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CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 1117
LAKE CHARLES, LA 70602

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**Component Unit Financial Statements
And Report of Independent Auditors**

**Airport Authority for Airport District #1
Of Calcasieu Parish
Lake Charles, Louisiana**

December 31, 2003 and 2002

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

Release Date 8-11-04

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Airport Authority for Airport District #1
Of Calcasieu Parish
Lake Charles, Louisiana

December 31, 2003 and 2002

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Airport Authority for Airport District #1
of Calcasieu Parish
Lake Charles, Louisiana

We have audited the accompanying financial statements of the Airport Authority for Airport District #1 of Calcasieu Parish, component unit of Calcasieu Parish Police Jury, as of December 31, 2003 and 2002 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority District #1 of Calcasieu Parish as of December 31, 2003 and 2002, and changes in financial position and cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 5 to 8, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2004 on our consideration of the Airport Authority District #1 of Calcasieu Parish's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Airport Authority District #1 of Calcasieu Parish, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the general purpose financial statements of Airport Authority District #1 of Calcasieu Parish. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Stubb & Associates

May 18, 2004

AIRPORT AUTHORITY FOR AIRPORT DISTRICT #1 OF CALCASIEU PARISH - LAKE CHARLES, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using This Annual Report

The new basic financial statements (implemented for year ended December 31, 2002) focus on the Airport as a whole. These basic statements are designed to emulate corporate presentation models whereby all Airport activities are consolidated into one business-type fund. The focus of the Statements of Net Assets is designed to be similar to bottom line results for the Airport. This statement combines current financial resources with capital assets. The Statements of Revenues, Expenses, and Changes in Net Assets focus on results of operations and non-operating revenues that support operations of the Airport.

Overview of the year 2003

At this time last year my report was comprised primarily of safety procedures, regulations and directives. TSA was up and running, maybe not as efficiently as airports across the nation wanted to see it, but it was getting people to start flying again. This past November, I sat in on a conference call to discuss two new emergency amendments being issued to smaller airports. Homeland Security Secretary Tom Ridge said in a statement, "I have said that we will take specific steps to increase security whenever necessary, and with this new action we are doing just that." The Department of Homeland Security (DHS) said the measures went into effect on December 30, 2003 under emergency amendments to Federal aviation regulations. Citing a sharp jump in intercepted communications about a possible attack during the Christmas holiday period, the government raised its terror alert to the second highest level, orange, warning Americans there was a "high risk" of terrorist attacks. We have since been lowered to the yellow level but my point is that we continue from years gone by to the present battling issues dedicated to safety and security at airports.

Despite these setbacks, passenger numbers are recovering and the experts are predicting healthy rises for the 10 years ahead. Other ups and downs have been in our negotiations with airlines for additional air service at Lake Charles. Openly I can say that we contacted and made proposals to all major airlines with hubs within flying distance of our area. Every discussion with Delta proved that each time they changed their minds about what our community's role would play in their operation – especially service to DFW. Then the Atlanta market became a topic of much discussion because of the international travel originating in Lake Charles. The bad end to Delta was a cost to the airport of \$2.2 million.

Northwest was simply not interested in Lake Charles since Global Industries transferred their corporate travel division (including employees) to Houston. It soon became obvious that the \$1 million that we had worked so hard to accumulate was not going to "cut it" for jet service to any hub. We soon realized that the biggest potential of rejection was within the small jet provider category, some still call regional airlines. The small jet provider in 2002 and 2003 was a big part of the airline industry – but not one that represented strong growth. A Continental Airlines shakeout, particularly among the turbo-prop operators, happened. Those few major airlines with turbo-props were interested in marginal markets who could pay to have the stored aircraft recertified and offer revenue guarantee to put this equipment back into operation.

We then followed through on this theory and were able to get quality attention from a major carrier willing to look at our proposal. My theory is that there are few orders for more 50 Passenger Regional Jets. The 50-seat segment is saturated. Mega-carriers and low fare carriers are not sitting still and are committing to the 80+ R.J.'s. Once those orders are delivered, the 50-passenger R.J.'s will go to the smaller markets as originally intended and to that end all turbos will be done away with.

Small community air service is becoming commercially weaker. Consumers do not accept the necessarily higher fares at the local airport and compare it to the lower costs at the distant, bigger airport. So they drive because they aren't willing to pay the cost. Our airport marketing strategy highlights a convenient, user-friendly shorter check-in line, free parking and other benefits when you fly Lake Charles. In many cases passengers themselves have come to realize that buying tickets ahead can save money and make Lake Charles as competitive as other regional airports.

Our newest project, the jet bridges, will encourage travelers to see Lake Charles as a big city airport. The design and installed equipment is as much state of the art as any other city in this country. Also, this project was an influencing factor in our airline recruitment negotiations. Continental Airlines executives and employees are very excited about the new bridges. They worked with us to make sure that all wiring and equipment requirements are being installed for their use. The use of PFC (Passenger Facility Charge) funds made it possible for a few incentives that AIP (Airport Improvement Program) might not cover.

Following this preface, I want to say that it has been a busy year at Lake Charles Regional. We have played a game of chess with our efforts to get a new FBO terminal started. For reasons known and unknown we seem to have difficulty with obstacles that keep us from getting this work started. We gained new owners of Vision Aviation and the general aviation world has turned around completely on that side of the airfield. Service has improved tremendously. The owners, with their positive attitude and dedicated service, have convinced the general aviation community to be a part of Vision's operation.

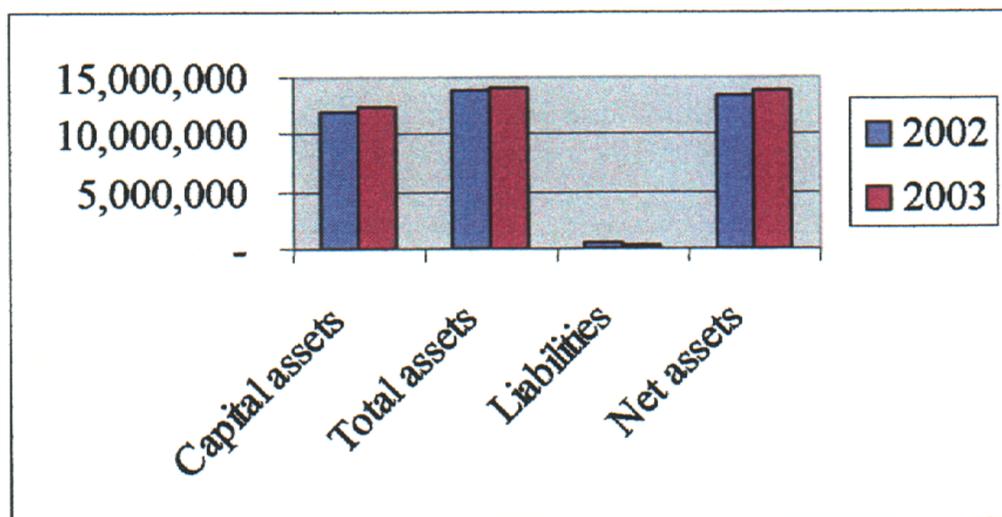
Revenues from airport improvement grants over the past 2 years have been in excess of \$3 million and we are looking at near \$5 million in the next two years to include a new Master Plan, the reimbursement of the Environmental Assessment, and the extension of the primary runway by 700 feet.

A quick overview of the 2003 budget reflects a good year inasmuch as we did exceed our projected revenue goals and stayed with the projected totals of expenditures. Looking at the year-end, there appears to be a slight overage of expense; however, those numbers included marketing cost from our DOT grant monies and reimbursable security cost from TSA. When you reconcile those figures, we ended up below the budget totals in expenditures.

We still have a long way to go and must always be prepared for further shocks, but we are hopefully making giant steps toward a restrengthening of the market. The prime issue is how we respond to the customers in the terminal right now. Additionally, we must continue to adopt a partnership approach between the Airport, airlines, passengers, tenants, contractors, and consultants – sharing the decision-making, the risk and the reward. Only then can we optimize the customer experience and in doing so leverage our revenue potential and investment for the sustainable development of the Airport throughout the 21st century.

Financial Highlights

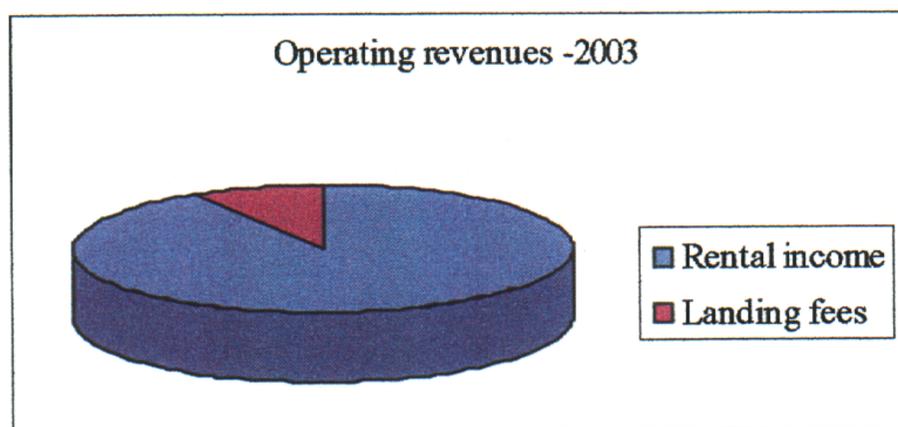
As of December 31, 2003, the Airport's net assets have increased to \$13.7 million from \$13.3 million at December 31, 2002. This increase is due in part to the addition of capital assets, in particular runway improvements funded by airport improvement grants.



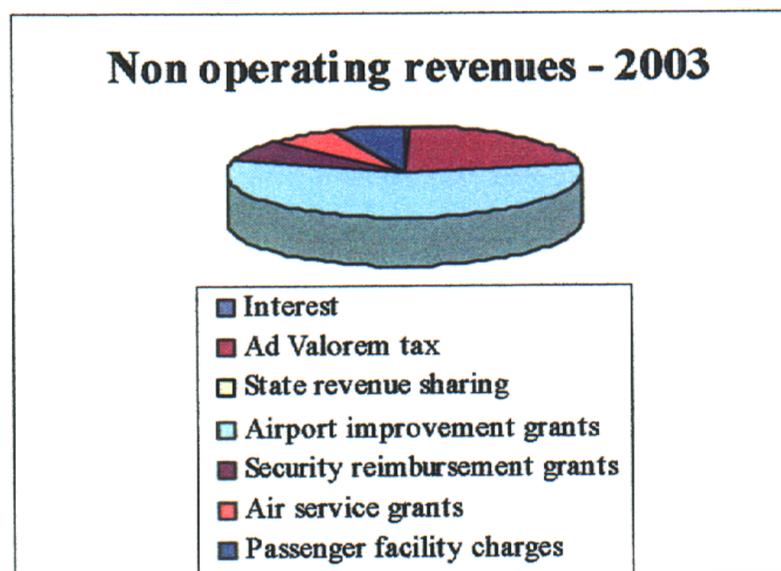
At year-end, operating revenues remained about the same as last year. A slight decline in rental revenues was due to the expiration of the American lease, offset, however by escalations of ongoing leases. Non-operating revenues were significantly higher in 2002 due to the overlap of two airport improvement projects received in one year. Due to the continued decline in interest rates, interest income from our cash reserves fell to an all time low.

Revenue by Source

Operating Revenue



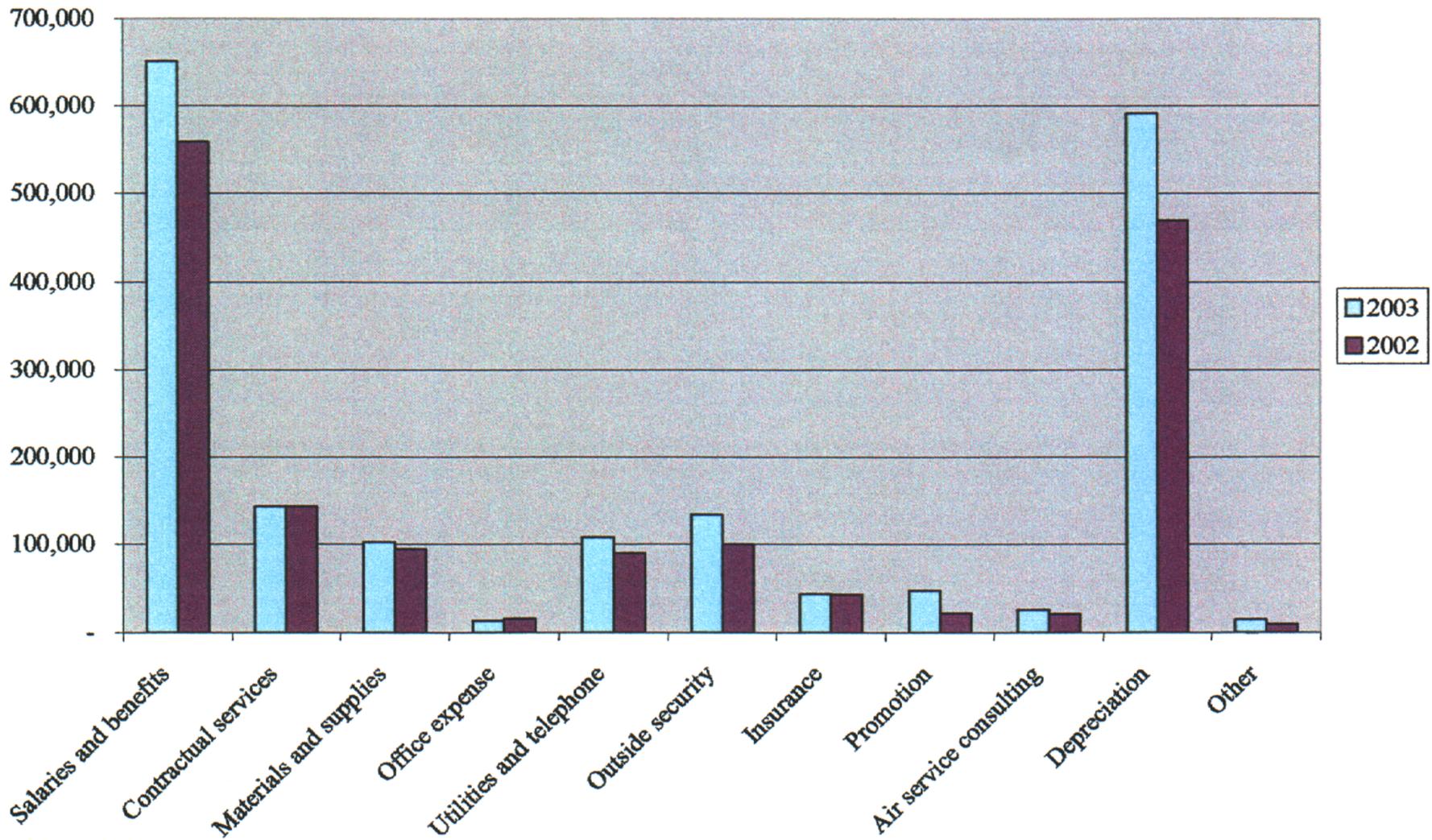
Non-operating revenue



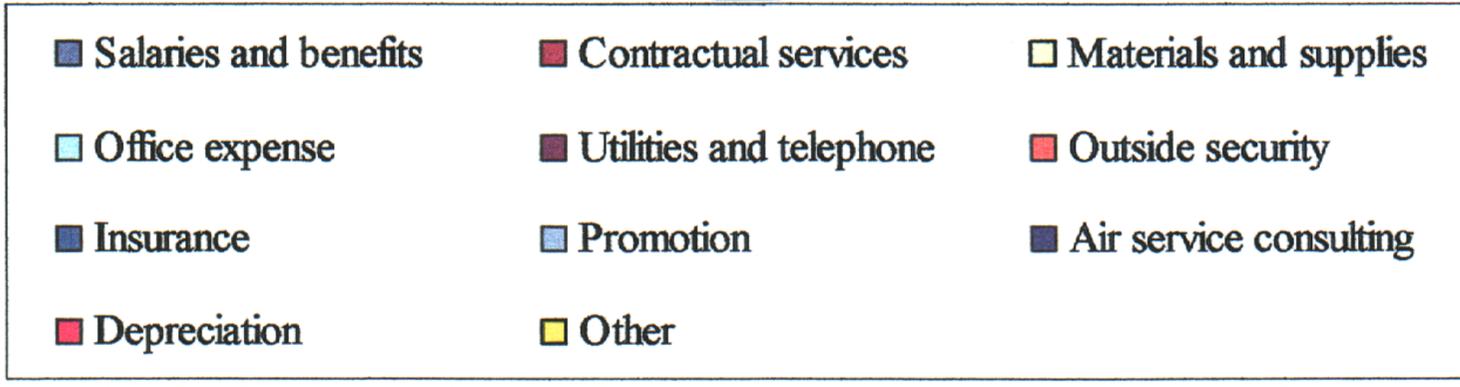
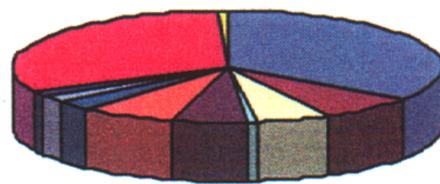
As indicated above a significant source of non-operating revenues came from grants. These revenues were largely used for the acquisition of a \$720,000 crash fire truck and to begin the construction on the new jetway.

Total expenses (before depreciation) for the year increased nearly \$200,000 from last year, but this increase was offset by the reimbursements from TSA for security as well as reimbursements for promotion, applicable salaries and consulting from the Air Service grant.

Operating expenses



Operating expenses 2003



Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF NET ASSETS

December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 1,109,415.99	\$ 1,096,854.10
Accounts receivable		
Trade	41,189.10	36,497.63
Advalorem Taxes	325,874.94	337,620.75
State revenue sharing	13,065.00	13,065.00
Federal grants	17,067.17	181,844.00
State grants	36,872.40	25,965.00
Passenger facility charges	15,308.00	15,308.00
	449,376.61	610,300.38
Prepaid insurance	8,767.76	8,767.76
Total Current Assets	1,567,560.36	1,715,922.24
Noncurrent assets		
Land	2,410,409.23	2,410,409.23
Construction in progress	281,683.02	95,282.45
Other capital assets, net of accumulated depreciation	9,796,479.37	9,510,573.79
	12,488,571.62	12,016,265.47
TOTAL ASSETS	14,056,131.98	13,732,187.71
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	12,651.81	12,184.40
Construction contract payable	45,855.00	128,126.82
Payroll taxes and benefits	31,262.41	25,914.73
Deduction from advalorem taxes for retirement system	11,692.18	11,605.42
Deferred revenues	197,986.62	194,158.00
Total Current Liabilities	299,448.02	371,989.37
Noncurrent Liabilities		
Security deposit	4,000.00	4,000.00
TOTAL LIABILITIES	303,448.02	375,989.37
<u>NET ASSETS</u>		
Invested in capital assets	12,408,231.62	11,888,137.00
Unrestricted	1,344,452.34	1,468,061.34
TOTAL NET ASSETS	\$ 13,752,683.96	\$ 13,356,198.34

See notes to the financial statements

Airport Authority for Airport District #1
of Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN NET ASSETS

For the years ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Operating revenues		
Rental income	\$ 636,545.14	\$ 641,204.44
Landing fees	59,813.66	60,940.56
Miscellaneous	639.38	195.00
Total operating revenues	696,998.18	702,340.00
Operating expenses		
Salaries and benefits	650,853.51	559,211.29
Contractual services	143,348.88	143,433.45
Materials and supplies	103,016.91	94,739.99
Office expense	13,356.07	15,499.72
Utilities and telephone	107,878.09	89,742.30
Security	134,467.84	100,500.67
Insurance	43,948.48	43,085.75
Promotion	47,733.87	22,217.81
Air service consulting	26,126.93	21,238.03
Depreciation	591,173.63	470,021.93
Other	14,526.57	9,117.35
	1,876,430.78	1,568,808.29
Operating income (loss)	(1,179,432.60)	(866,468.29)
Nonoperating revenues (expenses)		
Interest	9,770.40	17,327.97
Ad Valorem tax	345,437.01	350,326.14
State revenue sharing	13,065.75	13,065.50
Grants		
Airport Improvement	910,605.45	2,416,562.00
Security Reimbursement	126,007.50	13,057.08
Air Service	101,246.76	20,449.00
Passenger facility charges	108,984.68	126,591.36
Disposal of fixed assets	(27,507.15)	-
Ad Valorem tax deduction	(11,692.18)	(11,605.42)
	1,575,918.22	2,945,773.63
Increase (decrease) in net assets	396,485.62	2,079,305.34
Net assets, beginning of year	13,356,198.34	11,276,893.00
Net assets, end of year	\$ 13,752,683.96	\$ 13,356,198.34

See notes to the financial statements

Airport Authority for Airport District #1
of Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF CASH FLOWS

For the Years Ended December 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Cash received from charges	692,306.71	703,587.37
Cash payments to suppliers for goods and services	(633,936.23)	(539,328.80)
Cash payments to employees for services	(645,505.83)	(559,053.62)
Net cash used by operating activities	(587,135.35)	(394,795.05)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,173,256.77)	(2,506,263.63)
Ad Valorem taxes received	345,577.40	329,719.00
Grants received	1,295,555.78	2,604,386.08
Passenger facility charges	108,984.68	120,268.36
State revenue sharing received	13,065.75	8,710.50
Net cash provided (used) by capital and related financing activities	589,926.84	556,820.31
Cash flows from investing activities:		
Interest on investments	9,770.40	17,327.97
Net cash provided by investing activities	9,770.40	17,327.97
Net increase (decrease) in cash and cash equivalents	12,561.89	179,353.23
Cash and cash equivalents, beginning of year	1,096,854.10	917,500.87
Cash and cash equivalents, end of year	1,109,415.99	1,096,854.10

See notes to the financial statements

Airport Authority for Airport District #1
of Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended December 2003 and 2002

Reconciliation of operating income to net
cash provided by operating activities:

	<u>2003</u>	<u>2002</u>
Operating income (loss)	\$ (1,179,432.60)	\$ (866,468.29)
Depreciation	591,173.63	470,021.93
Changes in assets and liabilities:		
(Increase) decrease in trade accounts receivable	(4,691.77)	1,246.04
Increase (decrease) in accounts payable	467.41	246.27
Increase (decrease) in wages and benefits payable	5,347.98	159.00
Total adjustments	<u>1,123.62</u>	<u>1,651.31</u>
Net cash used by operating activities	<u>(587,135.35)</u>	<u>(394,795.05)</u>

See notes to the financial statements

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Year ended December 31, 2003

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
US Department of Transportation Airport Improvement Program	20.106	\$ 833,512
US Department of Transportation Small Community Air Service Development Pilot Program		61,453
US Department of Homeland Security Transportation Security Administration Law Enforcement Personnel Reimbursement Agreement		126,007

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE A. ORGANIZATION

Airport Authority for Airport District #1 of Calcasieu Parish (the Authority) was created by the Calcasieu Parish Police Jury as provided by Revised Statutes 2:602. The Authority is governed by a board of five commissioners who, along with the Airport Manager, establish regulations governing the maintenance and operations of the facilities of the Lake Charles Regional Airport.

The financial statements of the Authority will be included in the Calcasieu Parish Police Jury's financial reporting as a discretely presented component unit. In determining the financial reporting entity, the Authority complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity." As a discretely presented component unit, the Authority is a separate legal entity, but the Police Jury has an oversight relationship with the Authority.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority complies with Generally Accepted Accounting Principles (GAAP). Because the Authority accounts for its activities as a proprietary fund, the Authority has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those FASB pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

1. Basis for Accounting

The measurement focus is on the flow of economic resources and the accrual basis of accounting; whereby revenues are recognized when earned and expenses are recorded when incurred.

2. Budget Policy

A proposed budget is prepared and submitted to the Board of Commissioners prior to the beginning of each year. A budget summary and notice of public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget prepared on the accrual basis of accounting, covers all authority activities. At the end of the fiscal year unexpended appropriations automatically lapse.

3. Capital Assets and Depreciation

Property and equipment are stated at actual or estimated historical cost, net of accumulated depreciation. The Authority generally capitalizes assets with a cost of \$2,500 or more. Depreciation is computed on a straight-line method over the estimated useful lives as follows:

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	<u>Years</u>
Building and improvement	30
Land improvements	10-40
Machinery and equipment	3-10
Furniture and fixtures	5-10

4. Operating Revenues and Expenses

The Authority distinguishes between operating and nonoperating revenues and expenses in its Statement of Revenues, Expenses, and Changes in Net Assets. For this purpose, all revenues generated by operations at the airport are reported as operating revenues. Operating expenses include all costs of operating the airport. As a result, nonoperating revenues and expenses include all investing and financing transactions, including grants and passenger facilities charges required to be used to finance the capital structure of the Authority.

5. Passenger Facility Charges (PFC) Revenue

Beginning in March, 2001 Passenger Facility Charges at the rate of \$3 per enplaned passenger have been levied by the Authority under Federal Aviation Administration (FAA) approved applications to impose and use \$4,251,977 for reimbursement of prior FAA approved improvements and construction of new improvements. Total PFC revenues remitted to the Authority as of December 31, 2003 and 2002 were \$108,985 and \$126,591 respectively.

6. Rental Income

The Authority leases its property to commercial airlines, car rental companies, concessionaires, fixed base operators who service the airline industry, the FAA, and others. A significant portion of these leases are non-cancelable operating leases.

Minimum rentals on non-cancelable operating leases for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2004	\$ 328,423
2005	234,305
2006	203,010
2007	137,031
2008	-

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

7. Statement of Cash Flows

For purposes of reporting cash flows all highly liquid investments (including restricted assets) with a maturity of three months or less are considered to be cash equivalents.

8. Use of Estimates

The financial statements are prepared in conformity with generally accepted accounting principles and, accordingly, include amounts that are based on management's best estimates and judgments. Actual results could differ from these estimates.

NOTE C. CASH

The Authority's deposits are fully collateralized by Federal and State government bonds held by Bank One Louisiana in the name of Airport Authority for Airport District #1 of Calcasieu Parish.

Cash of the Authority is classified into three categories to give an indication of the level of risk assumed at the year end.

Category 1: includes deposits insured or collateralized with securities held by the Authority or its agent in the name of the Authority.

Category 2: includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3: includes insured and unregistered deposits with the securities held by the pledging financial institution, or by its trust department or agent, but not in the Authority's name.

Cash as of December 31, 2003 and 2002 was all classified as Category 1.

NOTE D. PENSION PLAN

Full-time employees of the Authority are members of the Parochial Employees' Retirement System of Louisiana, a multi-employer (cost-sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separated assets and benefit provisions. Eligible employees of the Authority were members of Plan A for 2003. Under Plan A, members with seven years of creditable service may retire at the age 65; members with 10 years of creditable service may retire at age 60; members with 25 years of service may retire at age 55. The retirement allowance is equal to three percent of the member's final average compensation (defined as the average of the highest consecutive 36 months) multiplied by his years of creditable service. However, any employee who was a member of the supplemental plan only prior to the revision date has

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE D. PENSION PLAN (continued)

the benefit earned for service credited prior to the revision date on the basis of one percent of final compensation plus two dollars per month for each year credited prior to the revision date, and three percent of final compensation for each year of service credited after the revision date. The retirement allowance may not exceed the greater of one hundred percent of a member's final salary or the final compensation. Contributions to the System include $\frac{1}{4}$ of 1% of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. State statute requires covered employees to contribute a percentage of their salaries, 9.5% under Plan A, to the System. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by an actuarial valuation for the prior fiscal year. The employer contributions for 2003 and 2002 were 7.75% of covered employees' salaries. The payroll for the Authority employees covered by the system for the year ended December 31, 2003 and 2002 was \$393,257 and \$378,238; the Authority's total payroll and accrued benefits for 2003 and 2002 was \$650,854 and \$559,211, respectively. The Authority contributed \$30,477 and 29,313 to the system during the years 2003 and 2002.

NOTE E. ANNUAL AND SICK LEAVE

Permanent employees earn one to six weeks of annual leave and two to six weeks of sick leave each year depending on length of service with the Authority. A maximum of ten days of annual leave may be accumulated and carried forward without limitation. Upon termination, employees are paid for unused annual leave only.

NOTE F. AD VALOREM TAXES

For the year ended December 31, 2003, taxes of .63 mills were levied on property with taxable assessed valuations of \$564,841,740 and was dedicated to the operation and maintenance of the Airport.

Property tax millage rates are adopted on a 10 year basis. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31. Property taxes not paid by the end of February are subject to lien.

A renewal election was held and passed in October 1994 to levy millage beginning in 1996 and expiring 2004.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE G. CAPITAL ASSETS

Capital assets consist of the following:

	Balance 12/31/02	Additions	Disposals	Balance 12/31/03
Land	\$ 2,410,409	\$ -	\$ -	\$ 2,410,409
Buildings & Improvements	4,298,119	178,832	(9,017)	4,467,934
Land Improvements	15,861,171	-	(197,107)	15,664,064
Machinery & Equipment	1,093,692	725,756	(42,647)	1,776,801
Furniture & Fixtures	152,642	-	-	152,642
Construction in progress	<u>95,282</u>	<u>317,593</u>	<u>(131,193)</u>	<u>281,682</u>
	23,911,315	1,222,181	(379,964)	24,753,532
Less accumulated depreciation:				
Buildings & Improvements	2,593,689	91,772	(6,971)	2,678,490
Land Improvements	8,410,019	409,595	(171,645)	8,647,969
Machinery & Equipment	764,518	78,824	(42,647)	800,695
Furniture & Fixtures	<u>126,825</u>	<u>10,982</u>	<u>-</u>	<u>137,807</u>
	11,895,051	591,173	(221,263)	12,264,961
Net capital assets	<u>\$12,016,264</u>	<u>\$ 631,008</u>	<u>\$ (158,701)</u>	<u>\$12,488,571</u>

NOTE H. RELATED PARTY TRANSACTIONS

Pursuant to a Cooperative Endeavor agreement between the Calcasieu Parish Police Jury and the Airport Authority for Airport District #1 of Calcasieu Parish, funding in the amount of \$600,000 is to be provided by the Police Jury for a general aviation complex. As of December 31, 2003 funding in the amount of \$33,248 had been provided for architect fees. Construction has been delayed, but is expected to begin in 2004.

NOTE I. COMMITMENTS AND CONTIGENCIES

As of December 31, 2003 the Authority had completed fire station renovations as follows:

	<u>Expended through December 31, 2002</u>	<u>Expended during 2003</u>	<u>Total cost</u>
Fire station renovations	45,959	\$ 85,234	\$ 131,193

Authority Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE I. **COMMITMENTS AND CONTIGENCIES (continued)**

As of December 31, 2003 the Authority had a construction contract for a new jetway in progress as follows:

Approved contract	\$1,314,181
Expended through December 31, 2003	<u>216,608</u>
Committed for 2004	<u>\$1,096,573</u>

Funding for the jetway will be made from grant revenues from FAA and DOTD.

On September 20, 2002, the authority was awarded a grant by the United States of America Department of Transportation (USDOT) for a Small Community Air Service Development Pilot Program. The grant supports efforts of the Authority to secure air service from a second carrier. The authority is to use the funds to provide greater promotion and marketing of new service and to provide subsidy to the new airline during the initial stage of its service. The grant provides funding of \$500,000 from USDOT and \$100,000 each from the parish, city, and state. As of December 31, 2002, pursuant to a cooperative endeavor agreement between the Calcasieu Parish Police Jury , the City of Lake Charles, and the Airport Authority for Airport District #1 of Calcasieu Parish, the parish and city provided \$100,000 each to be used for the pilot program. The Federal grant funds are not available to the Authority until expenses are incurred, at which time a receivable is recognized. As of December 31, 2003 the revenues from the Air Service Grant totaled \$101,247, including local matching funds of \$24,581. The balance of the funds received in 2002 is included in deferred revenues. Funding from the state is pursuant to a cooperative endeavor agreement between Louisiana Economic Development Corporation and Airport Authority for Airport District #1 of Calcasieu Parish. The agreement provides funding of \$100,000 to be paid in periodic installments of \$25,000 beginning May, 2003. Payments are to be supported by invoices from the Authority detailing costs and expenses incurred in connection with the program

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

Board of Commissioners
Airport Authority for Airport District #1
of Calcasieu Parish
Lake Charles, Louisiana

We have audited the financial statements of the Airport Authority for Airport District #1 of Calcasieu Parish, a component unit of Calcasieu Parish Police Jury, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated May 18, 2004. 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.

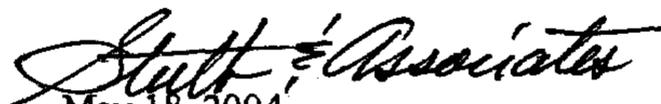
Compliance

As part of obtaining reasonable assurance about whether the Airport Authority for Airport District #1 of Calcasieu Parish's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Airport Authority for Airport District #1 of Calcasieu Parish's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended for the information of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


May 18, 2004

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Airport Authority of Airport District #1
of Calcasieu Parish
Lake Charles, Louisiana

Compliance

We have audited the compliance of Airport Authority of Airport District #1 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control over Compliance

The management of the Airport Authority of Airport District #1 of Calcasieu Parish is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Commissioners, management, the Federal Aviation Administration and the Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Stubb & Associates

May 18, 2004

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2003

CURRENT AUDIT

US Department of Transportation
Airport Improvement Program – CFDA Number 20.106

US Department of Transportation
Small Community Air Service
Development Pilot Program

There were no findings or questioned costs in the current audit report that requires further comment.