

Component Unit Financial Statements and
Report of Independent Auditors'

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

December 31, 2012 and 2011

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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 and for the year ended December 31, 2012, and the related notes to the 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.

Auditors' Responsibility

Our responsibility is to express 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. 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 auditors' 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 Airport Authority District #1 of Calcasieu Parish as of December 31, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 to 10 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 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 financial statements of Airport Authority District #1 of Calcasieu Parish. The accompanying schedule of expenditures of passenger facility charges is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is also not a required part of the basic financial statements.

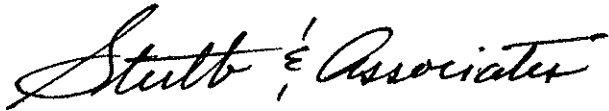
The schedule of expenditures of federal awards and the schedule of expenditures of passenger facility charges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2013, on our consideration of the Airport Authority District #1 of Calcasieu Parish's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport Authority District #1 of Calcasieu Parish's internal control over financial reporting and compliance.

Report on Comparative Information

We have previously audited the Authority's 2011 financial statements, and our report dated June 18, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited statements from which it has been derived.

A handwritten signature in cursive script that reads "Stult & Associates". The signature is written in black ink and is positioned above the typed name and date.

Lake Charles, Louisiana
June 7, 2013

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

New Accounting Pronouncement Implemented

The Authority implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position* in fiscal year 2012. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of net position and related disclosures. The reader will note a change in terminology from "net assets" to "net position."

Using This Annual Report

The basic financial statements 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 Position 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 Position focus on results of operations and non-operating revenues that support operations of the Airport.

Overview of the year 2012

Despite industry challenges, 2012 proved to be a successful year. I will say right from the top that 2012 marks a significant shift in our finances. As you know, we have been very focused on the expense side of our budget - operating extremely lean while taking advantage of every opportunity to save a few dollars. In terms of personnel, we are at the minimum with which we can operate this facility effectively and efficiently. Our employees have done a remarkable job in this regard. We continue to have people wearing several hats in order to accomplish our mission. While I don't see that ending, given the efficiencies gained, we will continue to explore the use of the contract and part time labor to help supplement our full time employees when appropriate.

We have also been fortunate to realize new revenue. In addition to new contracts which represent incremental, but important revenue increases, we are now seeing benefits from the State maintenance reimbursement program. Through LAMA, our State Airports have worked with the State Aviation Department for some time to establish this program which now reimburses \$100,000 to commercial airports annually for maintenance and other expenses. Recently, we also received assistance from the Calcasieu Parish Police Jury that will help us acquire much needed capital equipment and provide marketing funds for air service promotion.

2012 was not without challenges in the area of commercial air service. Substandard service from Colgan Airlines on behalf of United really hamstrung the Airport beginning in 2011 continuing through the first quarter of 2012. By substandard, I mean month after month where delays exceeded 50%. This caused harm that we are still recovering from today. Above all else, our travelers require flights that get them to their destination on-time. Many of those travelers abandoned the Colgan Service opting for other

alternatives. Fortunately, Colgan is no longer in the market and we have seen a vast improvement in on-time performance. We ended the year with traffic down a little over 8%. By comparison, capacity was down by 15%. This, combined with the Colgan issues early in the year, account for this drop. I'm always looking for the silver lining and I can say that the numbers could have been worse. Interesting enough, rental car revenue was up 3%. Nonetheless we hope to see a rebound in 2013.

Notwithstanding Colgan airlines, air service in small markets continues to grow more challenging. We've seen mergers, bankruptcies and complete airline closures. Fewer airlines flying fewer airplanes equate to the bar being raised for small and mid-size markets. With 50 seat and smaller jets being retired at an ever increasing pace and no new aircraft to take their place, the future is certainly dicey for many markets. As mentioned, we've seen capacity constrained in this market, however, yields remain strong and our carriers are making money. This is, of course, the bottom line. Add to this the fact that Southwest Louisiana appears to be on the verge of a significant economic boom and that gives us reason to be optimistic. An airport's activity is indicative of regions economic activity and vice versa. That fact bodes well for LCH and Southwest Louisiana.

Moving forward, we will devise an Air Service Master Plan with the help of the Boyd Group International utilizing Police Jury and Airport funds. From that, we will implement an air service recruitment/retainment and strategic marketing strategy aimed at achieving our air service objectives. As you know, there is no silver bullet solution when it comes to air service. Incentives and guarantees to airlines can work for a short period of time but ultimately it is the market that dictates air service levels. We still must do everything in our power to ensure that our Airport has the best possible chance to be successful, starting with a "real world" plan to ensure that our limited resources are placed wisely.

2012 continued what has been an unprecedented period of construction in the history of the Airport. As you know, through the efforts of LAMA and the State Aviation Department, we were successful in increasing the State Aviation Trust Fund from approximately \$9 million to \$30 million some three years ago. Whereas in the past the Airport would typically do one or two projects utilizing Federal AIP Entitlements with a State match, we now have eight to ten projects going at any given time.

The vast majority of those projects are 100% State funded. We are very fortunate in the regard considering the ever increasing uncertainty of Federal Funds. We finally received a federal multi-year reauthorization bill for the FAA in 2013, the first since 2007, only to be met with challenges relating to the so called "fiscal cliff". These challenges aren't going away anytime soon with the looming battle over cuts to spending and the debt ceiling. Even though no general funds are used to fund the FAA and its associated programs, we can expect it to be targeted for cuts. When it is funded and authorized appropriately by congress, the federal Aviation Trust Fund and AIP is one of the government programs that works very well, supported entirely by users of the Aviation system. While, it is irresponsible to leave future generations with a huge amount of debt, it is also irresponsible to leave future generations crumbling Airport infrastructure given the vital role that airports play in jobs and growth of our nation's economy. Fortunately our delegation understands this and works on Louisiana Airports' behalf. Hopefully our airport organizations lobbying efforts are successful nationwide.

In spite of the Federal issues in 2012 alone, we completed a Slurry Seal of runway 5 23, expanded the Airport Fire Station, took delivery of a new Fire Truck, constructed the terminal drive-through canopy, installed gate check conveyor systems on both loading bridges, replaced the parking and boulevard lighting systems, added three electronic gates and completed runway safety area improvements. In addition to these projects being completed, we awarded contracts to rehabilitate phase 1 of the airfield

drainage, complete an Airport Master Plan, complete a North Apron expansion, acquire a mass casualty incident vehicle/trailer, replace the airfield signage, acquire an interactive airport training system and complete a Wildlife Management Plan.

2013 will begin with a flurry of activity with the projects just mentioned and major runway rehabilitation. Taking the primary runway down for maintenance is always a challenge for airports. Fortunately, we have the ability to continue operations uninterrupted on the secondary runway though we do lose some capability. In the coming year, we also expect to accomplish the fuel farm relocation, RPZ land Acquisition, airfield pavement rehabilitation, the south apron access road, phase I of the perimeter fencing, RAC design, phase II of the airfield drainage rehabilitation and the passenger lounge expansion.

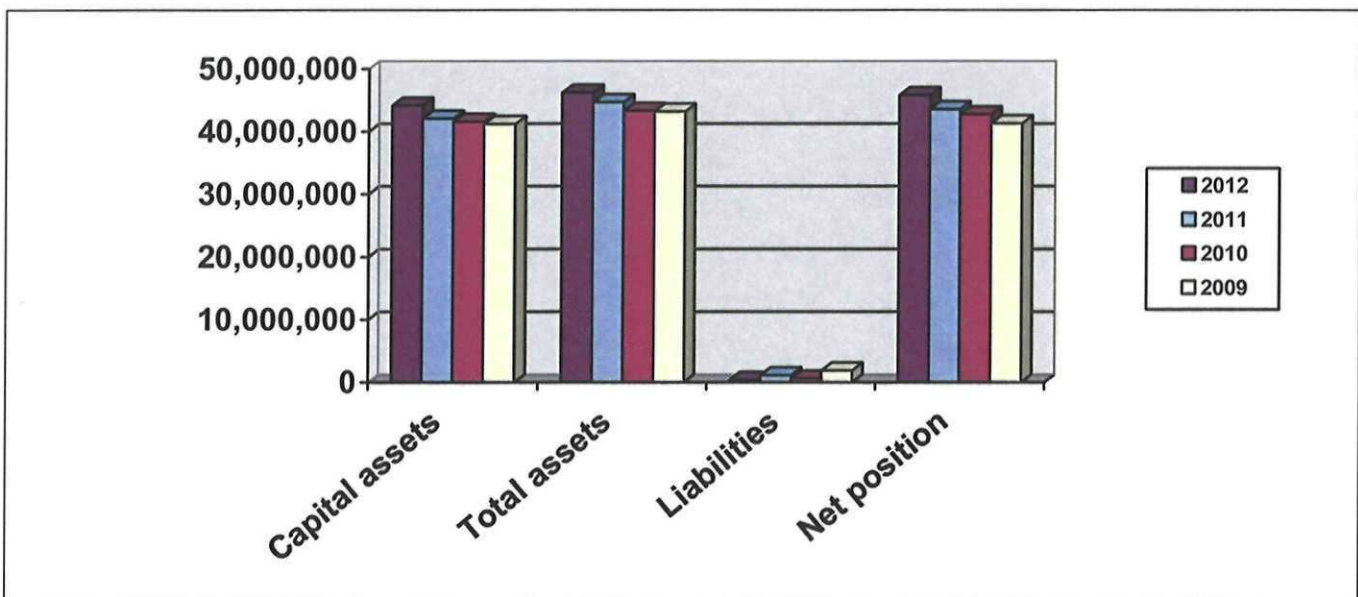
Collectively, these projects represent over \$12 million dollars in improvements to our facility. When economic impact multipliers are factored in, these projects represent many more millions than that. Our construction program means money into our economy and jobs all the while maintaining and improving our facility and you've heard this before but I think it's important to point out: "no local tax dollars".

Vision Aviation will construct the first t-hangars in decades at LCH. While commercial aviation is often the topic of discussion, we cannot take for granted the importance of General Aviation and we will continue to place a greater focus on working with and supporting Vision's efforts to grow General Aviation in Southwest Louisiana.

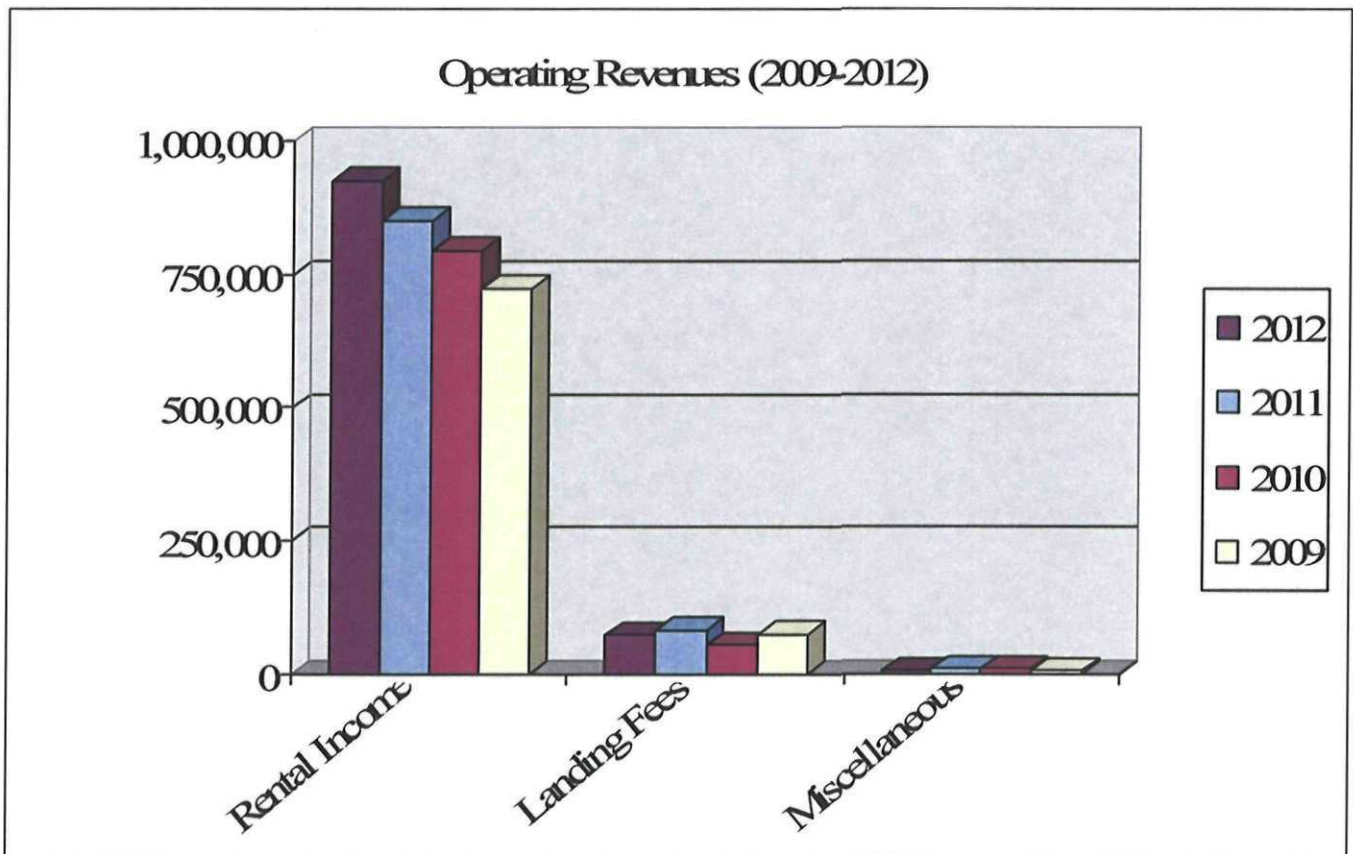
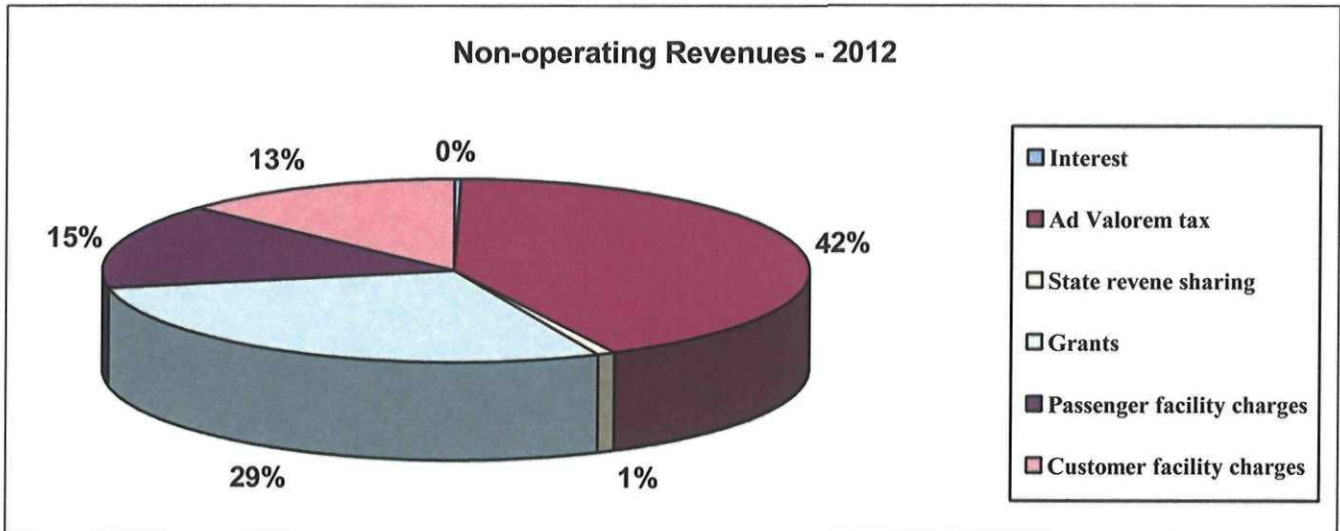
We will continue to work to ensure that our tenants enjoy an environment conducive to the success of their operations. We will move deeper into conservation and sustainability exploring ways to save money through technology - going green to save green. I think this holds a lot of promise for airports. Looking ahead to 2013 we will continue all of our efforts related to planning, construction, cost savings and revenue development. May 2013 be our best year yet.

Financial Highlights

As of December 31, 2012, the Airport's net position has increased to \$45.8 million from \$43.5 million at December 31, 2011. This increase is due mostly to the completion of the improvements to the Aircraft Rescue & Firefighting Station, Terminal Lighting, and Runway 5/23 Slurry Seal.

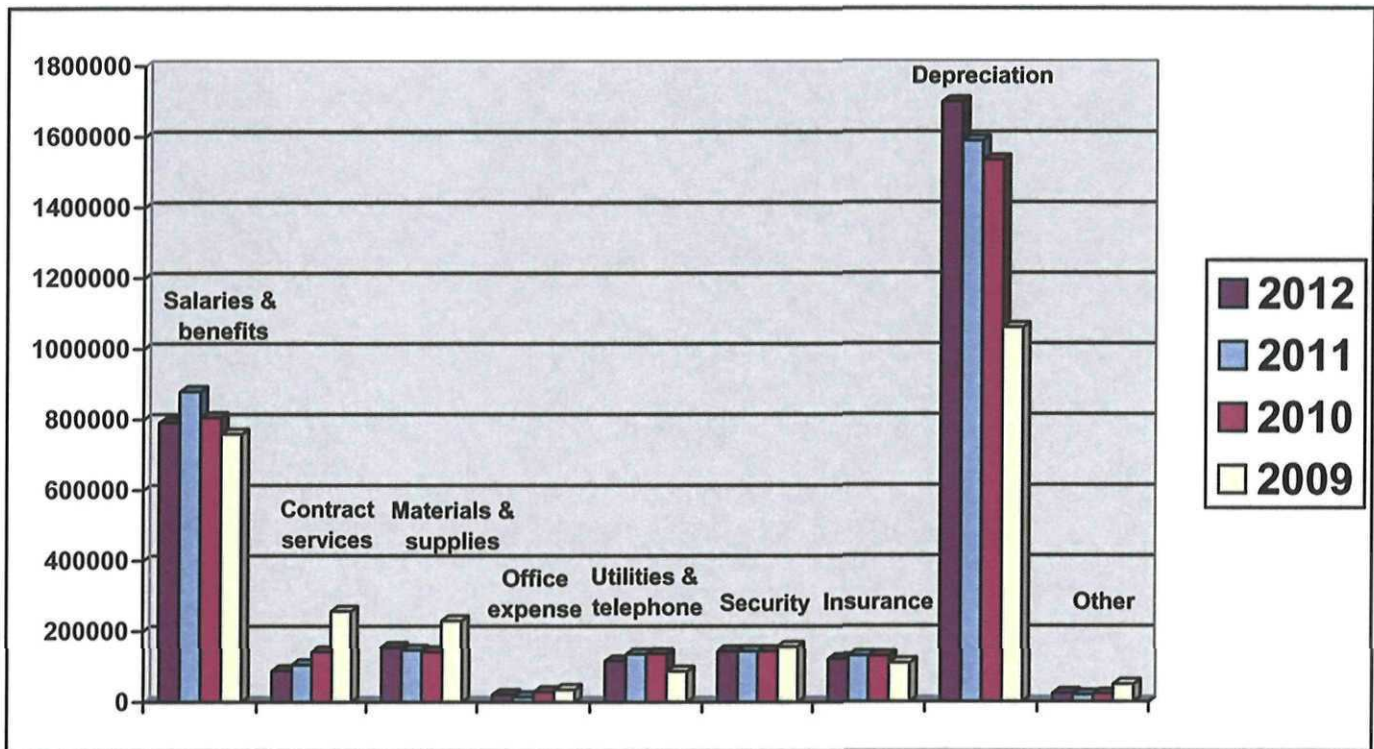


At year-end, operating revenues increased by 6% due primarily to a complete year of revenues from American Airlines. Non-operating revenues increased approximately \$100,000 from last year, primarily due to an increase in revenues from the state for maintenance and the parish for marketing and capital equipment needs.

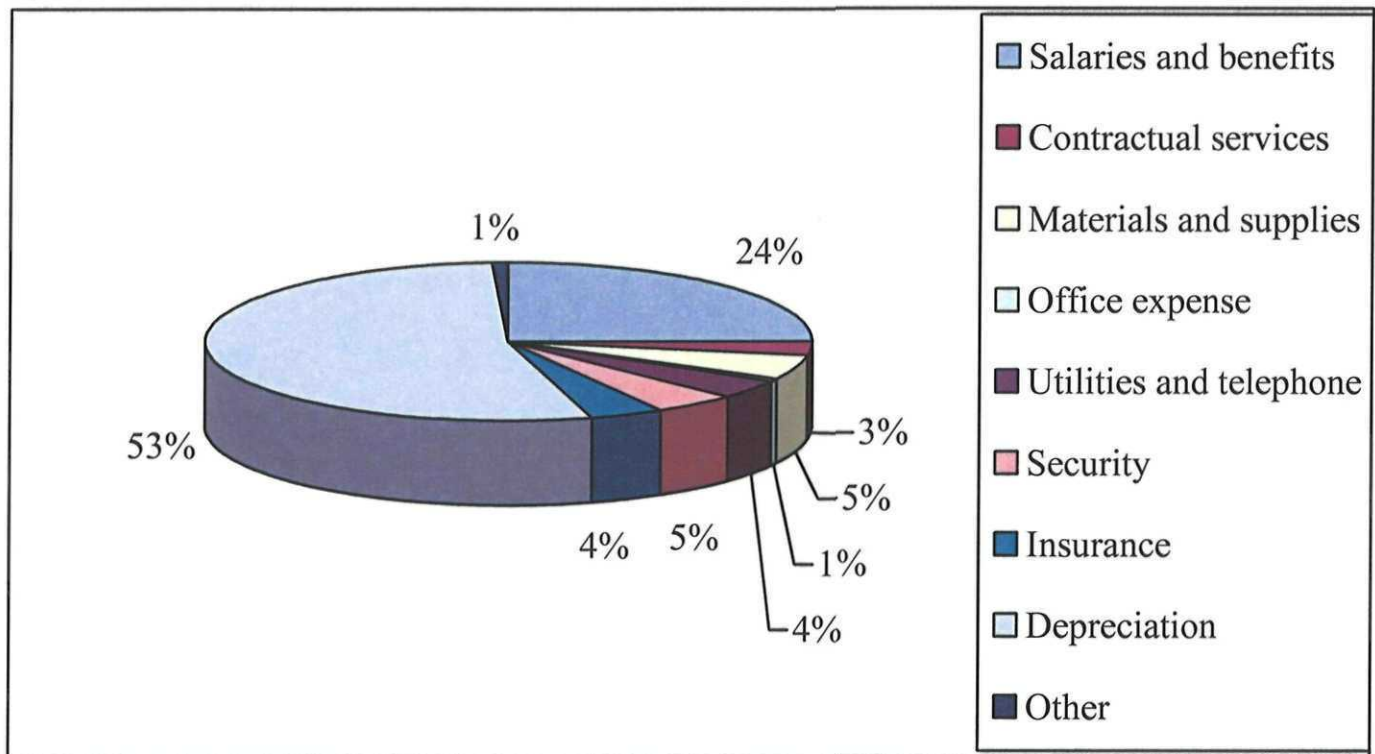


Total expenses (before depreciation) decreased by approximately \$100,000 primarily due to a reduction in personnel expenses.

Operating expenses – 2009-2012



Operating expenses 2012



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

STATEMENTS OF NET POSITION

December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 172,995.77	\$ 542,600.28
Accounts receivable		
Trade	136,110.45	66,396.50
Advalorem Taxes	569,166.36	525,363.96
State revenue sharing	8,709.75	8,709.75
Federal grants	56,993.81	165,857.76
State grants	191,713.40	101,677.11
Customer facility charges	16,971.00	14,139.00
Passenger facility charges	30,903.01	48,397.34
	1,010,567.78	930,541.42
Prepaid insurance	12,971.73	8,767.76
Total Current Assets	1,196,535.28	1,481,909.46
Noncurrent assets		
Due from Federal Emergency Management Agency	92,722.93	92,722.93
Restricted Cash	735,441.00	1,002,884.76
Capital assets, net of accumulated depreciation	44,202,384.95	42,105,516.43
	45,030,548.88	43,201,124.12
TOTAL ASSETS	46,227,084.16	44,683,033.58
 <u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	39,670.24	30,161.94
Line of credit - Calcasieu Parish Police Jury	132,890.23	160,356.65
Construction contract payable	195,816.55	883,431.38
Payroll taxes and benefits	22,731.73	24,795.35
Deduction from advalorem taxes for retirement system	18,758.90	16,877.49
Total Current Liabilities	409,867.65	1,115,622.81
Noncurrent Liabilities		
Security deposit	4,000.00	4,000.00
TOTAL LIABILITIES	413,867.65	1,119,622.81
 <u>NET POSITION</u>		
Net investment in capital assets	44,006,568.40	41,222,085.05
Restricted for marketing and capital equipment	90,000.00	-
Restricted for PFC projects	235,095.16	681,038.61
Restricted for CFC projects	548,219.85	384,382.49
Unrestricted	933,333.10	1,275,904.62
TOTAL NET POSITION	\$ 45,813,216.51	\$ 43,563,410.77

See notes to the financial statements

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

STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

For the years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues		
Rental income	\$ 925,517.25	\$ 851,798.86
Landing fees	72,165.48	82,487.79
Miscellaneous	4,245.00	8,986.16
Total operating revenues	<u>1,001,927.73</u>	<u>943,272.81</u>
Operating expenses		
Salaries and benefits	791,692.35	879,894.78
Contractual services	88,431.89	105,781.91
Materials and supplies	154,747.93	146,990.15
Office expense	21,263.89	14,262.64
Utilities and telephone	117,080.60	135,976.49
Security	144,683.04	144,683.04
Insurance	122,541.28	131,089.27
Depreciation	1,699,445.61	1,588,755.00
Other	23,403.00	19,211.59
	<u>3,163,289.59</u>	<u>3,166,644.87</u>
Operating income (loss)	(2,161,361.86)	(2,223,372.06)
Nonoperating revenues (expenses)		
Interest	3,803.52	3,649.43
Ad Valorem tax	594,569.51	544,276.38
State revenue sharing	12,607.67	12,695.61
Grants		
Maintenance reimbursement	82,650.84	-
Security reimbursement	104,001.03	103,394.98
Local grant	90,000.00	-
Passenger facility charges	210,346.78	251,772.22
Customer facility charges	185,289.00	176,853.00
Engineering and professional fees	(266,330.86)	(183,405.42)
Ad Valorem tax deduction	(18,758.90)	(16,877.49)
Total nonoperating revenues (expenses)	<u>998,178.59</u>	<u>892,358.71</u>
Other revenues		
Capital grants	<u>3,412,989.01</u>	<u>2,148,672.13</u>
Increase (decrease) in net position	2,249,805.74	817,658.78
Net position, beginning of year	<u>43,563,410.77</u>	<u>42,745,751.99</u>
Net position, end of year	<u>\$ 45,813,216.51</u>	<u>\$ 43,563,410.77</u>

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 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Cash received from charges	\$ 932,213.78	\$ 922,107.04
Cash received from Ad Valorem taxes	533,889.62	514,259.56
Cash received from grants	232,375.15	95,414.04
Cash payments to suppliers for goods and services	(666,847.30)	(697,898.40)
Cash payments to employees for services	<u>(793,755.97)</u>	<u>(895,586.59)</u>
Net cash provided (used) by operating activities	237,875.28	(61,704.35)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(4,483,928.98)	(1,560,977.10)
Funds paid for engineering and professional fees	(266,330.86)	(183,405.42)
(Payments) draw on line of credit	(27,466.42)	1,259.43
Cash received from capital grants	3,476,093.40	2,087,150.57
Cash received from customer facility charges	182,457.00	188,202.00
Cash received from passenger facility charges	227,841.11	241,858.48
State revenue sharing received	<u>12,607.67</u>	<u>12,695.61</u>
Net cash provided (used) by capital and related financing activities	(878,727.08)	786,783.57
Cash flows from investing activities:		
Interest on investments	<u>3,803.53</u>	<u>3,649.43</u>
Net cash provided by investing activities	<u>3,803.53</u>	<u>3,649.43</u>
Net increase (decrease) in cash and cash equivalents	(637,048.27)	728,728.65
Cash and cash equivalents, beginning of year	<u>1,545,485.04</u>	<u>816,756.39</u>
Cash and cash equivalents, end of year - (including restricted cash of \$735,441 and \$1,002,885 in 2012 and 2011)	<u>\$ 908,436.77</u>	<u>\$ 1,545,485.04</u>

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 2012 and 2011

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

	<u>2012</u>	<u>2011</u>
Operating income (loss)	\$ (2,161,361.86)	\$ (2,223,372.06)
Depreciation	1,699,445.61	1,588,755.00
Nonoperating Ad Valorem taxes	533,889.62	514,259.56
Cash received from grants	232,375.15	95,414.04
Changes in assets and liabilities:		
(Increase) decrease in trade accounts receivable	(69,713.95)	(21,165.77)
(Increase) decrease in prepaid insurance	(4,203.97)	-
Increase (decrease) in accounts payable	9,508.30	96.69
Increase (decrease) in taxes and benefits payable	(2,063.62)	(15,691.81)
Total adjustments	<u>2,399,237.14</u>	<u>2,161,667.71</u>
Net cash provided (used) by operating activities	<u>\$ 237,875.28</u>	<u>\$ (61,704.35)</u>

See notes to the financial statements

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year ended December 31, 2012

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
US Department of Transportation Federal Aviation Administration Airport Improvement Program	20.106	\$1,568,035
US Department of Homeland Security Transportation Security Administration Law Enforcement Personnel Reimbursement Agreement	97.090	<u>104,001</u>
Total expenditures of federal awards		<u>\$1,672,036</u>

NOTE A. BASIS OF PRESENTATION

The accompanying schedule of federal financial assistance includes the federal grant activity of the Airport Authority for Airport District #1 of Calcasieu Parish and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

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, 2012 and 2011

NOTE B. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

	<u>Years</u>
Building and improvements	30-40
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 Position. 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 passenger and customer facilities charges required to be used to finance the capital structure of the Authority. Ad valorem taxes and certain grants dedicated to airport operation are also reported as nonoperating revenues. However, these revenues are reported as a source of operating cash flows in the Statement of Cash Flows based on GASB Statement 9.

5. 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>
2013	\$ 527,638
2014	430,562
2015	230,321
2016	183,549
2017	<u>170,183</u>
	<u>\$1,542,253</u>

6. Accounts Receivable

Accounts receivable represents amounts due from various Federal and State Agencies and customers and is deemed to be fully collectible by management.

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.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE B. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 government bonds held by Capital One, NA 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, 2012 and 2011 was all classified as Category 1. Cash balances in Category 1 as of December 31, 2012 are as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Unrestricted	\$ 268,459	\$ 172,996
Restricted	<u>741,441</u>	<u>735,441</u>
	<u>\$1,009,900</u>	<u>\$ 908,437</u>

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 2012. Under Plan A, members hired before 1/1/07 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; members with 30 years of service may retire regardless of age. Members hired after 1/1/07 may retire at age 67 with 7 years of creditable service, age 62 with 10 years of creditable service, and age 55 with 30 years of creditable service. The retirement allowance is equal to three percent of the member's final average compensation multiplied by his years of creditable service.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE D. **PENSION PLAN (continued)**

Final average compensation shall be defined as the average of the highest consecutive 36 months salary for members hired prior to 1/1/07. For members hired 1/1/07 and later, final average compensation shall be defined as the average of the highest consecutive 60 months salary. However, any employee who was a member of the supplemental plan only prior to the revision date (1/1/80) has 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 average 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 contribution was 15.75% of covered employees' salaries for 2012 and 2011. The payroll for the Authority employees covered by the system for the year ended December 31, 2012 and 2011 was \$505,186 and \$547,392; the Authority's total payroll and accrued benefits for 2012 and 2011 was \$791,692 and \$879,895, respectively. The Authority contributed \$79,972 and \$86,214 to the system during the years 2012 and 2011.

The "Pension Benefit Obligation" (PBO) is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the plan on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other public employee retirement systems. The measure is called the "actuarial present value of credited projected benefits" and is independent of the funding method used to determine contributions to the plan.

The PBO was computed as part of an actuarial valuation performed as of December 31, 2011; however, the System does not make separate measurements of assets and pension benefit obligations of individual employers. The pension benefit obligation at December 31, 2011, for the System as a whole was approximately \$2.381 billion.

The system's net assets available for benefits on that date (valued at market) were approximately \$2.344 billion, leaving an unfunded pension benefit obligation of approximately \$36.903 million.

Ten year historical trend information is presented in a separately issued PERS report which provides information about progress made in accumulating sufficient assets to pay benefits when due.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

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, 2012 taxes of .58 mills were levied on property with taxable assessed valuations of \$1,033,518,484 and were 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 2005 to levy millage beginning in 2005 and expiring in 2014.

NOTE G. RESTRICTED ASSETS

Assets required to be held and/or used as specified in contractual agreements have been reported as Restricted Assets. Restricted Assets at December 31, 2012, consisted of the following:

	<u>Total</u>
Marketing and Capital Equipment	\$ 90,000
Passenger Facility Charge Funds	235,095
Customer Facility Charge Funds	<u>548,220</u>
Total Restricted Assets	<u>\$ 873,315</u>

NOTE H. PASSENGER FACILITY CHARGE

Beginning in 2001, Passenger Facility Charges at the rate of \$3 per enplaned passenger had been levied by the Authority under Federal Aviation Administration (FAA) approved applications to use for airport improvements. Beginning in 2005, the passenger rate was approved to be increased to 4.50 per enplaned passenger. As of December 31, 2012 the total of approved applications is \$2,962,724. Since 2001 a total of \$1,985,190 has been spent in PFC funds for airport improvements.

Total PFC revenues, including interest, remitted to the Authority for the years ended December 31, 2012 and 2011 were \$211,578 and \$253,559 respectively. During the year ended December 31, 2012 a total of \$670,761 was spent on improvements, leaving a balance of \$235,095 of PFC funds available and restricted for future PFC projects (Note G).

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

NOTE I. CUSTOMER FACILITY CHARGE

Beginning in August 2009, in accordance with each rental car concession agreement, a Customer Facility Charge (CFC) of \$3 per day shall be levied on each rental car contract entered into at the Airport by lessee. Lessee agrees to collect said CFC and remit the collection to the Airport Authority separate and apart from other rents and fees once per month. CFC revenue will be used by the Airport to accomplish improvements that benefit the rental car customers and concessionaries. CFC revenue for the years ending December 31, 2012 and 2011 were \$185,289 and \$176,853, respectively. During the year ended December 31, 2012, \$27,301 was spent on improvements leaving a balance of \$548,220 for future CFC projects (Note G).

NOTE J. CAPITAL ASSETS

Capital assets consist of the following:

	Balance <u>12/31/11</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/12</u>
Land	\$ 2,410,409	\$ -	\$ -	\$ 2,410,409
Buildings & Improvements	35,586,944	3,423,894	(115,000)	38,895,838
Land Improvements	17,844,521	-	-	17,844,521
Machinery & Equipment	1,761,190	727,641	(32,432)	2,456,399
Furniture & Fixtures	697,280	-	-	697,280
Construction in progress	<u>968,363</u>	<u>3,059,181</u>	<u>(3,414,401)</u>	<u>613,143</u>
	59,268,707	7,210,716	(3,561,833)	62,917,590
Less accumulated depreciation:				
Buildings & Improvements	4,477,838	906,485	(115,000)	5,269,323
Land Improvements	11,376,684	599,559	-	11,976,243
Machinery & Equipment	1,128,848	140,002	(32,432)	1,236,418
Furniture & Fixtures	<u>179,821</u>	<u>53,400</u>	<u>-</u>	<u>233,221</u>
	<u>17,163,191</u>	<u>1,699,446</u>	<u>(147,432)</u>	<u>18,715,205</u>
Net capital assets	<u>\$42,105,516</u>	<u>\$ 5,511,270</u>	<u>\$(3,414,401)</u>	<u>\$ 44,202,385</u>

NOTE K. COMMITMENTS AND CONTIGENCIES

On a continuing basis, the Authority enters into construction contracts for improvements to the airport. At December 31, 2012, work was in progress for the improvements as follows:

	<u>Budget</u>	<u>Expended to date</u>	<u>Committed</u>
Airport Master Plan Study	\$650,000	\$172,378	\$477,622
Install Airfield Guidance Signs	307,420	39,978	267,442
North Apron Expansion	625,000	533,871	91,129
Storm Drainage System Rehabilitation	<u>250,000</u>	<u>24,875</u>	<u>225,125</u>
	<u>\$1,832,420</u>	<u>\$771,102</u>	<u>\$1,061,318</u>

The funding for these projects is provided primarily by FAA – Airport Improvement Grants and Louisiana Department of Transportation and Department Grants.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2012 and 2011

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

The Airport participates in a number of federal financial assistance programs. Although the grant programs have been audited through December 31, 2012 in accordance with the Single Audit Act of 1996, these programs are still subject to financial and compliance audits by governmental agencies.

The Authority is subject to pending claims and litigation which arise primarily in the ordinary course of business. The Authority does not anticipate any losses with respect to such pending claims and litigation as of December 31, 2012.

NOTE L. **LINE OF CREDIT**

The Police Jury of Calcasieu Parish approved a line of credit up to \$400,000 to the Authority to be used, as needed, for interim financing of state mandated capital costs required to fire proof the FBO. Interest, at the current short-term governmental rate, will accrue on balances over 60 days. As of December 31, 2012 the balance owed to the Police Jury was \$132,890 including interest of \$763.

NOTE M. **DUE FROM FEDERAL EMERGENCY MANAGEMENT AGENCY**

The Authority is in ongoing negotiations with the Federal Emergency Management Agency (FEMA) to close out the remaining project worksheets for Hurricane Rita. Although final payment has not yet been received, management expects to collect the full amount. The accounts receivable has been reclassified to a noncurrent asset due to the period of time outstanding.

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

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

We have audited, in accordance with the 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, 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 year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated June 7, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Airport Authority for Airport District #1 of Calcasieu Parish's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority for Airport District #1 of Calcasieu Parish's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority for Airport District #1 of Calcasieu Parish's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency as item 2012-1.

Compliance and Other Matters

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

Airport Authority for Airport District #1 of Calcasieu Parish's Response to Findings

The Airport Authority for Airport District #1 of Calcasieu Parish's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Airport Authority for Airport District #1 of Calcasieu Parish's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Lake Charles, Louisiana
June 7, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Airport Authority of Airport District #1 of Calcasieu Parish's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2012. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

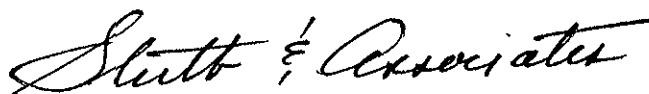
Report on Internal Control Over Compliance

Management of the Airport Authority of Airport District #1 of Calcasieu Parish is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Lake Charles, Louisiana
June 7, 2013

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditors' Results

December 31, 2012

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes no

Type of auditor's report issued on compliance of major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

US Department of Transportation
Airport Improvement Program – CFDA Number 20.106

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section II – Financial Statement Findings

Current Audit

2012-1

Direct Deposit Reconciliation

Condition: Currently payroll information given to the bank for direct deposits of payroll checks is manually entered based on the payroll register from the payroll system. This information is not reconciled in a timely manner.

Criteria: For each pay period, the payroll register should be reconciled to the direct deposit report from the bank.

Context: During our examination, we noted 3 instances where a corrected pay amount had not been corrected in the payroll system.

Effect: Payroll information for payroll filings were incorrect.

Recommendation: For each pay period, the payroll register should be reconciled to the direct deposit report from the bank.

Response: The Authority is reconciling the payroll register with the bank in a timely manner.

Prior Audit

2011-1

Cash management

Condition: For all grants, detailed spreadsheets are maintained to account for reimbursable expenses. These spreadsheets are used to complete the reimbursement requests and submit for payment. During our examination, we noted that reimbursement requests were not submitted for a total of \$25,309.

Response: The Authority has implemented a system to closely monitor all reimbursement requests.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section III – Federal Awards Findings and Questioned Costs

Current Audit

US Department of Transportation
Airport Improvement Program – CFDA Number 20.106

There were no findings or questioned costs

Prior Audit

US Department of Transportation
Airport Improvement Program – CFDA Number 20.106

2011-2

Condition: For all grants, detailed spreadsheets are maintained to account for reimbursable expenses. These spreadsheets are used to complete the reimbursement requests and submit for payment. During our examination, we noted that reimbursement requests were not submitted for a total of \$25,309.

Response: The Authority has implemented a system to closely monitor all reimbursement requests.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

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

Compliance

We have audited the compliance of Airport Authority for Airport District #1 of Calcasieu Parish with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, for its passenger facility charge program for the year ended December 31, 2012. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether *noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge 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 its passenger facility charge program for the year ended December 31, 2012.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the Authority's *internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program* in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the passenger facility charge program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a passenger facility program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Lake Charles, Louisiana
June 7, 2013

Schedule of Expenditures of Passenger Facility Charges

Airport Authority for Airport District #1 of Calcasieu Parish

For the year ended December 31, 2012

Revenue	FY-11	Quarter 1	Quarter 2	Quarter 3	Quarter 4	FY-12
	Program Total	Jan. - Mar.	Apr. - Jun.	Jul. - Sept.	Oct. - Dec.	Total
Collections	\$ 1,929,236	\$ 45,386	\$ 66,745	\$ 57,044	\$ 58,666	\$ 227,841
Interest	31,072	460	344	258	170	1,232
Total Revenue	1,960,308	45,846	67,089	57,302	58,836	229,073
Application 00-01-C-00-LCH						
Proj 1 Terminal improv.	369,914	89,113	20,185	33,296	5,794	148,388
Proj 2 Renovate ARFF	132,685	-	-	-	-	-
Proj 3 Security fence-GA area	-	-	-	-	-	-
Proj 4 Expand terminal parking	502,177	-	65,861	10,902	6,268	83,031
Proj 5 1997 terminal improvement	194,549	-	-	-	-	-
Proj 6 Prof. Fees PFC app	95,828	-	2,963	19,818	3,937	26,718
Total Application	1,295,153	89,113	89,009	64,016	15,999	258,137
Application 00-02-C-00-LCH						
Proj 1 Airport Access Road Improvements	-	-	23,988	23,071	6,104	53,163
Proj 2 Acquire fingerprint equipment	19,276	-	-	-	-	19,276
Total Application	19,276	-	23,988	23,071	6,104	53,163
Application 00-03-C-00-LCH						
Proj 1 Acquisition of Airport Training System	-	-	-	507	-	507
Proj 2 Loading Bridge Baggage Delivery Systems	-	-	-	27,475	21,980	49,455
Proj 3 Airport Access Road Lighting Improvements	-	-	73,673	75,516	16,300	165,489
Proj 4 Airfield Fencing Improvements	-	-	-	91,460	52,550	144,010
Proj 5 Professional Fees	-	-	-	-	-	-
Total Application	-	-	73,673	194,958	90,830	359,461
Total Disbursements	1,314,429	89,113	186,670	282,045	112,933	670,761
Net PFC Revenue (rev. - disb.)	645,879	(43,267)	(119,581)	(224,743)	(54,097)	(441,688)
PFC Account Balance	\$ 645,879	\$ 602,612	\$ 483,031	\$ 258,288	\$ 204,191	\$ 204,191

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

Notes to the Schedule of Expenditures of Passenger Facility Charges

December 31, 2012

Note A

The accompanying Schedule of Expenditures of Passenger Facility Charges was prepared on the cash basis of accounting. Below is a reconciliation of revenues reported on the accompanying schedule and revenues reported on the FAA Form 5100-127 which was prepared on the accrual basis.

PFC revenues reported on the Schedule of Expenditures of Passenger Facility Charges	\$ 227,841
Amount received in 2012 for 2011 enplanements	(48,398)
Amount received in 2013 for 2012 enplanements	<u>30,903</u>
PFC Revenues reported on FAA Form 5100-127	\$ 210,346

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditors’ Results

December 31, 2012

- | | | |
|--|---|------------------------------------|
| 1. Type of report issued on PFC financial statements. | <input checked="" type="checkbox"/> Unqualified | <input type="checkbox"/> Qualified |
| 2. Type of report on PFC compliance. | <input checked="" type="checkbox"/> Unqualified | <input type="checkbox"/> Qualified |
| 3. Quarterly Revenue and Disbursements reconcile with submitted quarterly reports. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 4. PFC Revenue and Interest is accurately reported on FAA Form 5100-127. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 5. The Public Agency maintains a separate financial accounting record for each application. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 6. Funds disbursed were for PFC eligible items as identified in the FAA Decision to pay only for the allowable costs of the projects. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 7. Monthly carrier receipts were reconciled with quarterly carrier reports. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 9. Serving carriers were notified of PFC program actions/changes approved by the FAA. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 10. Quarterly Reports were transmitted (or available via website) to remitting carriers. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 11. The Public Agency is in compliance with Assurances 5, 6, 7 and 8. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 12. Project administration is carried out in accordance with Assurance 10. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 13. For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence. | <input type="checkbox"/> Yes
<input checked="" type="checkbox"/> N/A | <input type="checkbox"/> No |

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section II – Internal Control over Compliance

Current Audit

There were no findings or questioned costs

Prior Audit

2011-1

Reconciliation of Passenger Facility Charge (PFC) activity

Condition: As reported quarterly, the total Passenger Facility Funds are not being reconciled to the Passenger Facility Fund cash balance in a timely manner. Passenger Facility Charges are reserved for approved applications by the Federal Aviation Administration and should be maintained in separate bank accounts. \$20,807 of Passenger Facility Charges were deposited into the operating account in error.

Response: The Authority now reconciles the total Passenger Facility Funds to the Passenger Facility Fund cash balance prior to submission of the quarterly reports.