/19-6/18/20
Health care	Self-insured with CPPJ	Stop loss carrier through CPPJ	1/1/19-1/1/20
Environmental site liability	4268400	Ironshore Specialty Insurance Company	11/26/19-11/26/20
Environmental excess site liability	4268500	Ironshore Specialty Insurance Company	11/26/19-11/26/20

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STATISTICAL SECTION

STATISTICAL SECTION

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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Table 1

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

	Net Investment in Capital Assets	Restricted	Unrestricted	Total
2010	\$ 225,586	\$ 2,032	\$ 42,130	\$ 269,748
2011	235,167	55	47,180	282,402
2012	252,574	-	46,846	299,420
2013	233,191	42,601	30,282	306,074
2014	235,682	31,286	39,300	306,268
2015	248,191	20,793	26,505	295,489
2016	262,894	13,886	21,302	298,082
2017	262,508	12,178	27,022	301,708
2018	264,253	5,152	34,985	304,390
2019	259,324	5,221	39,509	304,054

Table 2

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
SUMMARY OF REVENUES AND EXPENSES
Years Ended December 31, 2009 through 2019
(Unaudited)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
OPERATING REVENUES				
Charges for services	\$ 23,564,920	\$ 22,673,086	\$ 21,209,754	\$ 20,221,173
Rentals	10,807,934	10,059,975	11,915,297	12,198,732
Other	1,406,193	4,197,140	501,739	767,285
Total	<u>35,779,047</u>	<u>36,930,201</u>	<u>33,626,790</u>	<u>33,187,190</u>
NONOPERATING REVENUES				
Property taxes	2,634,642	2,623,133	2,812,823	2,870,308
Intergovernmental revenue	90,114	90,741	91,132	90,947
Interest income	280,535	248,971	241,935	212,199
Other income	(11,094)	-	-	-
Total	<u>2,994,197</u>	<u>2,962,845</u>	<u>3,145,890</u>	<u>3,173,454</u>
OPERATING EXPENSES				
General and administrative	9,727,094	10,344,600	9,866,485	10,932,884
Maintenance and operation	11,461,563	12,424,259	9,914,937	11,886,163
Depreciation	10,694,862	10,868,415	10,983,984	11,530,355
Total	<u>31,883,519</u>	<u>33,637,274</u>	<u>30,765,406</u>	<u>34,349,402</u>
NONOPERATING EXPENSES				
Interest expense and fiscal charges	39,278	317,470	4,145	546,445
Intergovernmental expense	-	-	-	-
Other expenses	(692,481)	(1,744,190)	532,144	132,457
Total	<u>(653,203)</u>	<u>(1,426,720)</u>	<u>536,289</u>	<u>678,902</u>
Net income (loss) before contributions	7,542,928	7,682,492	5,470,985	1,332,340
Capital contributions	<u>1,090,373</u>	<u>4,971,984</u>	<u>11,546,469</u>	<u>5,321,421</u>
Change in net position	<u>\$ 8,633,301</u>	<u>\$ 12,654,476</u>	<u>\$ 17,017,454</u>	<u>\$ 6,653,761</u>

Table 2

2014	2015	2016	2017	2018	2019
\$ 21,848,099	\$ 19,429,820	\$ 21,060,478	\$ 23,097,333	\$ 24,157,645	\$ 22,198,001
11,541,637	16,025,616	18,305,150	17,284,286	17,375,854	17,564,904
659,246	875,513	1,492,785	2,330,980	918,468	549,400
<u>34,048,982</u>	<u>36,330,949</u>	<u>40,858,413</u>	<u>42,712,599</u>	<u>42,451,967</u>	<u>40,312,305</u>
3,038,377	3,286,210	3,476,800	3,633,932	3,777,885	4,099,984
90,289	90,441	86,901	90,978	90,927	92,011
215,918	307,442	403,205	653,401	1,598,483	1,687,068
-	6,968	607	13	-	500
<u>3,351,552</u>	<u>3,684,700</u>	<u>3,966,919</u>	<u>4,378,311</u>	<u>5,467,295</u>	<u>5,879,563</u>
11,649,140	10,769,611	12,638,544	13,625,954	12,983,636	13,135,358
16,143,187	8,690,191	12,773,160	13,489,026	13,145,919	13,925,833
13,177,135	14,011,819	14,781,219	15,243,144	15,504,901	15,379,123
<u>40,969,462</u>	<u>33,471,621</u>	<u>40,192,923</u>	<u>42,358,124</u>	<u>41,634,456</u>	<u>42,440,314</u>
34,177	18,697	66,241	38,792	35,601	1,741,834
167,545	4,044,732	3,200,140	696,354	4,145,753	1,345,417
1,651,772	85,665	72,027	45,859	33,879	213,119
<u>1,853,494</u>	<u>4,149,094</u>	<u>3,338,408</u>	<u>781,005</u>	<u>4,215,233</u>	<u>3,300,370</u>
(5,422,422)	2,394,934	1,294,001	3,951,781	2,069,573	451,184
<u>5,617,198</u>	<u>8,457,112</u>	<u>1,298,221</u>	<u>612,596</u>	<u>2,627,000</u>	<u>1,347,873</u>
<u>\$ 194,776</u>	<u>\$ 10,852,046</u>	<u>\$ 2,592,222</u>	<u>\$ 4,564,377</u>	<u>\$ 4,696,573</u>	<u>\$ 1,799,057</u>

Table 3

LAKE CHARLES HARBOR AND TERMINAL DISTRICT
VESSEL AND CARGO REVENUES
Years Ended December 31, 2009 through 2019
(Unaudited)

	<u>Dockage</u>	<u>Wharfage</u>	<u>Storage</u>	<u>Cargo Handling</u>
2010	\$ 3,671,637	\$ 1,332,864	\$ 621,922	\$ 17,938,497
2011	3,157,617	1,186,285	735,987	17,593,197
2012	3,298,082	1,214,559	586,193	16,110,920
2013	3,211,844	935,797	774,980	15,298,552
2014	3,295,026	1,021,629	736,383	16,795,061
2015	3,585,324	690,862	523,500	14,630,134
2016	4,515,802	1,344,410	687,236	14,513,031
2017	4,518,677	2,594,057	399,424	14,475,272
2018	4,565,193	1,381,942	507,466	16,183,901
2019	3,984,542	1,605,190	382,430	14,330,119

SHIPPING ACTIVITIES
TONNAGE
(Unaudited)

2019 CARGO IMPORTS/EXPORTS
(Tons)

<u>Cargo</u>	<u>Imports</u>	<u>Exports</u>	<u>Totals</u>
General cargo	33,042	321,485	354,527
Bulk	1,448,343	1,617,629	3,065,972
Totals	<u>1,481,385</u>	<u>1,939,114</u>	<u>3,420,499</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>
\$ 23,564,920	\$ 0.77	\$ 0.28	\$ 0.13	\$ 3.74	\$ 4.92
22,673,086	0.69	0.26	0.16	3.86	4.98
21,209,754	0.75	0.28	0.13	3.68	4.84
20,221,173	0.78	0.23	0.19	3.74	4.94
21,848,099	0.82	0.26	0.18	4.20	5.46
19,429,820	0.74	0.14	0.11	3.02	4.01
21,060,479	0.85	0.25	0.13	2.74	3.98
21,987,430	0.90	0.52	0.08	2.88	4.37
22,638,503	1.05	0.32	0.12	3.71	5.18
20,302,282	1.08	0.44	0.10	3.89	5.51

TEN YEAR CARGO
IMPORT/EXPORT TONNAGE

	<u>Imports</u>	<u>Exports</u>	<u>Totals</u>
2010	3,201,428	3,396,998	6,598,426
2011	2,628,685	3,051,075	5,679,760
2012	2,058,297	3,101,941	5,160,238
2013	1,786,797	2,417,871	4,204,668
2014	1,884,513	2,861,121	4,745,634
2015	2,311,474	3,114,870	5,426,344
2016	2,276,449	2,684,602	4,961,051
2017	2,290,710	2,162,412	4,453,122
2018	1,821,590	2,418,933	4,240,523
2019	1,481,385	1,939,114	3,420,499

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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>
2010	\$ 2,634,642	\$ 90,114	\$ 2,724,756
2011	2,623,133	90,741	2,713,874
2012	2,812,823	91,132	2,903,955
2013	2,870,308	90,947	2,961,255
2014	3,038,377	90,289	3,128,666
2015	3,286,210	90,441	3,376,651
2016	3,476,800	86,901	3,563,701
2017	3,633,932	90,978	3,724,910
2018	3,777,885	90,927	3,868,812
2019	4,099,984	92,011	4,191,995
	<u>\$ 32,254,094</u>	<u>\$ 904,481</u>	<u>\$ 33,158,575</u>

Table 5

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Fiscal Year Ended December 31	Real Property		Personal Property	Less: Tax Exempt Real Property
	Residential Property	Public Services	Other	
2010	\$ 362,117,416	\$ 91,626,557	\$ 595,786,454	\$ 152,098,006
2011	368,306,819	85,478,540	605,947,224	152,017,521
2012	423,983,521	90,809,059	632,641,547	153,911,075
2013	434,915,448	92,404,154	675,091,568	154,001,091
2014	457,811,629	89,267,193	708,325,803	153,576,143
2015	512,094,719	88,527,727	734,831,111	154,218,082
2016	565,197,708	97,297,921	767,660,812	155,264,877
2017	591,940,193	102,601,952	790,775,605	156,396,254
2018	789,379,338	105,384,463	819,945,096	210,766,093
2019	810,592,733	115,556,182	947,337,404	229,916,623

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

Table 5

<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value Percentage of Actual Value</u>
\$ 1,049,530,427	2.60	\$ 8,264,019,110	12.70%
1,059,732,583	2.60	8,410,576,056	12.60%
1,147,434,127	2.53	9,724,018,017	11.80%
1,202,411,170	2.53	10,547,466,404	11.40%
1,255,404,625	2.53	11,517,473,633	10.90%
1,335,453,557	2.53	12,840,899,577	10.40%
1,430,156,441	2.53	14,593,433,071	9.80%
1,485,317,750	2.53	15,634,923,695	9.50%
1,714,708,897	2.53	18,638,151,054	9.20%
1,873,486,319	2.53	22,041,015,518	8.50%

Table 6

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Fiscal Year	Lake Charles Harbor and Terminal District		Calcasieu Parish School Board		
	Operating Millage	Total	General Fund	Debt Service Funds	Total
2010	2.60	2.60	18.72	24.00	42.72
2011	2.60	2.60	18.72	24.00	42.72
2012	2.53	2.53	18.72	24.00	42.72
2013	2.53	2.53	18.04	22.60	40.64
2014	2.53	2.53	18.04	22.20	40.24
2015	2.53	2.53	18.04	22.20	40.24
2016	2.53	2.53	17.23	21.00	38.23
2017	2.53	2.53	17.23	21.00	38.23
2018	2.53	2.53	17.23	29.85	47.08
2019	2.53	2.53	17.23	42.10	59.33

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	
33.02	41.78	8.34	83.14	15.35	0.00	15.35	143.81
33.02	40.92	8.34	82.28	15.35	0.00	15.35	142.95
33.82	41.09	8.14	83.05	15.35	0.00	15.35	143.65
34.01	41.09	8.14	83.24	15.35	0.00	15.35	141.76
34.78	41.17	8.14	84.09	15.35	0.00	15.35	142.21
35.46	43.25	8.19	86.90	15.35	0.00	15.35	145.02
34.29	41.65	8.58	84.52	15.23	0.00	15.23	140.51
34.29	41.23	8.58	84.10	15.23	0.00	15.23	140.09
34.29	43.40	8.58	86.27	15.23	0.00	15.23	151.11
34.09	43.05	8.58	85.72	15.23	0.00	15.23	162.81

Table 7

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Taxpayer	Type of Business	2019		Percentage of Total Valuation
		Assessed Valuation 2019	Rank	
Phillips 66 (formerly Conoco)	Refinery	\$ 161,456,323	1	8.62%
CITGO Petroleum Corporation	Refinery	89,665,500	2	4.79%
Eagle US 2 LLC	Chemical plant	59,207,770	3	3.16%
SASOL North America, Inc.	Chemical plant	58,310,386	4	3.11%
Entergy Gulf States, Inc.	Electric Co.	52,013,541	5	2.78%
Golden Nugget	Hotel & casino	47,733,930	6	2.55%
Pinnacle Entertainment	Hotel & casino	32,517,800	7	1.74%
Excel Paralubes	Lubricants	29,526,610	8	1.58%
Lake Charles LNG	LNG	28,108,750	9	1.50%
Calcasieu Refining Company	Refinery	27,987,090	10	1.49%
PPG Industries	Chemical plant			
Global Industries	Oil & gas plant			
Westlake Chemical*	Chemical plant			
WPT Corporation	Chemical plant			
Totals		<u>\$ 586,527,700</u>		<u>31.31%</u>

Data source: Calcasieu Parish Assessor

* Westlake Chemical acquired Axiall (formerly PPG) in 2016

Table 7

2010		
Assessed Valuation 2010	Rank	Percentage of Total Valuation
\$ 60,295,100	1	5.74%
40,201,090	4	3.83%
31,808,110	6	3.03%
60,111,340	2	5.73%
28,753,570	7	2.74%
34,286,950	5	3.27%
46,358,990	3	4.42%
19,248,820	8	1.83%
16,166,270	9	1.54%
16,037,360	10	1.53%
<u>\$ 356,267,600</u>		<u>33.66%</u>

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Table 8

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

<u>Customer</u>	<u>2019</u>		<u>2010</u>	
	<u>Revenue</u>	<u>Percent of Operating Revenue</u>	<u>Revenue</u>	<u>Percent of Operating Revenue</u>
Citgo Petroleum Corporation	\$ 6,798,139	16.16%	\$ 7,093,908	18.66%
Golden Nugget	3,500,212	8.32%	-	-
Pinnacle Entertainment	3,300,218	7.84%	4,405,353	11.59%
Phillips 66 (formerly Conoco, Inc.)	3,287,689	7.81%	2,760,255	7.26%
Global Logistics	3,209,439	7.63%	2,031,515	5.34%
Cameron LNG	1,837,355	4.37%	-	-
Basden	1,579,917	3.76%	2,060,952	5.42%
	<u>\$ 23,512,970</u>	<u>55.89%</u>	<u>\$ 18,351,983</u>	<u>48.27%</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
2010	\$ 2,723,861	\$ 2,175,430	79.87%
2011	2,751,501	2,278,067	82.79%
2012	2,903,024	2,405,337	82.86%
2013	3,042,451	2,468,068	81.12%
2014	3,176,191	2,302,726	72.50%
2015	3,378,726	2,578,993	76.33%
2016	3,618,328	2,932,887	81.06%
2017	3,757,905	2,821,222	75.07%
2018	3,940,313	3,470,481	88.08%
2019	4,337,428	3,456,368	79.69%

Data source - Calcasieu Parish Tax Collector

Table 9

Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy
\$ 8,365	\$ 2,183,795	80.17%
10,557	2,288,624	83.18%
27,130	2,432,467	83.79%
(16,857)	2,451,211	80.57%
3,908	2,306,634	72.62%
5,283	2,584,276	76.49%
6,009	2,938,896	81.22%
7,600	2,828,822	75.28%
(1,849)	3,468,632	88.03%
-	3,456,368	79.69%

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Table 10

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

RATIOS OF OUTSTANDING DEBT
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year</u>	<u>Business Type Activities</u>		<u>Percentage of Personal Income 1</u>	<u>Per Capita 1</u>
	<u>Bonds and Certificates of Indebtedness</u>			
2010	\$	6,839,818	0.15	35.48
2011		52,364	0.00	0.27
2012		34,909	0.00	0.18
2013		39,935,423	0.84	204.29
2014		39,905,808	0.84	203.34
2015		39,138,649	0.87	197.79
2016		38,206,490	0.77	190.47
2017		37,239,331	0.73	182.28
2018		36,232,172	0.69	178.97
2019		35,175,013	0.65	173.18

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

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

Table 11

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

REVENUE BACKED DEBT COVERAGE
Last Ten Fiscal Years
(Unaudited)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Gross revenues	\$ 38,784,338	\$ 39,893,046	\$ 36,772,680	\$ 36,360,644
Deductible operating expenses	<u>20,532,356</u>	<u>23,096,329</u>	<u>19,795,567</u>	<u>22,277,602</u>
Net revenues available	<u>18,251,982</u>	<u>16,796,717</u>	<u>16,977,113</u>	<u>14,083,042</u>
Current maturities long-term debt	1,250,000	-	-	767,199
Certificates of indebtedness	17,361	17,361	17,547	17,455
Interest expense	<u>177,797</u>	<u>317,471</u>	<u>4,145</u>	<u>546,445</u>
CMLTD plus interest expense	<u>1,445,158</u>	<u>334,832</u>	<u>21,692</u>	<u>1,331,019</u>
Debt service coverage ratio	12.63	50.16	782.64	10.58

Table 11

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 37,400,534	\$ 40,015,649	\$ 44,825,332	\$ 45,981,007	\$ 46,400,120	\$ 44,296,149
<u>27,803,150</u>	<u>19,481,105</u>	<u>25,385,463</u>	<u>26,494,054</u>	<u>29,116,142</u>	<u>27,133,350</u>
<u>9,597,384</u>	<u>20,534,544</u>	<u>19,439,869</u>	<u>19,486,953</u>	<u>17,283,978</u>	<u>17,162,799</u>
767,159	920,000	955,000	995,000	1,045,000	1,095,000
-	-	-	-	-	-
<u>2,047,646</u>	<u>1,882,138</u>	<u>1,845,338</u>	<u>1,807,138</u>	<u>1,731,263</u>	<u>1,688,712</u>
<u>2,814,805</u>	<u>2,802,138</u>	<u>2,800,338</u>	<u>2,802,138</u>	<u>2,776,263</u>	<u>2,783,712</u>
3.41	7.33	6.94	6.95	6.23	6.17

Table 12

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 120,163	\$ 121,175	\$ 130,135	\$ 135,641
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 120,163</u>	<u>\$ 121,175</u>	<u>\$ 130,135</u>	<u>\$ 135,641</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 2019

Assessed value

Add back: Exempt real property
 Total assessed value

Debt limit (10% of total assessed value)

Total restricted assets available for principal payment

Legal capacity of Lake Charles Harbor and Terminal District

Note:

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

Table 12

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 140,898	\$ 148,967	\$ 158,542	\$ 164,171	\$ 192,547	\$ 210,340
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 140,898</u>	<u>\$ 148,967</u>	<u>\$ 158,542</u>	<u>\$ 164,171</u>	<u>\$ 192,547</u>	<u>\$ 210,340</u>
0%	0%	0%	0%	0%	0%

\$ 1,873,486,319

229,916,623
2,103,402,942

210,340,294

35,175,013

175,165,281

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>
2010	186,231	\$ 4,270,218,040	\$ 22,930
2011	188,313	4,150,418,520	22,040
2012	188,972	4,292,576,520	22,715
2013	192,768	4,248,606,720	22,040
2014	194,493	4,756,434,080	24,456
2015	197,204	4,802,903,420	24,355
2016	203,274	5,041,545,664	24,802
2017	204,296	5,108,421,480	25,005
2018	202,445	5,250,896,170	25,937
2019	203,112	5,396,482,728	26,569

Data sources:

1 Calcasieu Parish School Board

Table 13

<u>Median Age</u>	<u>Average ACT Score Core²</u>	<u>School Enrollment²</u>	<u>Unemployment Rate²</u>
37	20.3	32,939	7.8
35	20.4	33,134	6.9
36	20.4	33,003	7.2
36	20.4	32,563	6.5
36	18.7	30,488	5.1
36	19.7	32,565	5.8
37	19.5	32,748	5.6
36	20.0	32,946	4.4
36	19.8	32,932	4.7
36	19.2	32,946	4.3

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	2019			2010		
		Rank	Number of Employees	Percentage	Rank	Number of Employees	Percentage
Calcasieu Parish School Board	Education	1	4,963	26%	1	5,000	31%
Coushatta	Gaming	2	2,301	12%			
Lake Charles Memorial Health System	Health care	3	2,108	11%	5	1,194	7%
Westlake Chemical*	Basic chemical plant	4	1,700	9%			
Turner Industries	Fabrication	5	1,650	9%	3	1,500	9%
Golden Nugget	Gaming	6	1,514	8%			
Pinnacle Entertainment	Gaming	7	1,300	7%	2	2,400	15%
Versa Integrity Group	Oil & gas	8	1,200	6%			
Sun Industrial Group	Oil & gas	9	1,100	6%			
Sasol Chemicals	Basic chemical Plant	10	1,084	6%			
PPG Industries, Inc.*	Basic chemical plant				4	1,250	8%
CITGO Petroleum Corporation	Oil products				6	1,169	7%
Isle of Capri	Gaming				7	1,155	7%
Calcasieu Parish Sheriff's Office	Police protection				8	835	5%
City of Lake Charles	Government				9	820	5%
ERA Helicopters	Transportation				10	815	5%
Total			<u>18,920</u>	<u>100%</u>		<u>16,138</u>	<u>100%</u>

Source: SWLA Alliance

*Westlake Chemical acquired Axial (formerly PPG) in 2016

Table 15

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Function	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Board of Commissioners	7	7	7	6	7	7	7	7	7	6
Executive	2	2	2	2	2	2	2	3	3	3
Administrative	15	15	14	13	13	13	13	13	14	13
Legal	3	3	2	2	2	3	3	3	3	3
Engineering	3	3	3	3	3	3	3	3	3	2
Sales and Marketing	3	2	2	2	2	2	2	2	2	2
Navigation and Security	17	14	18	16	17	16	17	19	20	20
Traffic	2	2	2	2	2	2	1	1	1	1
Safety	2	2	2	2	2	3	3	1	1	1
Maintenance	22	22	23	24	24	25	26	26	26	25
Operation	<u>54</u>	<u>50</u>	<u>50</u>	<u>48</u>	<u>47</u>	<u>44</u>	<u>42</u>	<u>44</u>	<u>46</u>	<u>43</u>
Total	<u>129</u>	<u>120</u>	<u>125</u>	<u>122</u>	<u>122</u>	<u>120</u>	<u>119</u>	<u>122</u>	<u>126</u>	<u>119</u>

Source: Various District departments

Table 16

LAKE CHARLES HARBOR AND TERMINAL DISTRICT

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

Function	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Transit sheds - square feet	1,221,760	1,221,760	1,221,760	1,221,760
Warehouses - square feet	520,400	520,400	520,400	520,400
Docks - number amount:				
Dry cargo	11	11	11	11
Bulk materials	3	3	3	3
Open berth	1	1	1	1
Grain elevator	1	1	1	1
Track - miles	37	37	37	39

Sources: Various District departments

Table 16

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
1,221,760	1,221,760	1,056,840	1,056,840	1,056,840	1,056,840
520,400	520,400	520,400	520,400	520,400	520,400
11	11	9	10	10	10
3	3	3	3	3	3
1	1	2	2	2	2
1	1	1	1	1	1
39	39	39	39	39	39

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