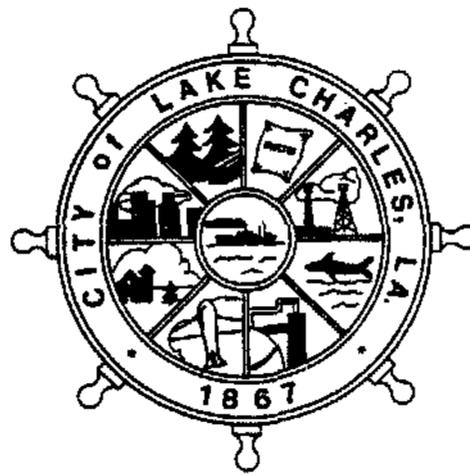


CITY OF LAKE CHARLES, LOUISIANA

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

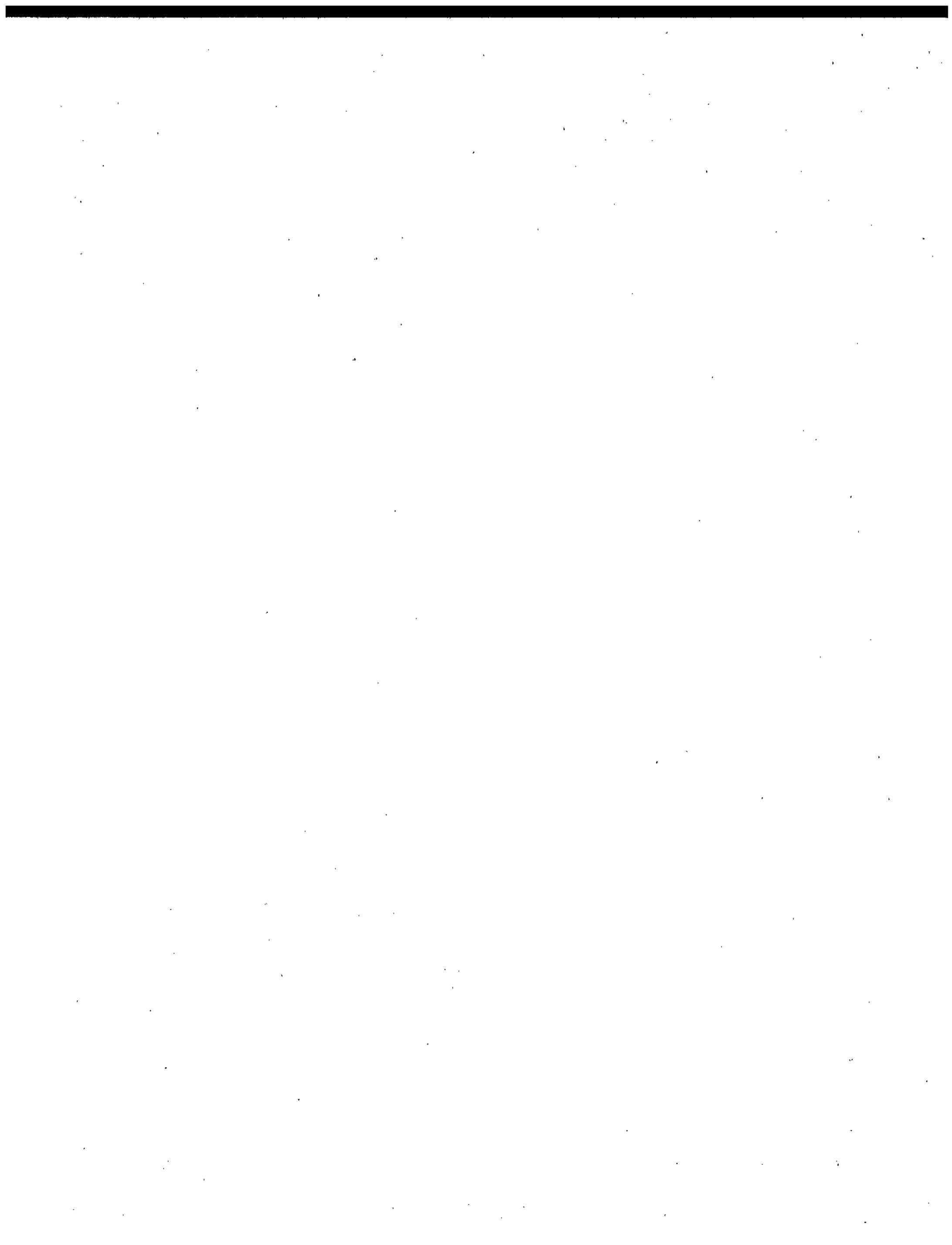
for the
Fiscal Year Ended
September 30, 2003



Prepared By
Division of Accounting
for
Ronald P. Kemerly
Director of Finance

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 3-31-04



CITY OF LAKE CHARLES
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30,2003

Table of Contents

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	3
GFOA Certificate of Achievement	9
Organizational Chart	11
List of Principal Officials	13
FINANCIAL SECTION	
Independent Auditor's Report	17
Management's Discussion and Analysis	19
Basic Financial Statements:	
Government-wide Financial Statement:	
Statement of Net Assets	32
Statement of Activities	33
Fund Financial Statement:	
Balance Sheet – Governmental Funds	34
Statement of Revenues, Expenditures, and Changes in Fund Balance –Governmental Funds	36
Reconciliation of the Statement of revenues, Expenditures, and Changes in Fund Balance Of Governmental Funds to the Statement of Activities	38
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	39
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Riverboat Gaming Special Revenue Fund	40
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Community Development Special Revenue Fund	41
Statement of Net Assets – Proprietary Funds	42
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	44
Statement of Cash Flows – Proprietary Funds	46
Notes to the Financial Statements	48
Required Supplementary Information:	
Combining Statement of Net Assets – Component Units	73
Combining Statement of Activities – Component Units	74
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	79
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Waste Water Special Revenue Fund	80
Grant Special Revenue Fund	81
Recreation Special Revenue Fund	82
Central School Special Revenue Fund	83
Facility Renewal Fund	84
Combining Statement of Net Assets – Internal Service Funds	88
Combining Statement of Revenues, Expenses, and Changes in Net Assets – Internal Service Funds	89
Combining Statement of Cash Flows – Internal Service Funds	90
Capital Assets Used in the Operation of Governmental Funds:	
Comparative Schedules by Source	94
Schedule of Changes by Function and Activity	95
Schedule by Function and Activity	96

STATISTICAL SECTION

Fund information:

General Governmental Expenditures by Function	100
General Governmental Revenues by Source	102
Property Tax Levies and Collections	104
Assessed and Estimated Actual Value of Taxable Property	106
Assessed Value of All Taxable Property by Source	108
Reconciliation of Tax Roll	109
Principal Taxpayers	110
Property Tax Rates (Millage) – Per \$1000 Assessment	111
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capital	112
Computation of Legal Debt Margin	114
Computation of Direct and Overlapping General Obligation Debt	115
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures	116
Special Assessment Billing and Collection	117
Sales Tax, Licenses Tax and Utility Franchise Tax Collections	118
Property Value, Construction and Bank Deposits	120
Demographics Statistics	122
Enterprise Fund Operating Revenues	124
Miscellaneous Statistics	125

INTRODUCTORY SECTION





CITY OF LAKE CHARLES

RANDY ROACH
MAYOR

P.O. Box 3706
Lake Charles, LA 70602-3706
(337)491-1251 • FAX (337)491-1225

DEPARTMENT OF FINANCE
Ronald P. Kemerly, Director

March 30, 2004

Honorable Randy Roach, Mayor
Member of the City Council

Dear Mayor and City Council Members:

In accordance with requirements of the City's Charter and applicable state law, I am pleased to submit the Comprehensive Annual Financial Report of the City of Lake Charles for the fiscal year ended September 30, 2003. This report has been prepared by the City's Finance Department in conformity with generally accepted accounting principles (GAAP), and the basic financial statements contained herein have been independently audited in accordance with generally accepted auditing standards. However, the completeness and reliability of all information presented in this report remains the responsibility of the City's management. The purpose of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement.

This is the first financial report issued by the City under the new financial reporting model established by Governmental Accounting Standards Board Statement 34, which requires certain government-wide statements as well as the fund financial statements traditionally required by governmental GAAP. The purposes and contents of these financial statements are further explained in Management's Discussion and Analysis (MD&A) which follows the independent auditor's report and should be read in conjunction with this letter of transmittal for a more complete understanding of the City's financial condition and activity.

City Profile

The City of Lake Charles was incorporated in 1867 and is the principal city and trade center of southwestern Louisiana. As of the 2000 census, the corporate limits of the City included 43 square miles and had a population of 71,757. It is designated as the central city of a census-defined urbanized area of 132,977 and a metropolitan statistical area (Calcasieu and Cameron Parishes) of 193,568 population in 2000.

The City operates under a mayor-council form of government pursuant to a 1961 home rule charter, and provides a full range of traditional municipal services, as well as

specialized facilities such as a municipal golf course, a civic center coliseum and theater complex, and an arts center housed in a restored school building. All of these activities are integral parts of the city government and are included in this report. Certain components of the judicial function are legally separate entities which are discretely presented in these statements as "component units."

The City adopts an annual operating budget and a project-based capital budget in accordance with procedures established by its charter and by state statute. Although the budget document is comprehensive, covering all funds under the City's control, legal control of expenditures is exercised primarily at the department level for the General Fund and for each Special Revenue Fund pursuant to charter and statutory requirements. Budget-to-actual comparisons for major funds of these types are included in this report.

The City also maintains an internal control framework designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, as well as the reliability of financial records for preparing financial statements. An evaluation of internal controls and legal compliance is required by federal law in connection with the independent audit, and the auditor's reports thereon are included in a separately issued "single audit" report.

Economic Environment

Lake Charles is a deep water port with a 30-mile ship channel to the Gulf of Mexico, and has developed an economic base dominated by petrochemical manufacturing and refining since the 1940's. Within the past twenty years, the economy has been somewhat diversified by the addition of commercial and military aircraft refurbishment and modification at Chennault airpark (a former air force base de-activated in 1963), and the advent of riverboat casinos drawing patronage primarily from east Texas. The area currently has two riverboat casino complexes, one of which is located within the city, and a new casino resort is currently under construction within the city at a projected total cost of \$325 million. The petrochemical sector has largely been in a retrenchment mode for several years due to factors such as natural gas prices. The major current development in that sector is a recently-announced refinery expansion and retrofit expected to cost over \$500 million. Proposals for expansion of an existing liquefied natural gas terminal and development of a new terminal on the ship channel are also pending. Due in part to the current volume of construction activity, the metropolitan area currently has an unemployment rate of only 5 percent. However, the area's net loss in non-farm payroll employment reported by the state for the 2003 calendar year was 2,700 jobs, including 2,100 in manufacturing. Labor force size has diminished at a comparable rate, holding down the number of unemployed. A positive employment trend should resume, at least outside the construction sector, as major projects are completed over the next two years.

Since industry is concentrated at deep water access points outside the city limits, the City itself is primarily a center of trade, services, and public sector employment.

National chains have significantly expanded the size of the retail sector in the last decade, and service sector developments have included a new hospital campus, new bank buildings, and highway-oriented lodging. A pending major project in the downtown area is the renovation and mixed-use conversion of a long-vacant department store building.

The City and surrounding area have experienced relatively high levels of residential construction and subdivision development since the early 1990's. However, the City's total population has remained relatively static—increasing less than one percent from 1990 to 2000—despite an aggressive annexation program during much of this period.

Current and Future Financial Plans

Conceptual planning and feasibility analyses are currently under way for a hotel development connected to the City's civic center, and for a wetlands interpretive center to be located on a nearby lakefront site. Potential development costs for both projects would extend into the tens of millions and require multiple non-profit and private partnerships and financing sources. A hotel proposal will also require referendum approval if located on the civic center site.

In addition to completing the on-going waste water system expansion program within the next two years, the City is planning a multi-phase reconstruction of its oldest water production plant to adequately maintain existing system capacity. Existing water service rates and capital contribution needs are currently being evaluated in relation to projected costs.

Other plans include continued targeting of riverboat gaming taxes to infrastructure investments and renewal of various property and sales tax levies set to expire in the next one to three years. Operating costs will continue to increase, largely as a result of recent and on-going collective bargaining and the prevailing trends of rising pension and health benefit costs. However, the City has no plans to curtail services in the absence of severe fiscal or economic reversals.

Other Financial Activity

Cash management and investment:

Funds under the control of the City are held in an interest-bearing cash pool from which investments are made in accordance with statutory restrictions and locally-adopted investment policy. The City's investments are restricted to securities issued by the U. S. Government and its agencies and instrumentalities, and to participation in a statewide local governmental investment pool which operates on the same basis as a money market fund. The City's total interest and investment earnings during the 2003 fiscal year were \$1,750,882, a 37 percent decrease from 2002. This trend is a reflection of the general decline of interest rates and minimal change in the City's average cash and investment totals from year to year.

Risk Management:

The City maintains self-funded programs for casualty and liability risks and employee health benefits, which are accounted for in two internal service funds. These programs include third-party claims administration and varying levels of excess risk coverage, typically ranging from \$100,000 to \$300,000 per claim depending on risk category. Additional information for these programs is included in the financial statements and notes thereto.

Pension and other post-employment benefits:

The City participates in three cost-sharing state-sponsored retirement systems which together cover virtually all of the City's full-time employees. Employees other than fire and police civil service personnel also participate in the federal social security system, and a voluntary deferred compensation program is also available to all employees under Section 457 of the U. S. Internal Revenue Code.

All of the state-sponsored retirement systems covering City employees are subject to annual adjustment of actuarially determined employer contribution rates, which have more than doubled for each of the three systems in the last three years. The imposition of these rates upon local governmental employers is currently in litigation with respect to one system, and may eventually affect all systems.

The City's previous locally-administered police and firemen's pension funds were merged into the state-sponsored systems in 1983 and 1987, and the balance of the resulting merger obligation was refunded in 1998. Additional data concerning this debt and current pension contributions can be found in the notes to the financial statements.

The City also makes health benefit coverage available on a voluntary basis to retirees, but does not contribute to the cost. All benefit costs for both current and former employees are funded through the Employee Insurance Internal Service Fund.

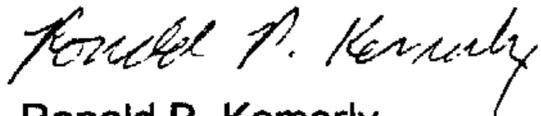
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial reporting to the City of Lake Charles for its comprehensive annual financial report for the fiscal year ended September 30, 2002. The City also received this award for its reports of the preceding eighteen years. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. Such reports must satisfy both GAAP and applicable legal requirements.

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

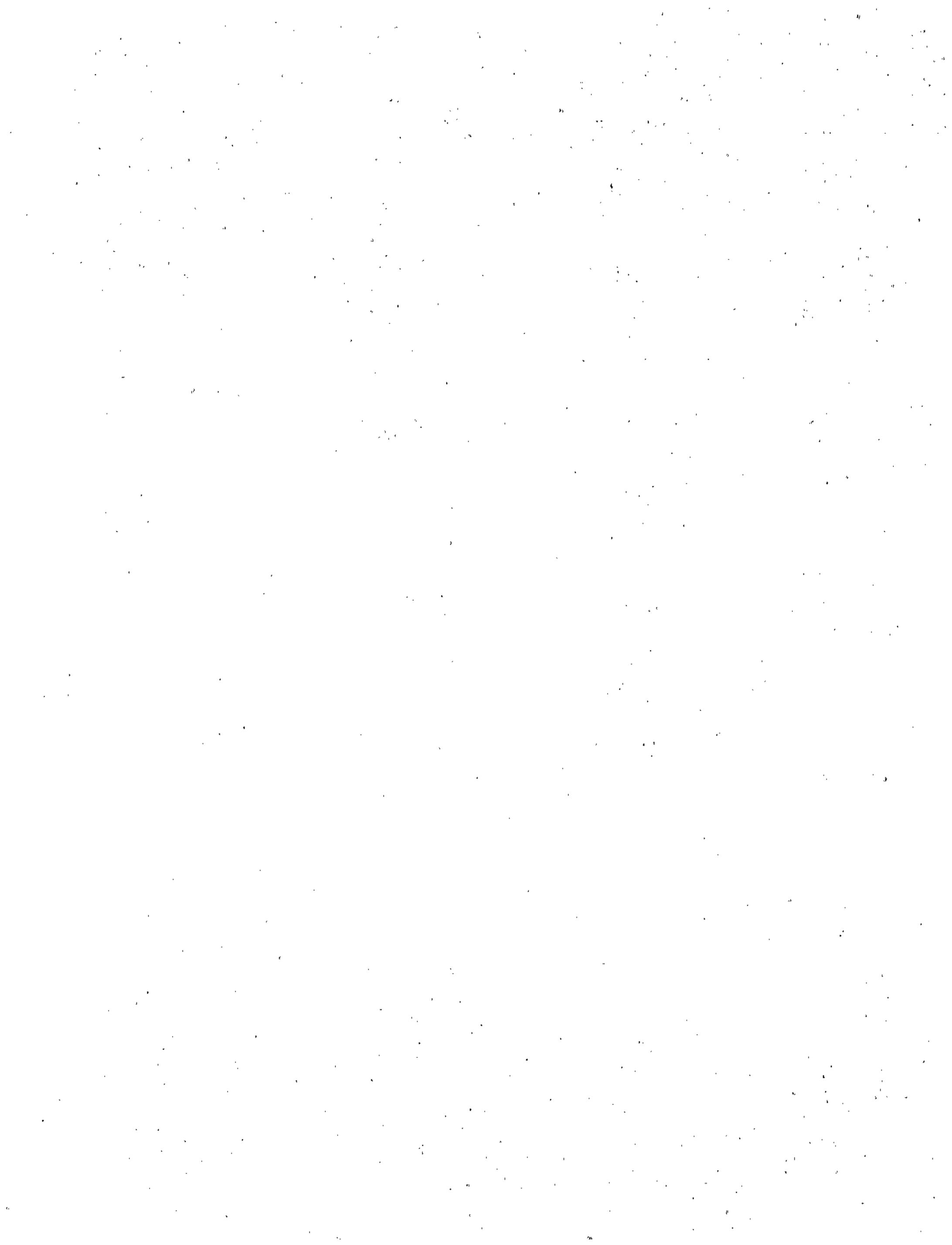
The preparation of this report could not have been accomplished without the efficient and dedicated efforts of the entire Finance Department staff. We also wish to acknowledge the continued interest and support of the City's elected officials in maintaining an effective financial management and reporting program.

Respectfully submitted,



Ronald P. Kemerly
Director of Finance

RPK:lgb



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lake Charles,
Louisiana

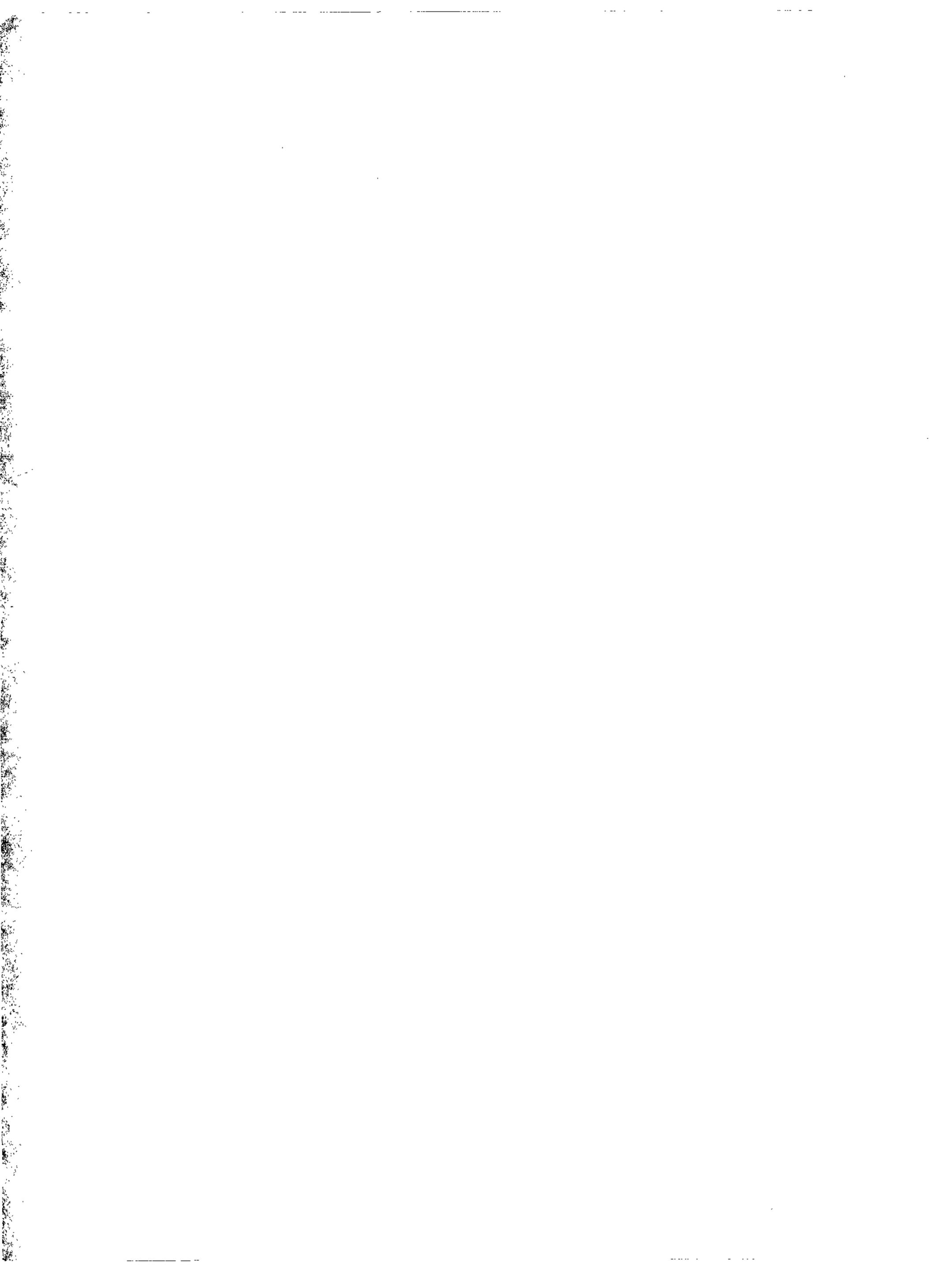
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2002

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

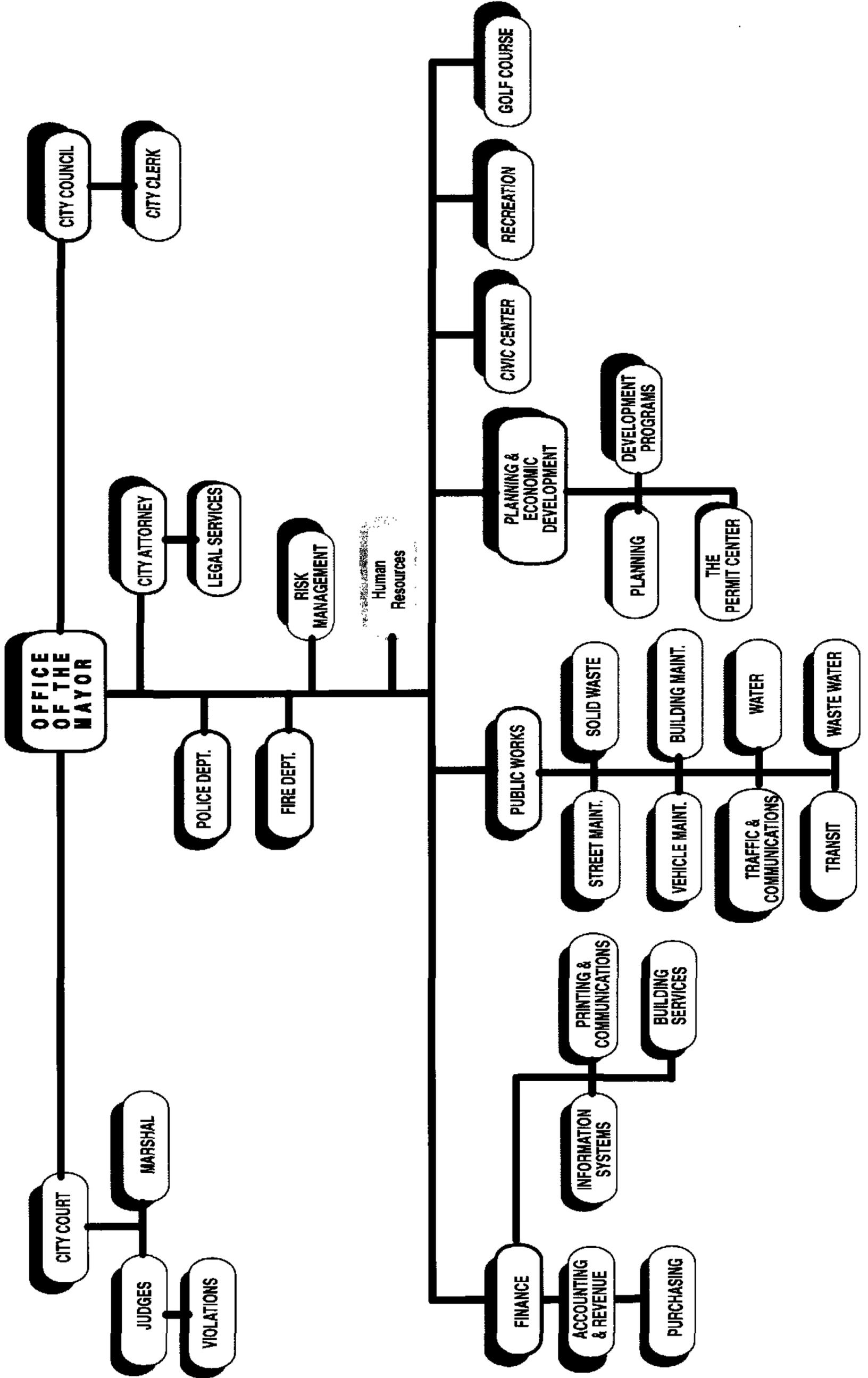


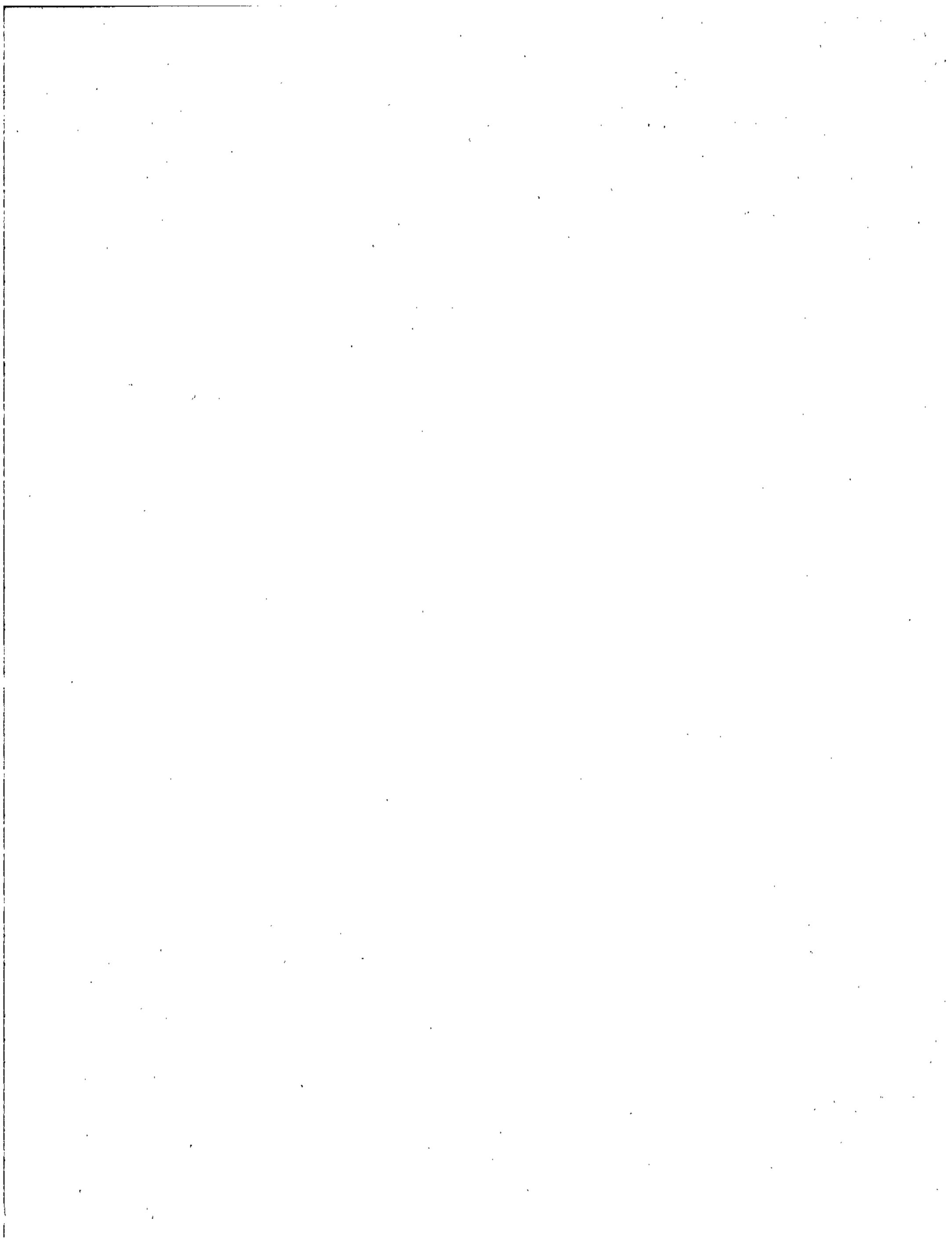
President

Executive Director



CITY OF LAKE CHARLES ORGANIZATIONAL CHART





CITY OF LAKE CHARLES
Lake Charles, Louisiana

MAYOR

Honorable Randy Roach

CITY COUNCIL

Ernie Duplechin

Mike Huber

A.B. Franklin

Rob M^CCorquodale

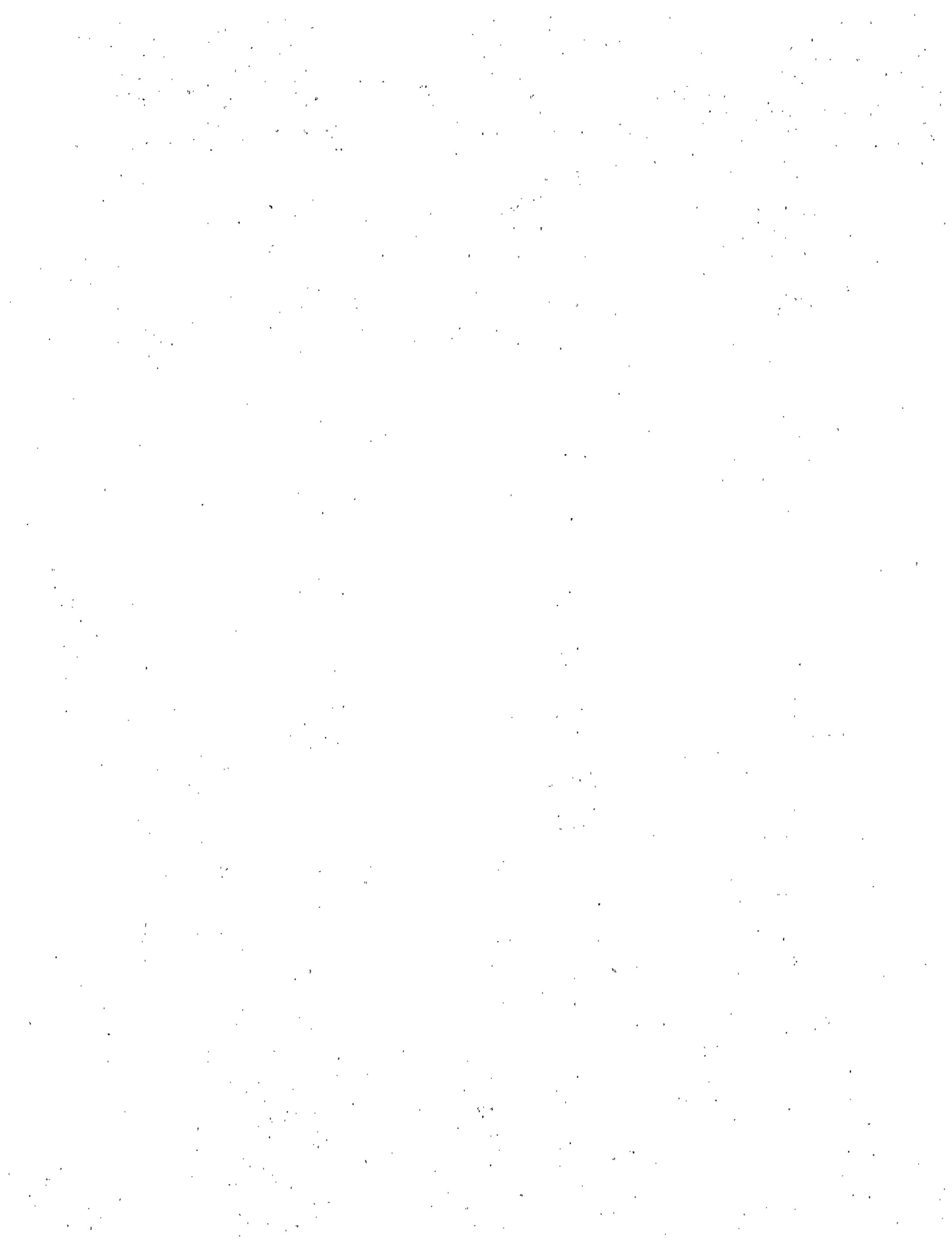
Rodney Geyen

David Perry

Rev. Samuel C. Tolbert



FINANCIAL SECTION



MC ELROY, QUIRK & BURCH

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Billy D. Fisher, CPA
Jason L. Guillory, CPA
Greg P. Naquin, CPA, CFPTM
Joe G. Peshoff II, CPA, CVA

Charles P. Quirk, CPA, Retired
Otray J. Woods Jr., CPA, Inactive
Robert F. Cargile, CPA, Inactive
William A. Mancuso, CPA, Retired
Judson J. McCann Jr., CPA, Retired

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

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REPORT OF INDEPENDENT AUDITORS

City of Lake Charles
PO Box 900
Lake Charles LA 70602-0900

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lake Charles, Louisiana, as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lake Charles, Louisiana'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 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 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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lake Charles, Louisiana, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note J, the City has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of September 30, 2003.

The management's discussion and analysis and budgetary comparison information on pages 19 through 27 and 80 through 88, 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 required 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 February 6, 2004, on our consideration of the City of Lake Charles, Louisiana's, internal control over financial reporting and our tests 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.

Our audit was conducted for the purposes of forming opinions on the financial statements that comprise the City of Lake Charles, Louisiana's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McElroy, Quirk & Burch

Lake Charles, Louisiana
February 6, 2004

CITY OF LAKE CHARLES, LOUISIANA MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis seeks to provide an overview of the financial activity and performance of the City of Lake Charles for the fiscal year ended September 30, 2003, and accompanies the financial statements beginning on page 17 of this report. The transmittal letter on pages 3 - 7 of this report provides further information from a broader perspective, and should be consulted in conjunction with this discussion and the financial statements themselves for a more complete understanding of the City's financial condition and economic environment.

Financial Highlights

- The City's net assets increased by \$11 million or 4.5 percent during the year, to a total of \$255.7 million. Unrestricted financial assets comprise 30 percent of this total.
- Capital assets increased by \$13 million, net of depreciation, accounting for all of the City's net asset growth.
- Total revenue from both governmental and business-type activities was \$78.9 million, excluding special items. This total is 6.8 percent more than the previous year, with most of the increase consisting of capital grants and contributions.
- Governmental fund balance totals were virtually unchanged. The combined total for all governmental funds increased by less than 0.5 percent from 2002 to 2003; the General Fund recorded a similar increase.
- Long-term liabilities increased from \$17.2 million to \$46.9 million, principally through issuance of \$25 million in new debt for waste water and sanitary sewer improvements.

The Financial Statements

This report encompasses a series of financial statements consisting of the following components:

1. Government-wide financial statements, which are designed to provide an organization-wide overview similar in nature to the form of reporting used for private-sector businesses. The two components of this presentation are:
 - The Statement of Net Assets which is roughly equivalent to a private business balance sheet, summarizing all of the City's assets and liabilities and reporting the difference between the two as "net assets." Changes in net assets over time may provide an indication of either an improving or declining financial position.
 - The Statement of Activities is an organization-wide operating statement, which accounts for changes in net assets during the City's 2003 fiscal year. This statement takes into account all revenues and expenses accrued for that year, regardless of when cash is received or paid.

The government-wide statements presented on pages 32 - 33 of this report are a result of the new financial reporting model established by Governmental Accounting Standards Board Statement No. 34, which is now being implemented for the first time by the City of Lake Charles. These statements also distinguish governmental activities, which are those City functions principally supported by taxes and intergovernmental revenues, from business-type activities which are intended to recover a significant portion of their costs through user fees and charges. The City's governmental activities include such functions as public safety (fire and police) and public works (principally streets, sanitation and sewerage), while its business-type activities consist of a civic center, golf course, transit system, and water utility.

The government-wide statements also include two component units – City Court and the Ward Three Marshal, which are legally separate entities with financial dependency on the City as "primary government." They do not include other legally separate local entities which are financially and operationally independent of the City. This discussion and analysis pertains only to the City as primary government.

2. Fund financial statements report financial data for individual funds into which the City's accounts are organized to maintain compliance with finance-related legal and contractual requirements. This report includes two categories of funds, governmental and proprietary. (The City has no fiduciary funds.)

The governmental fund financial statements generally cover the same functions as the governmental activities in the government-wide statements, but differ in their focus on near-term spendable resources rather than longer-term measurement of all net assets. A comparison of the fund and government-wide statements with respect to governmental functions is useful in gaining a longer-term perspective than that provided solely by the near-term focus of governmental fund statements, and a reconciliation is provided in the governmental fund statements to support such comparison.

The City maintains ten individual governmental funds, five of which are classified as major and are separately displayed in the governmental fund statements beginning on page 34 of this report. The remaining five funds are aggregated into a single display on those statements, but are individually presented in the combining statements referred to below.

The proprietary fund financial statements cover business-type activities in which external customers are charged for services, as well as internal service activities funded by charges to other City funds and operating units. The enterprise fund category in these statements corresponds to the business-type activities reported in the government-wide statements. The internal service category consists of two funds which account for risk financing and employee group medical benefits. All proprietary fund statements are reported on the accrual basis of accounting as used in the government-wide statements and in private-sector business.

3. Notes to the financial statements provide additional information and explanation necessary for full understanding of the government-wide and fund financial statements, and are presented on pages 48 - 69 of this report.
4. Other information, consisting of the combining statements for the five non-major governmental funds, and two internal service funds, is presented immediately following the notes to the financial statements.

City-wide Financial Analysis

This analysis pertains to the government-wide financial statements, which are issued for the first time for the 2003 fiscal year. Except for selected trend information extracted from the fund financial statements, it therefore does not include comparative information for 2002 and 2003. (Such comparison of current and prior years will, however, be included in future annual reports.)

The City's net assets at the end of 2003 were \$255,691,162, with 66 percent of this total consisting of capital assets, i.e., physical plant, equipment, and infrastructure, less related outstanding debt. An additional 4 percent of net assets is externally restricted by law or contract, leaving 30 percent as unrestricted net assets which are generally available for use at the City's discretion. Year-end assets, liabilities, and net assets are summarized below. It should be noted that the investment in capital assets is not available as a financial resource for payment of related debt, other liabilities, or future costs, which will require the use of either existing financial resources or future revenues. Also note that capital assets are reported net of accumulated depreciation, and that the infrastructure portion of these reported assets includes only those projects completed since 1975.

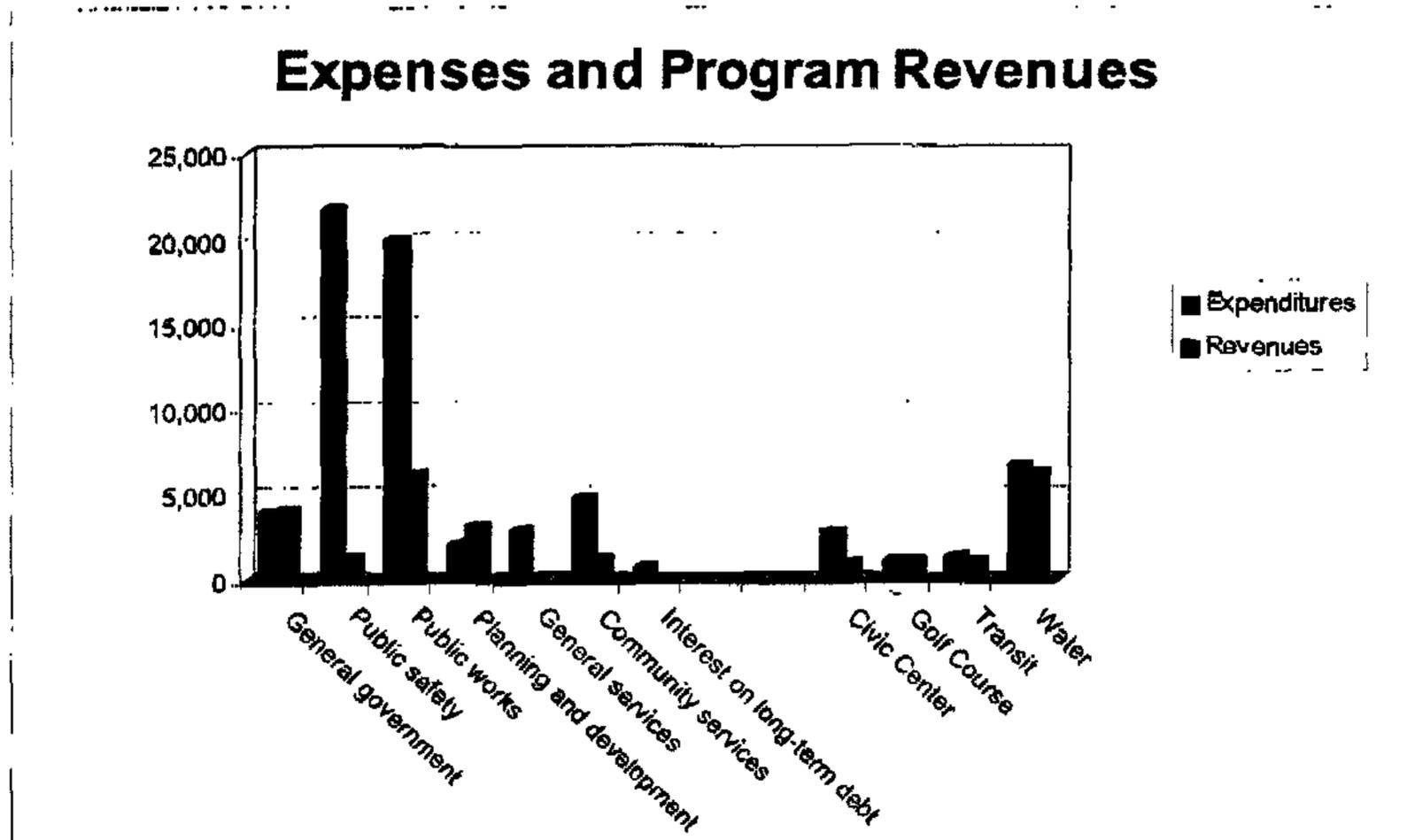
NET ASSETS

(in thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and other assets	\$ 91,110	\$ 7,071	\$ 98,181
Capital assets	162,460	51,769	214,229
Total assets	<u>253,570</u>	<u>58,840</u>	<u>312,410</u>
Long-term liabilities	46,482	409	46,891
Current and other liabilities	8,775	1,053	9,828
Total liabilities	<u>55,257</u>	<u>1,462</u>	<u>56,719</u>
Net assets:			
Invested in capital assets, net of debt	116,656	51,769	168,425
Restricted	10,613	-	10,613
Unrestricted	71,044	5,609	76,653
Total net assets	<u>\$ 198,313</u>	<u>\$ 57,378</u>	<u>\$ 255,691</u>

Net assets increased by \$11,001,755 or 4.5 percent for the City as a whole during the 2003 fiscal year. The change in net assets for governmental activities was a 6.4 percent increase, while business-type activities experienced a 1.6 decrease. The increase in governmental activities' net assets is attributable to a combination of factors, including a \$7 million increase in governmental funds' total revenue from 2002 to 2003 and a \$13 million increase in capital project expenditures (as shown in the governmental fund statements) over the same period. For the 2003 fiscal year, governmental activities' capital outlays exceeded the annual depreciation of capital assets by more than \$14 million. In the case of business-type activities, revenues were largely static from 2002 to 2003, and allocations of governmental resources for capital outlays for these activities were lower than in prior years. However, both governmental and business-type activities have large positive net asset totals.

The following chart summarizes expenses and related program revenues for the various governmental and business-type functions displayed in the financial statements. The significance of this comparison is that the portion of each function's expenses not offset by program revenues is left to be covered by general revenues, namely taxes and other unrestricted sources.



On an overall basis, the City's total costs in 2003 were \$56.4 million for governmental activities and \$12.1 million for business-type activities. The portions not covered by program revenues, or net costs funded by taxes and other general revenues, were \$40.7 million for governmental activities and \$2.8 million for business-type activities. The public safety function (fire and police) accounts for the largest share of net cost, with \$20.6 million in excess expenses over program revenues during 2003. The public safety portion of total City activity has steadily increased with added staffing and rising payroll and benefit costs in recent years.

The City's total revenue for 2003 was \$78,896,710, excluding special items such as gain on sale of land and hurricane-related disaster assistance. This total, covering both governmental and business-type activities, represents a 6.8 increase from 2002. More than three-fourths of this increase consisted of grants and contributions from other governments and organizations, principally for capital projects.

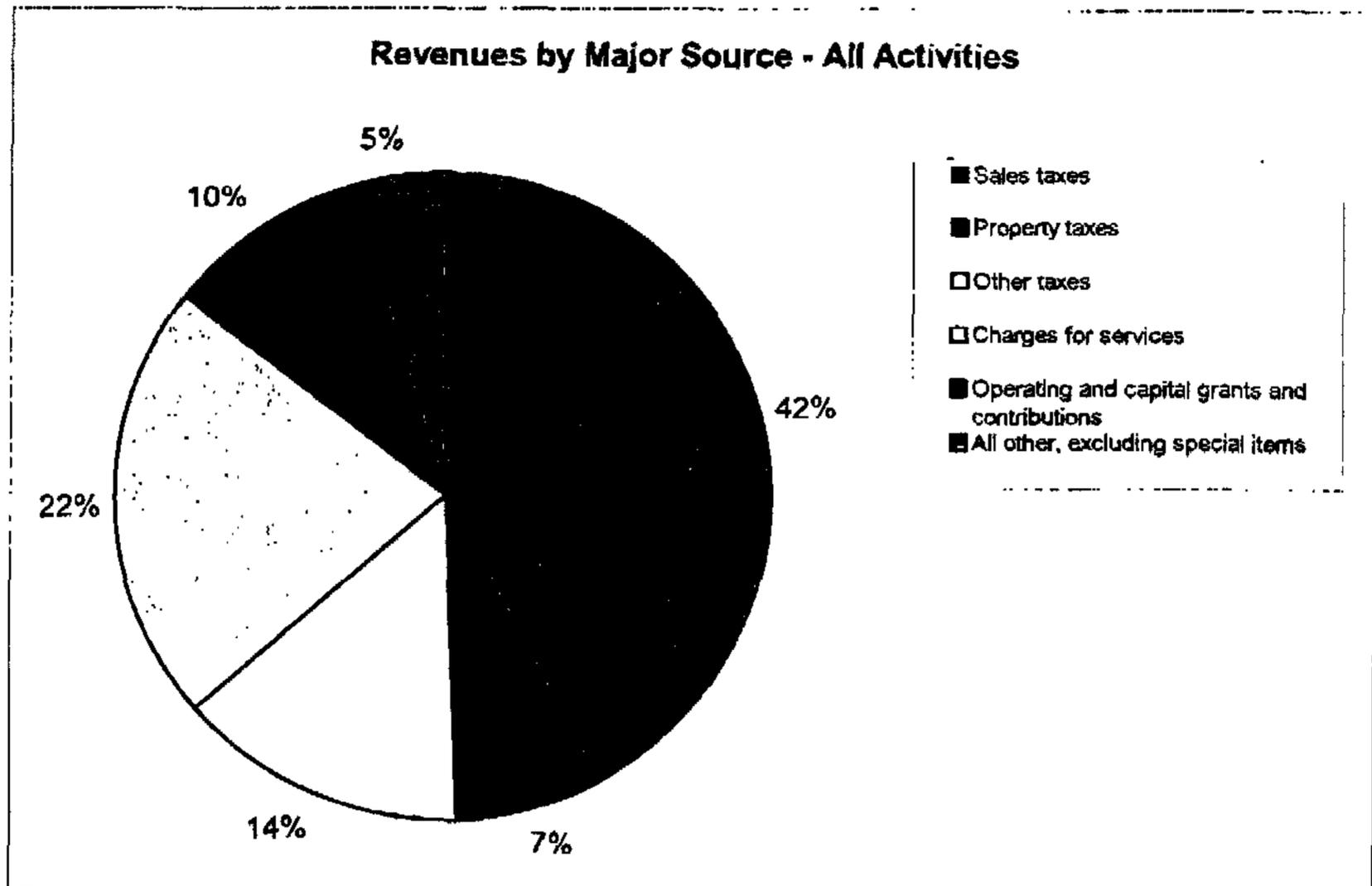
The Statement of Activities for 2003 categorizes the City's revenues as either program revenues, which are service charges or grants and contributions for specific governmental or business-type functions, and general revenues which include most taxes and other revenue sources of a government-wide nature. Major components of program and general revenues, together with total expenses and the resulting change in net assets, are summarized below for the 2003 fiscal year.

CHANGES IN NET ASSETS

(in thousands)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Program revenues:			
Charges for services	\$ 8,946	\$ 8,386	\$ 17,332
Operating grants and contributions	3,228	678	3,906
Capital grants and contributions	3,534	303	3,837
General revenues:			
Property taxes	5,756	-	5,756
Sales taxes	33,220	-	33,220
Utility franchise taxes	4,729	-	4,729
Riverboat gaming taxes	6,429	-	6,429
Other general revenues, excluding special items	3,320	368	3,688
Total Revenues	<u>69,162</u>	<u>9,735</u>	<u>78,897</u>
Total expenses	<u>56,434</u>	<u>12,134</u>	<u>68,568</u>
Excess before special items and transactions	12,728	(2,399)	10,329
Special items:			
Gain (loss) on sale of capital asset	497	(10)	487
Hurricane disaster assistance	186	-	186
Transfers	<u>(1,489)</u>	<u>1,489</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ 11,922</u>	<u>\$ (920)</u>	<u>\$ 11,002</u>

As indicated by the above table and the following chart, sales taxes are the City's largest single revenue source, accounting for 42 percent of all government-wide revenue in 2003. This source exhibited nominal real growth over the previous year, with total sales tax revenue increasing 3.3 percent compared to a 2.3 percent increase in the Consumer Price Index from the 2002 to 2003 fiscal year. As previously noted, grants and contributions for capital projects accounted for most of the overall increase in government-wide revenue between these years. Another major source of increased revenue was sewer service charges, for which rates were increased in mid-2002 and again in 2003 to fund related debt service and system rehabilitation.



Analysis of Fund Financial Statements

This discussion pertains to the financial statements for the various funds into which the City's accounts are divided to comply with legal requirements. As previously noted, the two fund classifications represented in these statements are governmental and proprietary funds.

The City's governmental funds had a combined fund balance of \$74,819,132 at the end of the 2003 fiscal year, representing an increase of less than 0.5 percent from the 2002 total. In effect, this increase is entirely attributable to a gain from sale of park property which is included in the government-wide statements as a special item. The proceeds from that sale are being used to complete construction of a new athletic complex, and to fund subsequent maintenance costs until a revenue source dedicated for that purpose can be secured.

Other notable changes in governmental fund balances included a \$1.7 million decrease in the Capital Projects Fund, as previously accumulated resources were drawn down for construction in progress, and a \$674,000 increase in the Waste Water Fund (one of five non-major funds incorporated into a single column in the basic financial statements) resulting from increased user charge rates to accumulate resources for subsequent construction and debt service. These actions ultimately involve the conversion of financial assets to investments in capital assets, rather than

directly charging the City's overall financial position as measured by the net asset totals in the government-wide statements.

The City's proprietary funds experienced a decrease in net assets during the year, largely due to increases in claims payments and accruals for the Risk Management and Employee Insurance Internal Service Funds. (These funds are not separately displayed on the government-wide statements, but are allocated primarily to governmental activity.) Overall, the net assets of the internal service funds decreased by \$1.73 million during 2003, while the four enterprise funds decreased by a combined \$377,000. Internal charges for both of the internal service funds have been significantly increased for 2004 in response to the claims trend.

General Fund Summary

The General Fund is the City's principal operating fund, accounting for over half of all revenue received by the City, and typically over 60 percent of all governmental activities.

During the 2003 fiscal year, the General Fund expenditure budget was amended by a total of \$2.7 million, representing a 6.4 percent increase from the original adopted budget. Approximately 64 percent of the amendment total was for public safety personnel costs, owing to a combination of staffing increases, additional overtime, and retirement contribution rate increases in the Fire and Police Departments. An additional 13 percent of the amendment total was re-appropriated for equipment purchases originally budgeted and obligated the previous year. The remainder comprises a variety of items including disaster-related overtime costs, a temporary employee pay supplement beginning December 2002, and an added debt service transfer resulting from a cooperative agreement with the Calcasieu Parish School Board.

Actual General Fund expenditures and transfers out were nearly \$2.4 million less than the final budgeted amount, while revenues exceeded the final budget by over \$900,000. As a result, the General Fund ended the year with a \$105,091 increase in fund balance, as opposed to the final budgeted reduction of nearly \$3.2 million. This favorable variance is largely due to factors such as staffing vacancies, moderation of overtime costs toward the end of the fiscal year, and the timing of staffing increases budgeted for the Fire Department.

The General Fund's ending balance in 2003 was \$24,661,490, which represents 58 percent of total expenditures and transfers made from the fund that year.

Capital Assets

The City's total investment in capital assets at the end of the 2003 fiscal year was \$214.2 million, net of accumulated depreciation. Major capital acquisition and construction activity during the year included:

- Continuation of an extensive sewer system expansion and improvement program, including commencement of construction on a new waste water treatment plant, upgrading the City's oldest plant, and contract awards for related transport mains. Construction in progress totaled \$4.2 million at year-end, with the entire program expected to cost over \$40 million.
- Continued construction of a new athletic complex, set to open in 2004. Cumulative expenditures for the recreation facility totaled \$3.15 million at year-end.
- Completion of various infrastructure projects (streets, bridges, storm and sanitary sewers) totaling over \$7.6 million, with an additional \$7.5 million in progress at year-end.
- Acquisition of four new fire pumper and ladder trucks at a total cost of over \$2.2 million. The City also initiated a program to construct three new and replacement fire stations during 2004 at an estimated cost of \$3.8 million.

The City has carried out an aggressive capital improvement program funded by the addition of riverboat gaming revenue to other tax and grant sources over the past decade. During this period, the total cost of infrastructure completed has exceeded \$95 million, none of which has involved debt financing.

Components of the City's capital assets are summarized in the following table. As previously noted, reported value for infrastructure is limited to projects completed since 1975.

Capital Assets as of September 30, 2003
(net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 11,227	\$ 11,371	\$ 1,298	\$ 1,298	\$ 12,525	\$ 12,669
Buildings	7,181	4,568	6,151	6,743	13,332	11,311
Improvements other than buildings	10,412	10,805	39,313	39,378	49,725	50,183
Equipment	10,108	7,896	2,924	2,552	13,032	10,448
Infrastructure	115,996	111,742	-	-	115,996	111,742
Construction in progress	7,537	2,884	2,083	2,455	9,620	5,339
Total	<u>\$ 162,461</u>	<u>\$ 149,266</u>	<u>\$ 51,769</u>	<u>\$ 52,426</u>	<u>\$ 214,230</u>	<u>\$ 201,692</u>

Debt Administration

As of September 30, 2003, the City had \$46.9 million in long-term liabilities, compared to \$17.2 million the previous year. The major source of this increase was a \$25 million loan for waste water system improvements, funded by variable rate demand bonds issued by the Louisiana Community Development Authority (LCDA). This loan is secured by a pledge of "lawfully available funds," but intended to be serviced entirely from waste water system revenue and dedicated taxes. The other major debt issue during the year was a cooperative agreement with Calcasieu Parish School Board Sales Tax District 3 for sharing of future sales tax collections from an establishment which relocated from the District to the City. The City's maximum remaining liability under this agreement is \$5,885,391, which is characterized as debt by the terms of agreement since it partially secures outstanding bonds of the District.

The remaining long-term liabilities consist of \$9,735,000 of outstanding Refunding Bonds issued in 1998 for fire and police pension obligations, a maximum of \$2,736,270 payable from future sales tax revenues under a sales tax increment financing agreement for the Prien Lake Mall expansion project, and a total of \$3,572,915 for long-term claim and benefit liabilities.

The City has no outstanding general obligation debt to which a bond rating can be assigned. The outstanding bond issues (LCDA loan and 1998 Refunding Bonds) are insured and therefore rated "AAA" by Standard and Poor. Statutory debt limits are not applicable to any of the City's current outstanding debt.

Future Budget and Economic Outlook

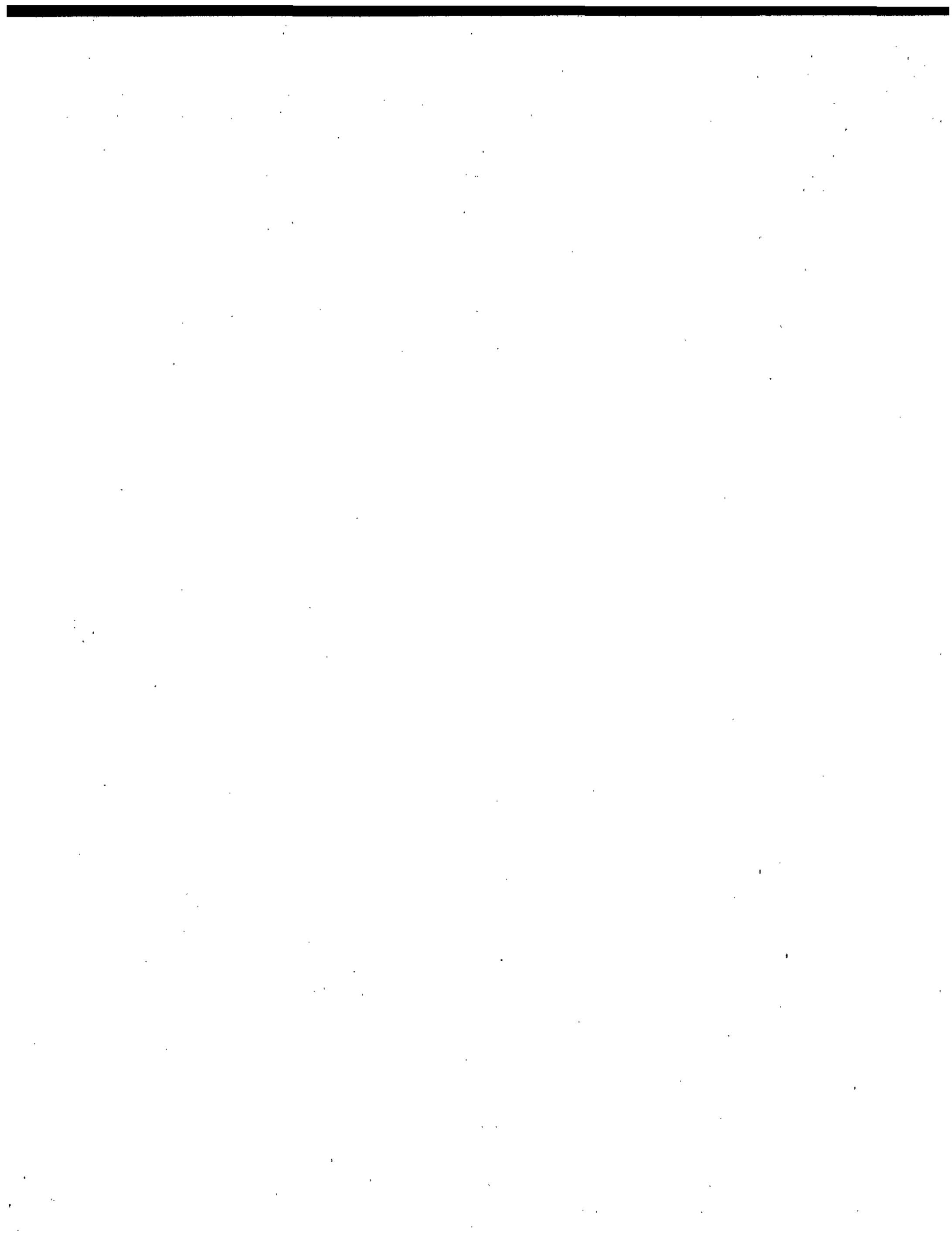
The current reported unemployment rate for the local labor market area is 5 percent, which compares favorably to state and national rates. However, the state's most recent statistical report indicates that the local labor market

experienced a net loss of 2,700 non-farm payroll jobs during 2003, the most adverse performance of any metropolitan area in the state. Despite this trend, other indicators of local economic activity remain relatively favorable, at least in the short term. These include construction permits, City sales tax and license revenues, and business-type activities such as water sales.

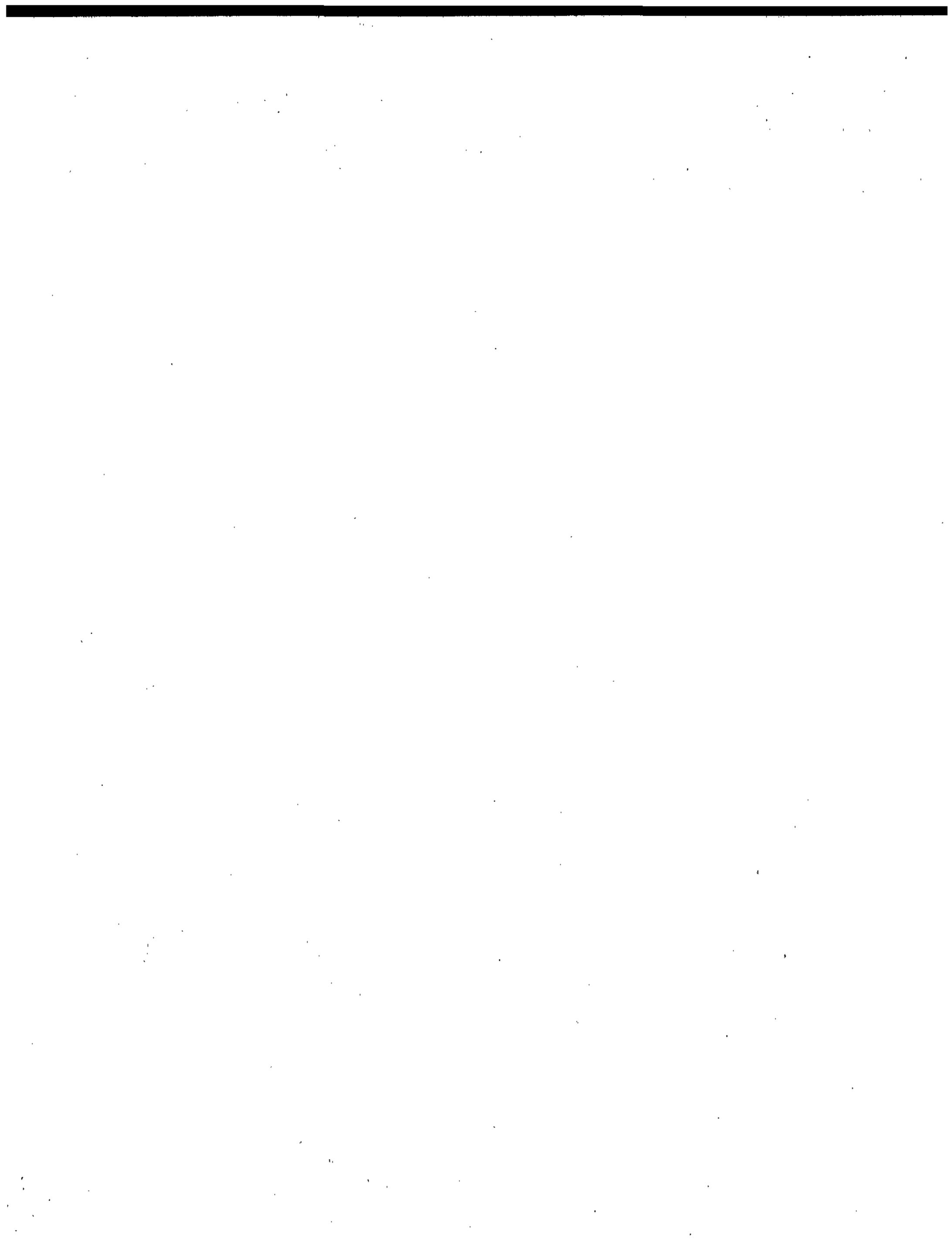
The City adopted a 2004 General Fund budget which uses \$1.99 million of its previously accumulated fund balance to cover the difference between budgeted expenditures and projected revenues. Past experience and current trends indicate that actual results will be more favorable, but that some use of fund balance for current operation will nevertheless occur for the first time since 1986. Major factors contributing to rising operating costs are collective bargaining agreements ratified during the current year, increasing employer contribution rates to all of the statewide retirement systems in which the City participates, the general escalating trend of health benefit costs, and previously noted fire and police staffing increases. If continued, the retirement and health benefit cost trends will have increasingly severe budgetary impact in future years. If necessary, the accumulated General Fund balance will afford the City time to adjust for such impacts with a minimum of service disruption.

Requests for Information

This report is intended to provide interested parties with a general overview of the finances of the City of Lake Charles. Questions or requests for further financial information should be addressed to the Director of Finance, City of Lake Charles, P. O. Box 3706, Lake Charles, Louisiana 70602.



**BASIC FINANCIAL
STATEMENTS**



BASIC FINANCIAL STATEMENTS

CITY OF LAKE CHARLES, LOUISIANA

Statement of Net Assets

September 30, 2003

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 6,322,472	\$ 697,555	\$ 7,020,027	\$ 388,781
Investments	72,914,307	5,243,324	78,157,631	-
Receivables (net of allowance for uncollectables)	10,467,072	993,194	11,460,266	119,666
Internal balances	502,243	(502,243)	-	-
Inventories	182,217	217,411	399,628	-
Prepays	721,315	5,254	726,569	-
Restricted assets:				
Cash and cash equivalents	-	416,729	416,729	57,600
Capital assets (net of accumulated depreciation)				
Land	11,226,969	1,297,683	12,524,652	-
Building	7,181,081	6,150,911	13,331,992	-
Improvements other than buildings	10,411,668	39,312,704	49,724,372	-
Equipment	10,107,726	2,924,305	13,032,031	45,798
Infrastructure	115,995,649	-	115,995,649	-
Construction in progress	7,537,568	2,083,287	9,620,855	-
Total assets	<u>253,570,287</u>	<u>58,840,114</u>	<u>312,410,401</u>	<u>611,845</u>
LIABILITIES				
Accounts payable and other current liabilities	4,031,784	636,865	4,668,649	158,740
Internal balances	-	-	-	-
Deferred revenue	28,793	-	28,793	-
Current claims payable	4,714,224	-	4,714,224	-
Liabilities payable from restricted assets	-	416,729	416,729	-
Noncurrent liabilities:				
Due within one year	2,077,401	5,000	2,082,401	794
Due in more than one year	44,404,806	403,637	44,808,443	-
Total liabilities	<u>55,257,008</u>	<u>1,462,231</u>	<u>56,719,239</u>	<u>159,534</u>
NET ASSETS				
Invested in capital assets, net of related debt	116,656,106	51,768,890	168,424,996	45,004
Restricted for:				
Capital projects	6,285,631	-	6,285,631	-
Debt service	891,273	-	891,273	-
Other purpose - Waste Water	3,436,420	-	3,436,420	-
Unrestricted	71,043,849	5,608,993	76,652,842	407,307
Total net assets	<u>\$198,313,279</u>	<u>\$ 57,377,883</u>	<u>\$ 255,691,162</u>	<u>\$ 452,311</u>

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

CITY OF LAKE CHARLES, LOUISIANA

Statement of Activities For the Year Ended September 30, 2003

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government		
			Grants and Contributions	Capital Grants and Contributions		Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 4,038,040	\$ 3,915,263	\$ 175,680	\$ -	\$ 52,903	\$ -	\$ 52,903	-
Public safety	21,844,723	118,635	1,127,964	-	(20,598,124)	-	(20,598,124)	-
Public works	20,060,175	4,408,335	94,103	1,624,064	(13,933,673)	-	(13,933,673)	-
Planning and development	2,041,589	285,689	809,438	1,910,029	963,567	-	963,567	-
General services	2,918,382	48,257	-	-	(2,870,125)	-	(2,870,125)	-
Community services	4,832,960	169,544	1,020,934	-	(3,642,482)	-	(3,642,482)	-
Interest in long-term debt	698,206	-	-	-	(698,206)	-	(698,206)	-
Total governmental activities	56,434,075	8,945,723	3,228,119	3,534,093	(40,726,140)	-	(40,726,140)	-
Business-type activities								
Civic center	2,824,504	920,085	-	-	-	(1,904,419)	(1,904,419)	-
Golf Course	1,140,382	1,069,405	-	-	-	(70,977)	(70,977)	-
Transit	1,423,950	75,269	678,085	303,005	-	(367,591)	(367,591)	-
Water	6,744,973	6,320,793	-	-	-	(424,180)	(424,180)	-
Total business-type activities	12,133,809	8,385,552	678,085	303,005	-	(2,767,167)	(2,767,167)	-
Total primary government	\$ 68,567,884	\$ 17,331,275	\$ 3,906,204	\$ 3,837,098	\$ (40,726,140)	\$ (2,767,167)	\$ (43,493,307)	\$ -
Component units	\$ 698,790	\$ 452,718	\$ 173,253	\$ -	-	-	(72,819)	(72,819)
General revenues:								
Property taxes		5,755,614			-	-	5,755,614	-
Sales taxes		33,219,743			-	-	33,219,743	-
Franchise taxes		4,729,600			-	-	4,729,600	-
Riverboat taxes		6,429,373			-	-	6,429,373	-
Grants and contributions not restricted to specific programs		179,446			200,000	-	379,446	-
Interest and investment earnings		1,648,176			102,706	-	1,750,882	3,576
Miscellaneous		1,492,275			65,200	-	1,557,475	80,037
Gain (loss) on sales of capital assets		497,377			(10,573)	-	486,804	-
Special items - Hurricane Lili		186,125			-	-	186,125	-
Transfers		(1,489,496)			1,489,496	-	-	-
Total general revenues and transfers		52,648,233			1,846,829	-	54,495,062	83,613
Change in net assets		11,922,093			(920,338)	-	11,001,755	10,794
Net assets - beginning		186,391,186			58,298,221	-	244,689,407	441,517
Net assets - ending		\$ 198,313,279			\$ 57,377,883	\$ 255,691,162	\$ 452,311	\$ 452,311

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

CITY OF LAKE CHARLES, LOUISIANA

Balance Sheet

Governmental Funds

September 30, 2003

ASSETS	General	Riverboat Gaming
Cash (Note 1-G)	\$ 3,229,368	\$ 4,372
Investments (Note 1-G)	18,440,823	60,804
Receivable (net of allowance for uncollectable)		
Accounts (Note 1-I)	3,898,309	643,958
Special Assessments	-	-
Accrued interest	78,129	-
Intergovernmental (Note 7-C)	782,422	-
Deferred note receivable-rehabilitation loans	-	-
Due from other funds (Note 7-B)	300,192	-
Inventory (Note 1-J)	182,217	-
Prepaid items	59,961	-
Total assets	<u>\$ 26,971,421</u>	<u>\$ 709,134</u>
LIABILITIES		
Accounts payable	\$ 1,255,520	\$ 87,083
Contracts payable	-	-
Escrow	91,836	-
Due to other funds	870,796	-
Accrued leave benefits payable (Note 1-L)	56,979	-
Deferred revenues	-	-
Deferred revenues-rehabilitation loans	-	-
Other liabilities	34,800	-
Total liabilities	<u>2,309,931</u>	<u>87,083</u>
FUND BALANCES		
Reserved for inventory	182,217	-
Reserved for prepaid items (Note 1-K)	59,961	-
Reserved for encumbrances (Note 1-F)	382,695	-
Reserved for debt service	-	-
Unreserved:		
Designated for subsequent year's exp	1,991,993	354,289
Designated for capital projects	-	-
Undesignated	22,044,624	267,762
Total fund balances	<u>24,661,490</u>	<u>622,051</u>
Total liabilities and fund balances	<u>\$ 26,971,421</u>	<u>\$ 709,134</u>

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

Community Development	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 89,178	\$ 943,675	\$ 1,112,695	\$ 5,379,288
4,188	2,258,306	34,993,195	8,325,301	64,082,617
-	-	2,403,777	930,284	7,876,328
-	597,068	-	-	597,068
-	12,173	218,151	41,663	350,116
705,652	-	23,525	29,308	1,540,907
11,262	-	-	-	11,262
-	34,075	-	171,461	505,728
-	-	-	-	182,217
-	-	-	1,702	61,663
<u>\$ 721,102</u>	<u>\$ 2,990,800</u>	<u>\$ 38,582,323</u>	<u>\$ 10,612,414</u>	<u>\$ 80,587,194</u>
\$ 656,614	\$ 71,578	\$ 463,671	\$ 305,315	\$ 2,839,781
142,332	-	743,971	-	886,303
3,675	24,858	-	6,459	126,828
74	-	9,417	150,590	1,030,877
-	-	-	15,646	72,625
-	477,655	287,931	-	765,586
11,262	-	-	-	11,262
-	-	-	-	34,800
<u>813,957</u>	<u>574,091</u>	<u>1,504,990</u>	<u>478,010</u>	<u>5,768,062</u>
-	-	-	-	182,217
-	-	-	1,702	61,663
-	-	5,067,271	-	5,449,966
-	2,416,709	-	-	2,416,709
-	-	-	1,682,879	4,029,161
-	-	32,010,062	-	32,010,062
(92,855)	-	-	8,449,823	30,669,354
<u>(92,855)</u>	<u>2,416,709</u>	<u>37,077,333</u>	<u>10,134,404</u>	<u>74,819,132</u>
<u>\$ 721,102</u>	<u>\$ 2,990,800</u>	<u>\$ 38,582,323</u>	<u>\$ 10,612,414</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	162,451,639
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds.	748,055
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	6,099,008
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(45,804,555)
Net assets of governmental activities	<u>\$ 198,313,279</u>

CITY OF LAKE CHARLES, LOUISIANA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For Fiscal Year Ended September 30, 2003

	General	Riverboat Gaming
Revenues:		
Taxes	\$ 32,954,865	\$ 6,429,373
Licenses and permits	5,219,813	-
Intergovernmental	1,559,523	-
Charges for services	1,456,453	-
Fines and forfeitures	234,003	-
Miscellaneous	879,789	608,697
Total revenues	42,304,446	7,038,070
Expenditures:		
Current operating:		
General government	2,152,558	-
Finance	1,306,851	-
Public safety	19,970,232	-
Personnel	274,577	-
Public works	10,475,011	-
Planning and development	1,214,640	-
Community services	-	-
General services	2,630,205	-
Capital projects	-	-
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	-	-
Total expenditures	38,024,074	-
Excess (deficiency) of revenues over expenditures	4,280,372	7,038,070
Other financing sources (uses):		
Transfers in	-	-
Transfers out	(4,175,281)	(6,675,000)
Proceeds from loan	-	-
Total other financing sources (uses)	(4,175,281)	(6,675,000)
Net change in fund balances	105,091	363,070
Fund balance at beginning of year	24,556,399	258,981
Fund balance at end of year	\$ 24,661,490	\$ 622,051

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

<u>Community Development</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 4,126,650	\$ 4,204,074	\$ 47,714,962
-	-	-	-	5,219,813
2,719,467	-	2,158,375	1,211,495	7,648,860
-	-	-	4,575,530	6,031,983
-	-	-	-	234,003
2,471	56,921	2,070,491	801,533	4,419,902
<u>2,721,938</u>	<u>56,921</u>	<u>8,355,516</u>	<u>10,792,632</u>	<u>71,269,523</u>
-	-	-	-	2,152,558
-	-	-	-	1,306,851
-	-	-	248,628	20,218,860
-	-	-	-	274,577
-	-	-	4,246,460	14,721,471
835,953	-	-	-	2,050,593
-	-	-	3,756,893	3,756,893
-	-	-	-	2,630,205
2,047,525	-	20,374,039	607,014	23,028,578
-	945,967	-	-	945,967
-	698,206	-	-	698,206
<u>2,883,478</u>	<u>1,644,173</u>	<u>20,374,039</u>	<u>8,858,995</u>	<u>71,784,759</u>
<u>(161,540)</u>	<u>(1,587,252)</u>	<u>(12,018,523)</u>	<u>1,933,637</u>	<u>(515,236)</u>
44,656	1,494,151	7,475,000	1,367,882	10,381,689
-	-	(384,000)	(1,503,606)	(12,737,887)
-	-	3,247,207	-	3,247,207
<u>44,656</u>	<u>1,494,151</u>	<u>10,338,207</u>	<u>(135,724)</u>	<u>891,009</u>
(116,884)	(93,101)	(1,680,316)	1,797,913	375,773
<u>24,029</u>	<u>2,509,810</u>	<u>38,757,649</u>	<u>8,336,491</u>	<u>74,443,359</u>
<u>\$ (92,855)</u>	<u>\$ 2,416,709</u>	<u>\$ 37,077,333</u>	<u>\$ 10,134,404</u>	<u>\$ 74,819,132</u>

CITY OF LAKE CHARLES, LOUISIANA
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For Fiscal Year Ended September 30, 2003

Amounts reported for governmental activities in the statement of activities
different because:

Net change in fund balances - total governmental funds	\$375,773
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	14,636,234
The Special Revenue Fund had an increase in financial resources resulting from the sale of land. However, in the statement of activities, only the gain on the sale is reported. Thus, the change in net assets differs from the change in fund balance by the cost of the capital asset sold.	(144,200)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(2,301,240)
Internal service funds are used by management to charge the costs of insurance to individual funds. The net expenses of certain activities of internal service funds is reported within the governmental activities.	<u>(644,474)</u>
Change in net assets of governmental activities	<u><u>\$11,922,093</u></u>

CITY OF LAKE CHARLES, LOUISIANA

General Fund

**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For Fiscal Year Ended September 30, 2003**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$32,052,570	\$32,660,275	\$32,954,865	\$294,590
Licenses and permits	4,534,000	4,752,768	5,219,813	467,045
Intergovernmental	1,147,100	1,477,183	1,559,523	82,340
Charges for services	1,426,469	1,455,379	1,456,453	1,074
Fines and forfeitures	258,500	229,500	234,003	4,503
Miscellaneous	1,022,100	816,100	879,789	63,689
Total revenues	40,440,739	41,391,205	42,304,446	913,241
Expenditures:				
Current:				
General government	2,133,572	2,173,494	2,152,558	20,936
Finance	1,219,577	1,300,829	1,306,851	(6,022)
Public safety	18,713,155	20,524,444	19,970,232	554,212
Human Resources	282,805	281,252	274,577	6,675
Public works	11,601,383	11,915,558	10,475,011	1,440,547
Planning	1,299,864	1,330,166	1,214,640	115,526
General services	2,801,301	2,863,254	2,630,205	233,049
Total expenditures	38,051,657	40,388,997	38,024,074	2,364,923
Excess (deficiency) of rev over exp	2,389,082	1,002,208	4,280,372	3,278,164
Other financing sources (uses):				
Operating transfers in	580,000	0	0	0
Operating transfers out	(3,834,519)	(4,195,172)	(4,175,281)	19,891
Total other financing sources (uses)	(3,254,519)	(4,195,172)	(4,175,281)	19,891
Net change in fund balances	(865,437)	(3,192,964)	105,091	3,298,055
Fund balance at beginning of year	24,556,399	24,556,399	24,556,399	0
Fund balance at end of year	\$23,690,962	\$21,363,435	\$24,661,490	\$3,298,055

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

CITY OF LAKE CHARLES, LOUISIANA
Riverboat Gaming Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For Fiscal Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$6,075,000	\$6,075,000	\$6,429,373	\$354,373
Miscellaneous	611,714	611,714	608,697	(3,017)
Total revenues	<u>6,686,714</u>	<u>6,686,714</u>	<u>7,038,070</u>	<u>351,356</u>
Expenditures:				
Other services and charges	0	0	0	0
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues over expenditures	<u>6,686,714</u>	<u>6,686,714</u>	<u>7,038,070</u>	<u>351,356</u>
Other financing sources (uses):				
Operating transfers out	(6,675,000)	(6,675,000)	(6,675,000)	0
Total other financing sources (uses)	<u>(6,675,000)</u>	<u>(6,675,000)</u>	<u>(6,675,000)</u>	<u>0</u>
Excess (deficiency) of rev and other sources over exp and other uses	11,714	11,714	363,070	351,356
Fund balance at beginning of year	<u>258,981</u>	<u>258,981</u>	<u>258,981</u>	<u>0</u>
Fund balance at end of year	<u>\$270,695</u>	<u>\$270,695</u>	<u>\$622,051</u>	<u>\$351,356</u>

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

CITY OF LAKE CHARLES, LOUISIANA

Community Development Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For Fiscal Year Ended September 30, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental:				
Grants - Community Development	\$1,288,000	\$2,820,315	\$2,048,240	(\$772,075)
Grants - Housing Programs	650,529	650,529	671,227	20,698
Program income	0	2,125	2,314	189
Miscellaneous	0	100	157	57
Total revenues	<u>1,938,529</u>	<u>3,473,069</u>	<u>2,721,938</u>	<u>(751,131)</u>
Expenditures:				
Current:				
Personal services	134,994	137,370	137,360	10
Contract and operational	596,548	99,423	30,304	69,119
Material and supplies	3,990	6,525	6,522	3
Special current	77,653	656,792	661,767	(4,975)
Capital outlay	<u>1,180,000</u>	<u>2,047,527</u>	<u>2,047,525</u>	<u>2</u>
Total expenditures	<u>1,993,185</u>	<u>2,947,637</u>	<u>2,883,478</u>	<u>64,159</u>
Excess (deficiency) of revenues over expenditures	(54,656)	525,432	(161,540)	(686,972)
Other financing sources:				
Operating transfers in	<u>54,656</u>	<u>54,656</u>	<u>44,656</u>	<u>(10,000)</u>
Total other financing sources	<u>54,656</u>	<u>54,656</u>	<u>44,656</u>	<u>(10,000)</u>
Excess (deficiency) of rev and other sources over exp and other uses	0	580,088	(116,884)	(696,972)
Fund balance at beginning of year	<u>24,029</u>	<u>24,029</u>	<u>24,029</u>	<u>0</u>
Fund balance at end of year	<u>\$24,029</u>	<u>\$604,117</u>	<u>(\$92,855)</u>	<u>(\$696,972)</u>

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

CITY OF LAKE CHARLES, LOUISIANA

Statement of Net Assets

Proprietary Funds

September 30, 2003

	Business-type Activities-Enterprise Funds				Totals 2003	Governmental Activities - Internal Service Funds
	Civic Center	Golf Course	Public Transit	Water Utility		
ASSETS						
Current assets:						
Cash	\$ 266,881	\$ 150,728	\$ -	\$ 279,946	\$ 697,555	\$ 943,184
Investments	957,756	212,927	10,290	4,062,351	5,243,324	8,831,690
Accounts receivable (net of allowance for uncollectible)	35,142	-	606	723,532	759,280	30,102
Accrued interest receivable	2,658	333	-	28,667	31,658	61,289
Intergovernmental receivables	-	-	93,347	108,909	202,256	-
Due from other funds	100,000	-	82,705	-	182,705	484,201
Inventories	24,510	46,447	-	146,454	217,411	-
Prepaid items	3,943	76	-	1,235	5,254	659,652
Total current assets	1,390,890	410,511	186,948	5,351,094	7,339,443	11,010,118
Restricted assets:						
Customer deposits	-	-	-	416,729	416,729	-
Total restricted assets	-	-	-	416,729	416,729	-
Capital assets:						
Land	-	1,065,698	-	231,985	1,297,683	-
Buses	-	-	1,625,615	-	1,625,615	-
Buildings and structures	20,035,083	589,262	-	570,513	21,194,858	-
Improvements	6,358,175	1,151,444	-	48,425,311	55,934,930	-
Construction in Progress	61,267	-	-	2,022,020	2,083,287	-
Equipment, furniture and fixtures	3,244,542	649,110	24,891	1,554,482	5,473,025	50,668
Total capital assets	29,699,067	3,455,514	1,650,506	52,804,311	87,609,398	50,668
Less accumulated depreciation	17,989,208	1,115,289	500,842	16,235,169	35,840,508	41,646
Total capital assets (net of accumulated depreciation)	11,709,859	2,340,225	1,149,664	36,569,142	51,768,890	9,022
Total assets	13,100,749	2,750,736	1,336,612	42,336,965	59,525,062	11,019,140

Business-type Activities-Enterprise Funds

	Civic Center	Golf Course	Public Transit	Water Utility	Totals 2003	Governmental Activities - Internal Service Funds
LIABILITIES						
Current liabilities :						
Accounts payable	104,880	34,239	111,589	284,981	535,689	32,715
Contracts payable	-	-	-	36,103	36,103	-
Escrow	44,973	20,100	-	-	65,073	-
Due to other funds	13,635	11,663	-	116,459	141,757	-
Accrued insurance claims	-	-	-	-	-	4,389,224
Incurred-not reported claims	-	-	-	-	-	325,000
Total current liabilities	163,488	66,002	111,589	437,543	778,622	4,746,939
Current liabilities payable from restricted assets:						
Customer deposits payable	-	-	-	416,729	416,729	-
Total current liabilities payable from restricted assets	-	-	-	416,729	416,729	-
Non-current liabilities:						
Compensated absences	64,046	28,258	33,955	282,378	408,637	38,732
Accrued insurance claims-noncurrent	-	-	-	-	-	677,652
Total non-current liabilities	64,046	28,258	33,955	282,378	408,637	716,384
Total liabilities	227,534	94,260	145,544	1,136,650	1,603,988	5,463,323
NET ASSETS						
Invested in capital assets	27,187,587	2,402,879	3,006,405	4,100,908	36,697,779	9,022
Unrestricted	(14,314,373)	253,598	(1,815,337)	37,099,407	21,223,295	5,546,795
Total net assets	\$12,873,214	\$2,656,477	\$1,191,068	\$41,200,315	57,921,074	\$ 5,555,817
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					(543,191)	
Change in net assets of business-type activities					<u>\$57,377,883</u>	

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

CITY OF LAKE CHARLES, LOUISIANA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended September 30, 2003

	<u>Business-type</u>	
	<u>Civic Center</u>	<u>Golf Course</u>
Operating revenues:		
Charges for services	\$ 787,487	\$ 1,068,287
Other	132,598	1,118
Total operating revenues	<u>920,085</u>	<u>1,069,405</u>
Operating expenses:		
Personal services	848,881	491,935
Materials and supplies	208,871	335,242
Maintenance	131,993	4,853
Heat, light and power	322,267	41,762
Transportation	-	-
General and administration	199,504	113,620
Claims and losses paid	-	-
Depreciation	1,072,182	140,483
Total operating expenses	<u>2,783,698</u>	<u>1,127,895</u>
Operating income (loss)	<u>(1,863,613)</u>	<u>(58,490)</u>
Nonoperating revenues (expenses):		
Operating grants-governmental agencies	200,000	-
Interest	16,583	4,294
Other	-	(577)
Total nonoperating revenues	<u>216,583</u>	<u>3,717</u>
Income (loss) before operating transfers	<u>(1,647,030)</u>	<u>(54,773)</u>
Capital contributions and transfers:		
Capital contributions		
Municipality	450,000	-
State government	-	-
Federal government	-	-
Developer	-	-
Operating transfers in	690,417	-
Total capital contributions and transfers	<u>1,140,417</u>	<u>-</u>
Change in net assets	<u>(506,613)</u>	<u>(54,773)</u>
Net assets at beginning of year	13,379,827	2,711,250
Net assets at end of year	<u>\$ 12,873,214</u>	<u>\$ 2,656,477</u>

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

Activities-Enterprise Funds

**Governmental
Activities -
Internal
Service Funds**

<u>Public Transit</u>	<u>Water Utility</u>	<u>Totals 2003</u>	
\$ 62,498	\$ 5,840,562	\$ 7,758,834	\$ 6,657,192
12,770	480,232	626,718	322,267
<u>75,268</u>	<u>6,320,794</u>	<u>8,385,552</u>	<u>6,979,459</u>
469,112	2,397,918	4,207,846	366,227
106,418	809,871	1,460,402	5,894
61,909	213,176	411,931	-
-	645,896	1,009,925	-
44,958	-	44,958	-
388,036	1,293,479	1,994,639	2,122,412
-	-	-	6,710,367
141,904	1,106,348	2,460,917	4,407
<u>1,212,337</u>	<u>6,466,688</u>	<u>11,590,618</u>	<u>9,209,307</u>
<u>(1,137,069)</u>	<u>(145,894)</u>	<u>(3,205,066)</u>	<u>(2,229,848)</u>
678,085	-	878,085	-
770	81,059	102,706	175,481
(2,452)	(7,544)	(10,573)	-
<u>676,403</u>	<u>73,515</u>	<u>970,218</u>	<u>175,481</u>
<u>(460,666)</u>	<u>(72,379)</u>	<u>(2,234,848)</u>	<u>(2,054,367)</u>
32,000	-	482,000	-
-	-	-	-
303,005	-	303,005	-
-	65,200	65,200	-
317,079	-	1,007,496	866,702
<u>652,084</u>	<u>65,200</u>	<u>1,857,701</u>	<u>866,702</u>
191,418	(7,179)	(377,147)	(1,187,665)
999,650	41,207,494		6,743,482
<u>\$ 1,191,068</u>	<u>\$ 41,200,315</u>		<u>\$ 5,555,817</u>

Adjustments to reflect the consolidation of
internal service fund activities related
to enterprise funds

(543,191)

Change in net assets of business-type activities

\$ (920,338)

CITY OF LAKE CHARLES, LOUISIANA

Statement of Cash Flows

Proprietary Funds

Fiscal Year Ended September 30, 2003

	<u>Civic Center</u>
Cash flows from operating activities:	
Receipts from customers	\$ 906,376
Payments to employees	(842,427)
Payments to suppliers	(790,267)
Internal activity - payments to other funds	38,084
Net cash provided by operating activities	<u>(688,234)</u>
Cash flow from noncapital financing activities:	
Operating subsidies	690,417
Shared revenue from governmental agencies	200,000
Net cash provided by noncapital financing activities	<u>890,417</u>
Cash flows from capital and related financing activities:	
Purchases of capital assets	(443,882)
Contracts payable	-
Capital contributions	450,000
Net cash provided (used for) capital and related financing activities	<u>6,118</u>
Cash flow from investing activities:	
Purchase of investment securities	(948,843)
Proceeds from sale and maturities of investment securities	587,827
Interest on investments	18,860
Net cash provided (used for) investing activities	<u>(342,156)</u>
Net increase (decrease) in cash and cash equivalents	(133,855)
Cash and cash equivalents at beginning of year	400,736
Cash and cash equivalents at end of year	<u>\$ 266,881</u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$(1,863,613)</u>
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	1,072,182
(Increase) decrease in accounts receivable	(10,973)
(Increase) decrease in due from other funds	50,000
(Increase) decrease in inventories	(352)
(Increase) decrease in prepaid items	601
Increase (Decrease) in accounts payables	44,046
Increase (Decrease) in miscellaneous payables	32,086
Increase (Decrease) in customer deposit account	-
Increase (Decrease) in compensated absences payable	(294)
Increase (Decrease) in due to other funds	(11,917)
Total adjustments	<u>1,175,379</u>
Net cash provided (used) by operating activities	<u>\$ (688,234)</u>

Noncash investing and capital activities:

Assets transferred in cost \$1,617 and had accumulated depreciation of \$1,617. Net loss equaled \$0.

Assets retired costs \$439,433 and had accumulated depreciation of \$428,860. Net loss equaled \$10,573.

Donated developer constructed water system extensions of \$65,200 were recorded as capital contribution.

Change in the fair value of investments resulted in an unrealized gain of \$6,406 at year end 2002 and an unrealized loss of \$36,837 at year end 2003.

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

Business-type Activities - Enterprise Funds

Golf Course	Transit	Water Utility	Totals 2003	Governmental Activities Internal Service Funds
\$ 1,073,415	\$ 78,458	\$ 6,409,782	\$ 8,468,031	\$ 7,070,861
(494,760)	(477,346)	(2,402,738)	(4,217,271)	(366,090)
(500,664)	(701,175)	(3,064,487)	(5,056,593)	(8,181,316)
9,597	48,746	85,670	182,097	(484,297)
<u>87,588</u>	<u>(1,051,317)</u>	<u>1,028,227</u>	<u>(623,736)</u>	<u>(1,960,842)</u>
-	317,079	-	1,007,496	866,702
-	1,070,470	-	1,270,470	-
-	<u>1,387,549</u>	-	<u>2,277,966</u>	<u>866,702</u>
(85,023)	(378,756)	(869,567)	(1,777,228)	-
-	-	(5,659)	(5,659)	-
-	32,000	-	482,000	-
<u>(85,023)</u>	<u>(346,756)</u>	<u>(875,226)</u>	<u>(1,300,887)</u>	<u>-</u>
(301,194)	(246)	(5,165,937)	(6,416,220)	(14,448,861)
274,963	10,000	4,530,928	5,403,718	15,151,658
5,071	770	105,760	130,461	279,692
<u>(21,160)</u>	<u>10,524</u>	<u>(529,249)</u>	<u>(882,041)</u>	<u>982,489</u>
(18,595)	-	(376,248)	(528,698)	(111,651)
169,323	-	1,072,923	1,642,982	1,054,835
<u>\$ 150,728</u>	<u>\$ -</u>	<u>\$ 696,675</u>	<u>\$ 1,114,284</u>	<u>\$ 943,184</u>
<u>\$ (58,490)</u>	<u>\$(1,137,068)</u>	<u>\$ (145,894)</u>	<u>\$(3,205,065)</u>	<u>\$ (2,229,848)</u>
140,483	141,904	1,106,348	2,460,917	4,407
4,010	3,189	94,805	91,031	91,402
-	48,746	-	98,746	(484,201)
(5,922)	-	(29,355)	(35,629)	-
(35)	3	(870)	(301)	26,953
2,124	(98,163)	(78,993)	(130,986)	9,067
2,077	-	-	34,163	622,381
-	-	14,811	14,811	-
(6,256)	(9,928)	(18,295)	(34,773)	(907)
9,597	-	85,670	83,350	(96)
<u>146,078</u>	<u>85,751</u>	<u>1,174,121</u>	<u>2,581,329</u>	<u>269,006</u>
<u>\$ 87,588</u>	<u>\$(1,051,317)</u>	<u>\$ 1,028,227</u>	<u>\$(623,736)</u>	<u>\$ (1,960,842)</u>

CITY OF LAKE CHARLES, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

September 30, 2003

1. Summary of Significant Accounting Policies

A. Reporting Entity

The City of Lake Charles, Louisiana (the City) was incorporated in 1867, and operates under a home rule charter, which became effective in 1961. The City utilizes the Mayor-Council form of government and provides a full range of municipal services under a centralized system of administration.

The accounting and financial reporting policies of the City conform to generally accepted accounting principles as applicable to governments. Such policies also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audit of State and Local Governmental Units. Following is a summary of the more significant accounting policies.

The accompanying financial statements include all funds, which are directly controlled by the City, and which constitute the primary government as defined for financial reporting purposes. In accordance with generally accepted accounting principles, this report also includes component units, which are legally separate from the City but considered to be fiscally dependent on the primary government. Component units are discretely presented in this report, are reported for periods and balance sheet dates which differ from the City's, and have been separately audited. Further disclosures concerning such units are provided below.

Discretely Presented Component Units

Financial data of component units is displayed in the Component Unit column of the Statement of Net Assets and Statement of Activities, and is segmented for the respective units in the Required Supplemental Information Section. The reported component units are as follows:

City Court of Lake Charles:

This entity is created by state statutes, which provide for its governance by independently elected officials and has a jurisdictional area extending beyond the corporate limits of the City. Although legally separate, City Court is fiscally dependent upon the government because of the statutory requirements that the City provide and maintain the physical facilities necessary for its operation. The relationship between the City and City Court is such that exclusion would cause the City's financial statements to be incomplete. Financial data reported for the City Court component unit is from its separately audited financial statements for the fiscal year ended December 31, 2002.

Ward Three Marshal - City Court:

The office of Ward Three Marshal, which is governed by an independently elected official, is created in the same statutory manner as City Court and has a corresponding area of jurisdiction. Although legally separate, the office of Ward Three Marshal is fiscally dependent upon the government because of the statutory requirements that the City provide and maintain the physical facilities necessary for its operation. The relationship between the Marshal and the City is such that exclusion would cause the City's financial statements to be incomplete. Financial data reported for this component unit are from its separately audited financial report for the year ended December 31, 2002. Complete financial statements of the individual

NOTES TO FINANCIAL STATEMENTS

component units are available from the City of Lake Charles at 326 Pujoe Street, Lake Charles, Louisiana 70601.

B. Government-wide and Fund Financial Statement

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and the intergovernmental revenues, are reported separately from business-type activities, which rely primarily on charges for services for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

NOTES TO FINANCIAL STATEMENTS

The City of Lake Charles reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Riverboat Gaming Special Revenue Fund - This fund accounts for receipt and subsequent expenditure or transfer of revenue from casino riverboat admissions taxes, development contributions and related City-owned parking.

Community Development Special Revenue Fund - This fund accounts for the receipt and subsequent expenditure of federal funds received from the Department of Housing and Urban Development for housing and community development purposes, including related revenues which are restricted to such purposes by grant agreements. The principal revenue source accounted for within this fund is the Community Development Block Grant Program.

Debt Service Fund - This fund is used to account for the accumulation of resources and the payments made for principal, interest, and related costs on long-term debt obligations of governmental funds.

Capital Projects Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds.)

The City of Lake Charles reports the following proprietary funds:

Civic Center - This fund accounts for the activities of the Lake Charles Civic Center.

Golf Course - This fund accounts for the activities of Mallard Cove Golf Course.

Transit Fund - This fund accounts for the operation of the city's transit system.

Water Fund - This fund accounts for the operation of the city's water system.

The City reports the following fund types:

Internal Service Funds - Internal Service Funds are used to account for the insurance needs provided to other departments of the City, or to other governments, on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payments between the government's water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

NOTES TO FINANCIAL STATEMENTS

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The intent of the governing body is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges and are reported as program revenues.

Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All other revenues and expenses are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City's investment program is authorized and limited by state statute and city ordinances to purchases of securities issued or guaranteed by the U.S. government and its agencies or instrumentalities and participation in the Louisiana Asset management Pool, Inc. (LAMP). LAMP is a non-profit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool equivalent to a money market fund. LAMP invests in short-term instruments permitted by statute.

Investments for the government, its component units and for LAMP are reported at fair value.

2. Receivables and payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All receivables, including those for grass cutting and demolition assessments in the governmental funds and water and sewer charges in the enterprise funds, are shown net of an allowance for uncollectables. The allowance for estimated uncollectible receivables is established based on historical collection experience and other relevant circumstances.

There appears to be concentration of credit risk with regard to general accounts receivable and more specifically accounts receivable for water and sewer user fees in the Waste Water Special Revenue Fund and the Water Utility Enterprise Fund. The City's ability to collect the amounts due from the users of the City water and sewer system and others (as reflected on the financial statements) may be affected by significant economic fluctuations, natural disaster or other calamity in this one concentrated geographic location.

The City property taxes must be levied by December 1st of each year. Property taxes are due by December 31st and are delinquent by January 1st. Delinquent property taxes are assessed interest at one and one-quarter percent per month for the period of delinquency. Property owners with taxes still delinquent by March 1st are notified by certified mail that they have twenty days to pay delinquent property taxes. The lien date is the date in which the tax assessor files the tax roll with the Clerk of Court, which is the same as the levy date. Sale of delinquent properties is held each year as soon as possible after May 1st. Most taxes are collected in December, January and February.

3. Inventories and prepaid items

Inventory is valued at average cost. Inventory in the General Fund consists of materials and supplies held for consumption, and is accounted for under the consumption method where expenditures are recorded when the goods are used. Inventories are also held in the Enterprise funds. These consist of

NOTES TO FINANCIAL STATEMENTS

concession supplies held for sale to the public and materials held for water system maintenance and improvements.

Payments made to vendors for services that will benefit subsequent periods are recorded as prepaid items in both governmental-wide and fund financial statements.

4. Restricted assets

Customer deposits in the Water Enterprise Fund are classified as restricted assets on the balance sheet because their use is limited to repayment of deposit to qualified customers or upon termination of service.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. All capital assets constructed during the past 25 years have been financed on a pay-as-go basis. The City of Lake Charles began the construction of a new sewer treatment facility during the current fiscal year and had incurred debt to finance this project.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20
Improvements other than buildings	20
Public Domain infrastructure	10 – 50
System infrastructure	10 – 50
Machinery and equipment	7

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The amount that is recorded in governmental fund statements is the amount estimated to be paid during the first quarter of the subsequent fiscal year based on 3 years of history.

Vacation is based on the number of years service and is earned as follows:

First four years	10 days
Five to nine years	15 days
Ten to nineteen years	20 days
Nineteen years and over	25 days

NOTES TO FINANCIAL STATEMENTS

Sick pay is based on the number of years service and is carried as follows:

First three years	8 hours per month
Four years and over	12 hours per month

Sick pay is not vested except at retirement, where accumulated sick pay hours up to six hundred (600) are payable to non-civil service retirees. The termination payment liability was calculated by developing a ratio based on historical data of sick leave paid at termination compared with sick leave accumulated and by applying that ratio to the sick leave accumulated by the current employee population as of September 30, 2003. Current sick pay benefits are recorded in the governmental fund statements. This is the amount estimated to be paid during the first quarter of the subsequent fiscal year base on three years of history. The entire estimated termination payment liability is recorded in the government-wide and proprietary fund financial statements.

City employees may receive compensatory time off with pay in lieu of overtime pay for work in excess of regular scheduled hours. Accumulation of unused compensatory time is limited, and any unused or unpaid portion is payable upon separation from employment. Compensatory time is accrued when incurred in the government-wide and proprietary funds financial statements. An estimated current portion of compensatory time is recorded in the governmental fund statements.

At September 30, 2003 the total liability for accrued vacation, sick and compensatory time recorded in the government-wide financial statements was \$1,823,886. The amount recorded in the proprietary funds equaled \$408,637.

7. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize principal payments during the current period. The face amount of debt issued is reported as other financing sources.

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for specific purposes. Designations of fund balance represents tentative management plans that could be subject to change.

The fund financial statements show reservations of fund balance for inventory, prepaid items, encumbrances and debt service. There are also unreserved designations for subsequent year's expenditures and capital projects. All of these items are included as elements of net assets on the government wide statement.

NOTES TO FINANCIAL STATEMENTS

2. Reconciliation of Government-wide Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains “long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$45,804,555 difference are as follows:

LCDA Bonds payable	\$25,000,000
Pension refunding bonds	9,735,000
Sales tax increment financing agreement	2,736,270
Cooperative endeavor-Sales tax Dist. No.3	5,885,391
Compensated absences	1,823,886
Police benefits guarantee	<u>624,008</u>
 Net adjustment to reduce fund balance-total governmental funds to arrive at net assets -governmental activities	 <u>\$45,804,555</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of the \$14,636,234 are as follows:

Capital outlays	\$22,907,125
Depreciation expense	(8,103,037)
Loss on retirement of capital assets	<u>(167,854)</u>
 Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$14,636,234</u>

Another element of that reconciliation states that “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect of net assets.” The details of this \$2,301,240 are as follows:

Debt issued or incurred:	
Issuance of LCDA demand bonds	\$(3,247,207)
Principal repayment:	
Pension refunding bonds	640,000
Police benefit guarantees	79,304
Sales tax increment financing agreement	112,054
Cooperative endeavor-Sales Tax Dist No 3	<u>114,609</u>
 Net adjustment to decrease net changes in fund balances – total governmental Funds to arrive at changes in net assets of governmental activities	 <u>\$(2,301,240)</u>

NOTES TO FINANCIAL STATEMENTS

3. Stewardship, Compliance, and Accountability

A. Budgetary information

The City annually adopts and implements an operating and capital budget in accordance with requirements of the City Charter and applicable state law for the General Fund and all Special Revenue and Proprietary Funds. The Capital Projects Fund's budget is a project based capital budget. Policies and procedures with respect to budget adoption and budgetary control are as follows:

1. The Mayor submits the proposed operating budget for the fiscal year commencing October 1 to the City Council no later than August 15. This budget includes proposed expenditures and the means of financing them.
2. A summary of the proposed budget and notices of public hearing are published in accordance with statutory requirements.
3. The proposed budget is subject to one or more public hearings before the City Council prior to adoption by ordinance, which must occur no later than September 15. The City Charter requires a two-thirds vote of the City Council to amend the proposed budget submitted by the Mayor.
4. Expenditures are legally restricted to budgetary appropriations at the department level within the General Fund and at the fund level for Special Revenue Funds, which are not departmentalized. Revisions, which alter the total expenditures of any such department or fund, must be approved by budget amendment ordinance adopted by the City Council at the request of the Mayor. Transfers of budgeted amounts between expenditure objects or programs within the same department and fund are authorized to be made administratively by the Director of Finance.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and the Capital Projects Fund, which is budgeted on a project basis. Formal budgetary integration is not employed in the Debt Service Funds because effective budgetary control is alternatively achieved through the respective bond indentures and provisions.
6. Budgets for the General, Special Revenue, and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Comparisons of budgeted and actual results of operation are presented for the General Fund and Special Revenue Funds in the accompanying financial statements. The Capital Projects Fund is not included in this budget and actual comparison, as the capital budget which encompasses that fund is presented on the basis of cumulative as opposed to annual budget amounts.
7. All budgetary appropriations except capital project budgets lapse at the end of each fiscal year.
8. Budgeted amounts are as originally adopted, or as amended by the City Council. The originally adopted General Fund budget was \$41,886,176. Amendments in the amount of \$2,697,993 resulted in the final General Fund budget of \$44,584,169 as presented in the accompanying statements. Amendments were necessary to fund the cost of a temporary pay supplement that was implemented in December, 2002, additional overtime expenses in the Fire and Police Department and the increased retirement contributions to the Police and Municipal Employee's Retirement Systems.

The originally adopted amount of all Special Revenue Funds was \$18,607,912. Amendments in the amount of \$2,366,910 resulted in the final total Special Revenue Fund budget of \$20,974,822. Amendments were initiated in response to grant awards and grant balance carry-overs involving Special Revenue Funds. There was also an increase in the transfer from the Waste Water Special Revenue Fund to the Capital Projects Fund for the sewer treatment facility.

NOTES TO FINANCIAL STATEMENTS

B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Funds.

In accordance with generally accepted accounting principles, outstanding encumbrances at year-end for which goods or services are received are reclassified to expenditures and accounts payable. All other encumbrances in the annual budgeted funds are reversed at year end and are either canceled or are included as reappropriations of fund balance for the subsequent year. Encumbrances at year-end in funds that are budgeted on a project basis, including Enterprise Fund construction projects, are carried forward along with their related appropriations and are not subject to an annual cancellation and reappropriation.

C. Excess of Expenditures Over Appropriations

For the fiscal year ended September 30, 2003, expenditures exceeded appropriations in the Finance Department of the General Fund by \$6,022. This excess is attributable to the sales tax collection fee, which is proportional to the sales tax revenue collections.

D. Deficit fund equity

The Community Development Special Revenue Fund had a deficit fund balance of \$92,855 at September 30, 2003. This deficit consists of retainage payments to contractors that have been recorded as an expenditure but will not be reimbursed until payment has been made.

E. Unfavorable Revenue Variance in Special Revenue Funds

The total intergovernmental revenue of Special Revenue Funds was \$3,930,962, which was \$567,050 less than the amount budgeted. This unfavorable variance is attributable to variances in grant program revenues which are budgeted on the basis of grant awards but actually received as expenditure reimbursements in the Community Development and Grants funds. Such expenditure-driven revenue variances in Special Revenue Funds are exempted from the budgetary notification and amendment requirements otherwise applicable to the general and special revenue fund types under the Louisiana Local Government Budget Act. The Recreation Fund received \$300,000 from the Calcasieu Parish Police Jury that was unbudgeted.

4. Detailed Notes on All Funds

A. Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet within "cash and investments" or "restricted cash and investments" where applicable. In addition, investments are separately held by several of the City's funds. Legal and contractual provisions with respect to deposits and investments are substantially the same for all funds and fund types.

NOTES TO FINANCIAL STATEMENTS

Deposits

Governmental Accounting Standards Board Statement 3 (GASB-3) concludes that deposits with financial institutions should be evaluated for risk and classified in one of the three following categories:

Category 1-Insured or collateralized with securities held by the governmental entity or by its agent in the name of the governmental entity.

Category 2-Collateralized with securities held by the pledging institution's trust department or agent in the governmental entity's name.

Category 3-Uncollateralized, including any deposits collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the governmental entity's name.

Demand deposits of the City are maintained under a banking agreement in which account balances are collateralized entirely by U.S. Treasury and government agency securities held by a Federal Reserve Bank in the City's name (Category 1). The bank balance of such deposits at September 30, 2003 was \$10,658,624 (carrying amount \$6,589,884).

The total includes restricted cash in the amount of \$416,729 from customer deposits in the Water Utility Enterprise Fund. The amounts do not include petty cash of \$25,754 or \$78,000 that is on deposit with a third party for the administration of the City's insurance claims. It also does not include a cash overdraft of \$652,979 reported as accounts payable in the Community Development Special Revenue Fund and \$90,139 reported as accounts payable in the Transit Enterprise Fund.

The carrying amounts of cash deposits for component units at their respective balance sheet dates were \$335,907 for City Court and \$110,474 for the Ward Three Marshal. These amounts were fully covered by federal deposit insurance.

Investments

The City's investments are categorized below in accordance with GASB Statement No. 3 to give an indication of the level of risk assumed at year-end. Category 1, which represents the lowest level of risk, includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments with the securities held by the counter party's trust department or agent in the City's name. Category 3, which represents the greatest level of risk according to GASB Statement No. 3, includes uninsured and unregistered investments for which securities held by the counter party or by its trust department or agent but not in the government's name.

The City's investment program is authorized and limited by state statute and city ordinance to purchases of securities issued or guaranteed by the U.S. government and its agencies or instrumentalities and participation in the Louisiana Asset Management Pool, Inc. (LAMP). LAMP is a non-profit corporation formed by an initiative of the State Treasurer, and organized under the laws of the State of Louisiana which operates a local government investment pool equivalent to a money market fund. Security investments are carried at fair value; investment in LAMP is carried at cost, which approximates market.

NOTES TO FINANCIAL STATEMENTS

Carrying amounts at September 30, 2003 were as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
U.S. Treasury and agency obligations held by the City or the City's agent in the City's name (Category 1)	\$65,320,664	\$65,320,664
Investment in Louisiana Asset Management Pool (Uncategorized)	<u>12,836,967</u>	<u>12,836,967</u>
Total	<u>\$78,157,631</u>	<u>\$78,157,631</u>

The investment in Louisiana Asset Management Pool is not classified into any of the three credit risk categories, as the City's shares in the pool are not evidenced by securities which exist in either physical or book entry form. All other investments and deposits were maintained under Category 1.

B. Receivables

Receivables as of year end for the City of Lake Charles's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectable accounts are as follows:

Governmental-type Activities	General	Riverboat Gaming	Community Development	Debt Service	Capital Projects	Nonmajor & Other Funds	Total Governmental- Activities
Receivables:							
Accounts	\$ 105,392	\$ 0	\$ 0	\$ 0	\$2,046,010	\$ 798,880	\$ 2,950,282
Taxes	3,505,751	643,958	0	0	357,767	306,658	4,814,134
Property standards & special assesmnt	921,680	0	0	1,194,137	0	0	2,115,817
Interest	78,129	0	0	12,173	218,151	102,952	411,405
Intergovernmental	782,422		705,652		23,525	29,308	1,540,907
Deferred notes	0	0	11,262	0	0	0	11,262
Gross receivables	5,393,374	643,958	716,914	1,206,310	2,645,453	1,237,798	11,843,807
Less: allowance for uncollectable	(634,514)	0	0	(597,069)	0	(145,152)	(1,376,735)
Net total receivables	\$4,758,860	\$643,958	\$716,914	\$609,241	\$2,645,453	\$1,092,646	\$10,467,072

	Civic Center	Golf Course	Public Transit	Water	Total Business- Type Activities	Total Government
Receivables:						
Accounts	\$35,142	\$ 0	\$ 606	\$ 916,041	\$ 951,789	\$ 3,902,071
Taxes	0	0	0	0	0	4,814,134
Property standards & special assessment	0	0	0	0	0	2,115,817
Interest	2,658	333		28,667	31,658	443,063
Intergovernmental	0	0	93,347	108,909	202,256	1,743,163
Deferred notes	0	0	0	0	0	11,262
Gross receivables	37,800	333	93,953	1,053,617	1,185,703	13,029,510
Less: allowance for uncollectable	0	0	0	(192,509)	(192,509)	(1,569,244)
Net total receivables	\$37,800	\$ 333	\$93,953	\$ 861,108	\$ 993,194	\$11,460,266

NOTES TO FINANCIAL STATEMENTS

Intergovernmental receivables consisted of the following:

Governmental type activity:	
Calcasieu Parish Police Jury - Ward 3 Fire Protection Rebate	\$ 709,366
Calcasieu Parish Police Jury	77,546
City of Sulphur	6,000
U.S. Customs Department	7,707
Community Development Grant for year ended September 30, 2003	440,380
LA Department of Treasury	23,015
LA Commission on Law Enforcement and Admin. Of Criminal Justice Grant for year ended September 30, 2003	11,621
Housing & Urban Development Emergency Grants	265,272
Total Governmental-type activities	1,540,907
Business-type activity:	
Mass Transit Operating Assistance Grant ended September 30, 2003	85,548
LA Department of Transportation	116,708
Total Business-type activities	202,256
Total primary government	\$1,743,163

NOTES TO FINANCIAL STATEMENTS

C. Capital Assets

Capital asset activity for the fiscal year ended September 30, 2003 was as follows:

Primary Government

Governmental Activities:

Asset	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$11,371,169	\$ 0	\$(144,200)	\$11,226,969
Construction in progress	2,884,434	7,134,322	(2,481,188)	7,537,568
Total capital assets, not being depreciated	14,255,603	7,134,322	(2,625,388)	18,764,537
Capital assets being depreciated:				
Buildings	13,244,432	3,129,396	(7,950)	16,365,878
Improvements	24,140,776	759,309	(41,937)	24,858,148
Machinery & Equipment	21,854,837	4,575,189	(1,928,979)	24,501,047
Infrastructure	160,697,037	8,496,770	0	169,193,807
Total capital assets being depreciated	219,937,082	16,960,664	(1,978,866)	234,918,880
Less accumulated depreciation for:				
Buildings	(8,676,696)	(516,051)	7,950	(9,184,797)
Improvements	(13,336,088)	(1,152,329)	41,937	(14,446,480)
Machinery & Equipment	(13,959,043)	(2,195,403)	1,761,125	(14,393,321)
Infrastructure	(48,954,499)	(4,243,659)	0	(53,198,158)
Total accumulated depreciation	(84,926,326)	(8,107,442)	1,811,012	(91,222,756)
Total capital assets, being depreciated, net	135,010,756	8,853,222	(167,854)	143,696,124
Governmental activities capital assets, net	\$149,266,359	\$15,987,544	\$(2,793,242)	\$162,460,661

The assets of the Internal Service Funds are included in the table for assets related to Governmental-type activities. Total assets are \$50,668 with accumulated depreciation of \$41,646. Remaining value of assets at September 30, 2003 equaled \$9,022 and this total is included in net asset statement for the Governmental-type activities.

NOTES TO FINANCIAL STATEMENTS

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,297,683	\$ 0	\$ 0	\$ 1,297,683
Construction in progress	2,454,887	214,015	(585,615)	2,083,287
Total capital assets, not being depreciated	3,752,570	214,015	(585,615)	3,380,970
Capital assets being depreciated:				
Buildings	21,194,858	0	0	21,194,858
Improvements	54,588,970	1,345,960	0	55,934,930
Machinery & Equipment	6,697,913	840,160	(439,433)	7,098,640
Total capital assets being depreciated	82,481,741	2,186,120	(439,433)	84,228,428
Less accumulated depreciation for:				
Buildings	(14,451,912)	(592,035)	0	(15,043,947)
Improvements	(15,210,802)	(1,411,424)	0	(16,622,226)
Machinery & Equipment	(4,145,737)	(457,458)	428,860	(4,174,335)
Total accumulated depreciation	(33,808,451)	(2,460,917)	428,860	(35,840,508)
Total capital assets, being depreciated, net	48,673,290	(274,797)	(10,573)	48,387,920
Governmental activities capital assets, net	\$52,425,860	\$(60,782)	\$(596,188)	\$51,768,890

Depreciation expense was charged to functions / programs of the primary government as follows:

Governmental activities:	
General government	\$ 70,882
Public safety	1,324,636
Public works	5,510,847
Planning and development	24,177
General services	318,796
Community services	853,697
Capital assets held by the government's internal service funds are charges to the various functions based on their usage of the assets	4,407
Total depreciation expense – governmental activities	\$8,107,442
Business-type activities:	
Civic Center	\$1,072,182
Golf Course	140,483
Transit	141,904
Water	1,106,348
Total depreciation expense – business-type activities	\$2,460,917

NOTES TO FINANCIAL STATEMENTS

D. Construction commitments

The City had total commitments of \$13,258,042 with contractors for unfinished construction projects as of September 30, 2003, categorized as follows:

Project type	Expended to Date	Remaining Commitment
Streets and storm drainage	\$6,409,696	\$5,965,980
New athletic complex	3,149,282	804,814
Sanitary sewer rehabilitation	1,496,745	491,780
Waste water treatment facility	4,194,928	4,871,272
Water distribution improvements	145,771	309,692
Civic Center cooling towers	0	814,504
Total	\$15,396,422	\$13,258,042

Approximately \$1,029,000 of the remaining commitment for street and storm drainage projects and \$300,000 for the new athletic complex will be financed from intergovernmental grants. The entire remaining commitment for wastewater treatment facilities will be financed from bond proceeds. All other remaining commitments are financed from existing city resources.

E. Discretely presented component units

Capital asset activity for the year ended December 31, 2002 was as follows for City Court:

	Balance 1/01/2002	Additions	Deletions	Balance 12/31/2002
Governmental activities:				
Equipment	\$256,419	\$ 4,207	\$(200)	\$260,426
Furniture and fixtures	10,314	0	0	10,314
Totals at historical cost	266,733	4,207	(200)	270,740
Less accumulated depreciation:				
Equipment	(244,936)	(3,884)	80	(248,740)
Furniture and fixtures	(10,314)	0	0	(10,314)
Total accumulated depreciation	(255,250)	(3,884)	80	(259,054)
Governmental activities capital assets, net	\$11,483	\$ 323	(120)	\$11,686

Capital asset activity for the year ended December 31, 2002 was as follows for City Marshal:

	Balance 1/01/2002	Additions	Deletions	Balance 12/31/2002
Governmental activities:				
Equipment	\$144,418	\$11,617	\$(21,331)	\$134,704
Furniture and fixtures	19,292	0	(12,100)	7,192
Totals at historical cost	163,710	11,617	(33,431)	141,896
Less accumulated depreciation:				
Equipment	(109,341)	(13,002)	21,331	(101,012)
Furniture and fixtures	(18,730)	(141)	12,100	(6,771)
Total accumulated depreciation	(128,071)	(13,143)	33,431	(107,783)
Governmental activities capital assets, net	\$35,639	\$(1,526)	\$ 0	\$34,113

NOTES TO FINANCIAL STATEMENTS

E. Interfund receivables, payables and transfers

The composition of interfund balances as of September 30, 2003 is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Community Development	\$ 74
	Non-major Waste Water Fund	87,094
	Non-major Grant Fund	61,850
	Capital Project Fund	9,417
	Civic Center Fund	13,635
	Golf Course Fund	11,663
	Water Fund	116,459
Debt Service Fund	General Fund	34,075
Civic Center Fund	General Fund	100,000
Public Transit Fund	General Fund	82,705
Risk Management Fund	General Fund	351,354
	Non-major Grant Fund	1,646
Employee Insurance Fund	General Fund	131,201
Nonmajor Recreation Fund	General Fund	166,767
Nonmajor Grant Fund	General Fund	4,694
Total		\$1,172,634

Interfund transfers:

	Transfers in						Total
	Community Development	Debt Service	Capital Projects	Nonmajor Governmental	Enterprise	Internal Service	
Transfer out:							
General	\$44,656	\$1,390,545	\$ 0	\$1,117,882	\$1,139,496	\$482,702	\$ 4,175,281
Riverboat	0	0	6,075,000	250,000	350,000	0	6,675,000
Non-major Governmental	0	103,606	1,400,000	0	0	0	1,503,606
Capital	0	0	0	0	0	384,000	384,000
Total	\$44,656	\$1,494,151	\$7,475,000	\$1,367,882	\$1,489,496	\$866,702	\$12,737,887

G. Long-Term Debt

Bonds payable as of September 30, 2004 are comprised of the following individual issues and are entirely related to governmental activities:

\$3,600,000 Series 1998A Tax-exempt Refunding Bonds due in annual amounts of \$370,000 in 2010 and \$1,030,000 to \$1,125,000 from 2011 through 2013; interest rates at 4.55% to 4.70%	\$ 3,600,000
\$9,055,000 Series 1998B Taxable Refunding Bonds due in annual amounts of \$540,000 to \$910,000 through 2010 and \$805,000 in 2014; interest rates of 7.77% to 6.55%	6,135,000
\$25,000,000 Variable rate demand bonds – LCDA for construction of sewer treatment facility due in amounts of \$715,000 to \$1,560,000 through 2022 and \$4,125,000 in 2023; interest rates was 2.6% at year end	25,000,000
Total bonds payable	<u>\$34,735,000</u>

NOTES TO FINANCIAL STATEMENTS

Annual debt service requirements to maturity of the bonds are as follows:

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2004	\$ 1,390,000	\$1,205,021	\$2,595,021
2005	1,485,000	1,145,256	2,630,256
2006	1,560,000	1,081,621	2,641,621
2007	1,645,000	1,013,701	2,658,701
2008	1,730,000	941,771	2,671,771
2009 – 2010	3,735,000	1,646,675	5,381,675
2011 – 2015	9,400,000	2,739,630	12,139,630
2016 – 2020	6,610,000	1,463,280	8,073,280
2021 – 2025	7,180,000	441,740	7,621,740
Total	\$34,735,000	\$11,678,695	\$46,413,695

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2003 was as follows:

	Balance 10/01/2002	Additions	Reductions	Balance 9/30/2003	Due within one year
Governmental activities:					
Bonds payable:					
Variable rate demand bonds – LCDA	\$ 0	\$25,000,000	\$ 0	\$25,000,000	\$715,000
Pension refunding bonds payable	10,375,000	0	(640,000)	9,735,000	675,000
Total bonds payable	10,375,000	25,000,000	(640,000)	34,735,000	1,390,000
Compensated absences	1,961,714	50,074	(149,170)	1,862,618	3,000
Police Benefit Guarantee	707,222	0	(83,214)	624,008	94,401
Sales tax increment financing agreement	2,848,324	0	(112,054)	2,736,270	300,000
Cooperative endeavor-Sales Tax Dist 3	0	6,000,000	(114,609)	5,885,391	290,000
Claims and judgments	908,531	87,215	(318,094)	677,652	0
Long-term liabilities	\$16,800,791	\$31,137,289	\$(1,417,141)	\$46,520,939	\$2,077,401
Business-type activities:					
Compensated absences	\$443,410	\$0	\$(34,773)	\$408,637	\$5,000

5. Other Information

A. Risk Management

As of July 1, 1986 the City became self-insured with regard to workmen's compensation, auto liability, general liability, and a portion of police professional liability risk. The Risk Management Fund was established as an internal service fund at that date to account for all claims, expenses and administrative costs related to these self-insured and retained risks. The fund employs a claims adjuster to service and estimate claim losses, and uses both in-house legal staff and outside counsel for defense of self-insured claims. Excess risk or stop-loss coverages are used to limit retained risk where feasible, and the cost of such coverages is also paid through the Risk Management Fund.

NOTES TO FINANCIAL STATEMENTS

As an internal service activity, the Risk Management Fund is a proprietary fund in which both current and long-term liabilities for claims and losses are recognized and reported when the liability is incurred. Financial resources are provided to the fund primarily through internal service charges that are distributed among other departments and funds in proportion to estimated risk and prior loss experience. A portion of the fund's accumulated resources is designated for catastrophic losses as provided by authorizing ordinance. All remaining fund equity is reserved for subsequent workmen's compensation and liability claims on an aggregate basis.

Total net assets at September 30, 2003 were \$3,435,326. Specific ordinance authorization is required for payment of any claim in excess of \$100,000, or for any reduction or use of the amount designated for catastrophic losses. However, all estimable claims are accrued as current or long-term liabilities when incurred, without regard to the level of authorization required for payment.

As of May 22, 1998, the Risk Management Fund also accounts for payment of hazard insurance premiums and third party claims administration services under a comprehensive risk limitation and insurance program initiated on that date. Under this program, the City's retained risk for all covered forms of loss exposure is generally limited to a maximum of \$250,000 per claim or loss. Within the last five years there have been no settlements that have exceeded insurance coverage.

The City established a self-insurance program for employee health benefits as of January 1, 1993 and accounts for this program through a separate internal service fund. Retained earnings of that fund at September 30, 2003 were \$2,120,491. The amount of risk retained by the fund during 2003 was limited to \$100,000 per claimant through use of purchased stop-loss coverage.

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

	Risk Management	Employee Insurance	Totals
Unpaid claims, beginning of Fiscal year 2002:	\$4,090,054	\$890,000	\$4,980,054
Incurred and adjusted claims	1,679,307	3,468,006	5,147,313
Claim payment	(1,939,866)	(3,418,006)	(5,357,872)
Unpaid claims, beginning of Fiscal year 2003	3,829,495	940,000	4,769,495
Incurred and adjusted claims	2,985,937	4,346,811	7,332,748
Claim payments	(2,563,556)	(4,146,811)	(6,710,367)
Total unpaid claims, September 30, 2003	\$4,251,876	\$1,140,000	\$5,391,876

B. Property Tax

The City levies taxes on real and business personal property located within its boundaries. Property taxes are levied by the City on property values assessed by the Calcasieu Parish Tax Assessor and approved by the State of Louisiana Tax Commission. The distribution of the City's levy (tax rate per \$1,000 assessed value) to its funds was as follows since fiscal year 2001:

NOTES TO FINANCIAL STATEMENTS

Tax	Millage
General Alimony	6.20
Special recreation	1.91
Employee salary	5.73
Special street improvement	2.59
Totals	16.43

C. Contingencies and Commitments

The City has outstanding a number of contracts, the breach of any of which could result in a liability to the City. The amount of the liability to the City at September 30, 2003, if any, is not estimable.

D. Other Post-employment Benefits – Police Benefit Guarantee

In connection with a 1983 merger of the former Lake Charles Police Pension and Relief Fund into the state-administered Municipal Police Employees Retirement System (MPERS), the City contractually guaranteed the continued availability of early retirement benefits to merged police employees with twenty or more years of service, for transitional benefit payments to those electing to terminate employment prior to attainment of the then-existing normal retirement age for commencement of MPERS pension benefits. As a result of subsequent liberalization of MPERS benefits, relatively few of the eligible participants have elected to receive the temporary City benefit prior to normal retirement under MPERS.

As of September 30, 2003, the City was paying post-employment benefits to two participants and had a potential liability for future benefits to two remaining active employees. Total payments during the year then ended were \$79,303; the maximum liability for subsequent payments was established at \$624,008 that is recorded as a long-term liability. Payments are funded on a cash basis through a related debt service fund, which is supported by periodic General Fund transfers. The balance available in the debt service fund as of September 30, 2003 was \$382,599, which represents 61 percent of the maximum future liability. Based on prior experience, the liability ultimately resulting from future employee benefit election is likely to be substantially less than the projected maximum.

E. Retirement Commitments

The City participates in three state-administered cost-sharing multiple-employer retirement systems, which together cover substantially all of the City's full-time employees: Municipal Employees' Retirement System, Municipal Police Employees' Retirement System and Firefighters' Retirement System of the State of Louisiana. Although separately administered by their respective boards of trustees, these systems are established and regulated by acts of the Louisiana Legislature with respect to membership and contribution requirements, plan benefits, and actuarial determination of funding requirements as provided by the state constitution. Additional disclosures with respect to the City's participation in these systems are provided below.

Municipal Employees' Retirement System

This system covers full-time municipal employees who are not eligible to participate in other state-administered defined benefit plans. Membership is generally mandatory for such employees of participating municipalities. The City of Lake Charles participates in "Plan B" of this system, in which employees are subject to federal social security coverage. A member of Plan B may retire at any age with 30 years of creditable service or at age 60 with 10 years of service. Benefits vest after 10 years of service, and are generally equal to two percent of the member's final three-year average salary times the number of years of

NOTES TO FINANCIAL STATEMENTS

creditable service. Active plan members are required to contribute 5 percent of regular earnings and the City is required to contribute at an actuarially determined rate, which was 6.25 percent of covered payroll prior to July 1, 2003. The City is currently contributing 7.25 percent of covered payroll.

The City of Lake Charles contributed to Plan B of Municipal Employees Retirement System a total of \$1,315,891, \$1,117,337, and \$1,052,565 for the years ended September 30, 2003, 2002 and 2001 respectively, which equals the required contribution for each year.

The Municipal Employees Retirement System issues a publicly available financial report, which may be obtained by writing to that system at 9737 Office Park Boulevard, Baton Rouge, LA 70809.

Municipal Police Employees' Retirement System

This system, which covers full-time police personnel in participating municipalities provides a pension benefit of three and one-third percent of average final salary for each year of service, with normal retirement eligibility ranging from age 55 with 12 years of service to any age with 25 years of service. Active plan members are required to contribute 7.5 percent of covered earnings and the City is required to contribute an actuarially determined rate, which currently is 15.25 percent of covered payroll.

The City of Lake Charles contributed a total of \$944,883, \$815,162 and \$799,372 to the Municipal Police Employees Retirement System for fiscal years ended September 30, 2003, 2002 and 2001 respectively, which equals the required contributions for each year. The financial report issued by this system may be obtained from Municipal Police Employees Retirement System, 8401 United Plaza Boulevard Suite 270, Baton Rouge, LA 70809-7017.

Firefighters' Retirement System of the State of Louisiana

This system, which covers full-time fire department employees who are not members of other retirement systems, has the same contribution requirements and major benefits provisions as the Municipal Police Employees' Retirement System described above. Employees are required to contribute 8 percent of covered earnings, and the City is required to contribute an actuarially determined rate, which is currently 21 percent of covered payroll. The employer contribution rate increased in variable amounts during the year from 9 percent to the current rate of 21 percent. The procedure for determining this rate is currently in litigation.

The City of Lake Charles' contributions to this plan were \$1,095,177, \$773,163 and \$748,933 for the years ended September 30, 2003, 2002 and 2001 respectively, which equals the required contributions for each year. The financial report for this system may be obtained from Firefighters Retirement System, P.O. Box 94095, Capitol Station, Baton Rouge, LA 70804-9095.

F. Federally Assisted Grant Programs

The City participates in a number of federally assisted grant programs, with the principal grantor agencies being the U.S. Department of Transportation and the Department of Housing and Urban Development. These programs are subject to compliance audits by the grantors or their representatives and the City's compliance with applicable grant requirements for the year ended September 30, 2003 will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Federal and state governmental units represent an important source of supplemental funding used to finance housing, construction programs, and other activities beneficial to the City. These funds, primarily in the form of grants, are recorded in the General, Special Revenue, and Enterprise Funds. A grant receivable is recorded when the City has a right to reimbursement under the related grant. The grants normally specify the purpose for which the funds may be used and are subject to audit by the granting agency or its representative using standards established under the Single Audit Act of 1984 and OMB Circular A-133. The compliance audit report is not included within this report but will be issued as a separate supplementary report.

NOTES TO FINANCIAL STATEMENTS

During fiscal year 2003 the following amounts under various grants and entitlements are recorded in the accompanying financial statements:

Fund	Fiscal year 2003
Community Development	\$2,719,467
Grant Fund	911,495
Transit Enterprise Fund	678,085

G. Dedication of Proceeds and Flow of Funds - Two Percent Sales and Use Tax

One Percent Sales and Use Tax:

Proceeds of the one percent sales tax levied by the City of Lake Charles (2003 collections \$14,738,034; 2002 collections \$14,232,232;) are collected by the General Fund and may be used for virtually any capital or operating needs of the City of Lake Charles. This tax levy was originally authorized in 1965, and has been re-authorized for an additional 25 years from March 1, 1990.

Additional Dedicated One Percent Sales Tax:

In November, 1986, a sales tax election was held and the City of Lake Charles was authorized to collect an additional dedicated one percent sales tax levy for a period of five years commencing January 1, 1987. This tax has since been reauthorized for periods of five years extending through 1996 and ten years through 2006. Proceeds of this additional one percent sales tax levied by the City of Lake Charles (2003 collections \$14,738,034; 2002 collections \$14,232,233;) were deposited directly to the funds for which they are dedicated on a percentage basis as follows:

General Fund	
Public safety purposes	20%
Public works purposes	28%
Waste Water Special Revenue Fund	
Waste water or sanitary sewerage services or facilities	16%
Recreation Special Revenue Fund	
Recreation	8%
Capital Project Fund	
Certain types of capital improvements	28%

Additional One-Quarter Percent Sales Tax:

The voters approved an additional sales tax levy of one-quarter of one percent in January 1995 for the purpose of increasing the pay and starting salaries of City employees. This tax levy is authorized for a period of ten years from its effective date of April 1, 1995. In fiscal year 2002, the sales tax was recorded directly into the funds where the payroll costs are incurred: General Fund, Waste Water and Recreation Special Revenue Funds, Civic Center, Golf Course, Transit and Water Enterprise Funds. In fiscal year 2003 the revenue was recorded exclusively in the General Fund. Collections for September 30, 2003 totaled \$3,680,714; 2002 collections were \$3,546,610.

NOTES TO FINANCIAL STATEMENTS

H. Special item

The City of Lake Charles is located on the Gulf of Mexico and on October 1, 2002 we were threatened by Hurricane Lili. Although the hurricane made landfall east of Lake Charles, there were expenses incurred that were primarily related to the overtime paid preparing and securing the City. Federal Emergency Management Administration declared the area a disaster as a result of the hurricane and the City was reimbursed \$186,125 to cover incurred costs.

I. Subsequent Events

Various current and former fire and police employees have filed suit against the City seeking additional supplemental pay. This litigation is in the earliest discovery stages and the City's liability, if any, is currently inestimable.

J. Change in Accounting Principles

The City of Lake Charles adopted the provisions of GASB Statement 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (Statement 34) and GASB Statement 33, Accounting and Financial Reporting for Nonexchange Transactions (Statement 33) for the year ended September 30, 2003. Statement 34 primarily relates to presentation and disclosure requirements. This had an impact on capital assets, the presentation of net assets and the inclusion of management's discussion and analysis. Concurrent with the implementation of Statement 34, the following additional standards have been adopted. GABS Statement 37, Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments: Omnibus. This statement amends Statement 34 to either (1) clarify certain provisions or (2) modify other provisions that the GASB believes may have unintended consequences in some circumstances. GASB 38, Certain Financial Statement Note Disclosures modifies, establishes and rescinds certain financial statement disclosure requirements.



**REQUIRED SUPPLEMENTAL
INFORMATION**



CITY OF LAKE CHARLES, LOUISIANA
Combining Schedule of Net Assets - Component Units
September 30, 2003

ASSETS	<u>City Marshal</u>	<u>City Court</u>	<u>Total</u>
Cash and cash equivalents	\$ 110,474	\$ 278,307	\$ 388,781
Receivables (net of allowance for uncollectables)	15,522	104,144	119,666
Restricted assets:			
Cash and cash equivalents	-	57,600	57,600
Capital assets (net of accumulated depreciation)			
Equipment	34,112	11,686	45,798
Total assets	<u>160,108</u>	<u>451,737</u>	<u>611,845</u>
 LIABILITIES			
Accounts payable and other current liabilities	80,516	78,224	158,740
Noncurrent liabilities:			
Due within one year	794	-	794
Total liabilities	<u>81,310</u>	<u>78,224</u>	<u>159,534</u>
 NET ASSETS			
Invested in capital assets, net of related debt	33,318	11,686	45,004
Restricted for:			
Unrestricted	45,480	361,827	407,307
Total net assets	<u>\$ 78,798</u>	<u>\$ 373,513</u>	<u>\$ 452,311</u>

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

CITY OF LAKE CHARLES, LOUISIANA
Combining Schedule of Activities - Component Unit
For the Year Ended September 30, 2003

<u>Component units</u>	<u>Program Revenues</u>		<u>Net Expenses) Revenue and Change in Net Assets</u>		
	<u>Charges for Services</u>	<u>Operating Contributions</u>	<u>City Marshal</u>	<u>City Court</u>	<u>Total</u>
City Marshal	\$ 193,210	\$ 173,253	\$ (24,365)	-	\$ (24,365)
City Court	259,508	-	-	(48,454)	(48,454)
Total component units	<u>\$ 452,718</u>	<u>\$ 173,253</u>	<u>(24,365)</u>	<u>(48,454)</u>	<u>(72,819)</u>
General revenues:					
Interest earnings			-	3,576	3,576
Miscellaneous			-	80,037	80,037
Total general revenues			-	<u>83,613</u>	<u>83,613</u>
Change in net assets			(24,365)	35,159	10,794
Net assets - beginning			103,163	338,354	441,517
Net assets - ending			<u>\$ 78,798</u>	<u>\$ 373,513</u>	<u>\$ 452,311</u>

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

**NONMAJOR
GOVERNMENTAL FUNDS**



NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Waste Water Fund– Accounts for the receipt and subsequent expenditure of sewer use charges, dedicated taxes, and other current charges dedicated to operation, maintenance, and improvement of the City’s sanitary sewerage system.

Grant Fund – Accounts for funds received and expended for various categorical grant programs, including law enforcement grants and summer food service program.

Recreation Fund – Accounts for the operation and maintenance of recreational programs and facilities other than the Civic Center and Golf Course, and for the receipt and subsequent expenditure of dedicated taxes, user fees and other funds received for recreational services.

Central School Fund – Accounts for receipt and subsequent expenditure of funds for operation, maintenance and improvements of the Central School Arts and Humanities Center.

Facility Renewal Fund – Accounts for funds transferred from other sources to provide for long-term accumulation of funds for future maintenance and repair needs.

CITY OF LAKE CHARLES, LOUISIANA

Combining Balance Sheet

Nonmajor Governmental Funds

September 30, 2003

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Waste Water	Grants	Recreation	Central School	Facility Renewal		
ASSETS							
Cash (Note 1-G)	\$ 574,746	\$ 117,998	\$ 296,171	\$ 47,989	\$ 75,791	\$ 1,112,695	
Investments (Note 1-G)	2,305,703	267,791	762,103	341,807	4,647,897	8,325,301	
Receivable (net of allowance for uncollectable)							
Accounts (Note 1-I)	813,998	-	102,219	14,067	-	930,284	
Accrued interest	9,182	-	329	2,268	29,884	41,663	
Intergovernmental (Note 7-C)	-	29,308	-	-	-	29,308	
Due from other funds (Note 7-B)	-	4,694	166,767	-	-	171,461	
Prepaid items	737	-	648	317	-	1,702	
Total assets	\$ 3,704,366	\$ 419,791	\$ 1,328,237	\$ 406,448	\$ 4,753,572	\$ 10,612,414	
LIABILITIES							
Accounts payable	\$ 172,589	\$ 28,100	\$ 95,018	\$ 9,608	\$ -	\$ 305,315	
Escrow	-	-	4,484	1,975	-	6,459	
Due to other funds	87,094	63,496	-	-	-	150,590	
Accrued leave benefits payable (Note 1-L)	8,263	-	7,383	-	-	15,646	
Total liabilities	267,946	91,596	106,885	11,583	-	478,010	
FUND BALANCES							
Reserved for prepaid items (Note 1-K)	737	-	648	317	-	1,702	
Unreserved:							
Designated for subsequent year's exp	860,156	248,430	500,000	74,293	-	1,682,879	
Undesignated	2,575,527	79,765	720,704	320,255	4,753,572	8,449,823	
Total fund balances	3,436,420	328,195	1,221,352	394,865	4,753,572	10,134,404	
Total liabilities and fund balances	\$ 3,704,366	\$ 419,791	\$ 1,328,237	\$ 406,448	\$ 4,753,572	\$ 10,612,414	

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

CITY OF LAKE CHARLES, LOUISIANA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For Fiscal Year Ended September 30, 2003

	Special Revenue Funds					Total
	Waste Water	Grants	Recreation	Central School	Facility Renewal	Nonmajor Governmental Funds
Revenues:						
Taxes	\$ 2,358,086	\$ -	\$ 1,845,988	\$ -	\$ -	\$ 4,204,074
Intergovernmental	-	911,495	300,000	-	-	1,211,495
Charges for services	4,394,582	-	98,541	82,407	-	4,575,530
Miscellaneous	44,529	4,819	634,427	7,283	110,475	801,533
Total revenues	<u>6,797,197</u>	<u>916,314</u>	<u>2,878,956</u>	<u>89,690</u>	<u>110,475</u>	<u>10,792,632</u>
Expenditures:						
Current operating:						
Public safety	-	248,628	-	-	-	248,628
Public works	4,246,460	-	-	-	-	4,246,460
Community services	-	765,866	2,867,657	123,370	-	3,756,893
Capital projects	372,930	54,133	126,902	53,049	-	607,014
Total expenditures	<u>4,619,390</u>	<u>1,068,627</u>	<u>2,994,559</u>	<u>176,419</u>	<u>-</u>	<u>8,858,995</u>
Excess (deficiency) of revenues over expenditures	<u>2,177,807</u>	<u>(152,313)</u>	<u>(115,603)</u>	<u>(86,729)</u>	<u>110,475</u>	<u>1,933,637</u>
Other financing sources (uses):						
Transfers in	-	79,104	1,038,778	-	250,000	1,367,882
Transfers out	(1,503,606)	-	-	-	-	(1,503,606)
Total other financing sources (uses)	<u>(1,503,606)</u>	<u>79,104</u>	<u>1,038,778</u>	<u>-</u>	<u>250,000</u>	<u>(135,724)</u>
Net change in fund balances	674,201	(73,209)	923,175	(86,729)	360,475	1,797,913
Fund balance at beginning of year	<u>2,762,219</u>	<u>401,404</u>	<u>298,177</u>	<u>481,594</u>	<u>4,393,097</u>	<u>8,336,491</u>
Fund balance at end of year	<u>\$ 3,436,420</u>	<u>\$ 328,195</u>	<u>\$ 1,221,352</u>	<u>\$ 394,865</u>	<u>\$ 4,753,572</u>	<u>\$ 10,134,404</u>

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

CITY OF LAKE CHARLES, LOUISIANA
Waste Water Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For Fiscal Year Ended September 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Unfavorable)
	Original	Final		
Revenues:				
Sales tax revenue	\$ 2,509,838	\$ 2,336,000	\$ 2,358,086	\$ 22,086
Charges for services	4,234,000	4,524,000	4,394,582	(129,418)
Miscellaneous	38,000	41,000	44,529	3,529
Total revenues	<u>6,781,838</u>	<u>6,901,000</u>	<u>6,797,197</u>	<u>(103,803)</u>
Expenditures:				
Personal services	2,083,779	2,048,670	2,017,031	31,639
Contractual and operational	2,325,649	2,417,396	2,229,429	187,967
Capital outlay	333,000	377,292	372,930	4,362
Total expenditures	<u>4,742,428</u>	<u>4,843,358</u>	<u>4,619,390</u>	<u>223,968</u>
Excess (deficiency) of rev over exp	2,039,410	2,057,642	2,177,807	120,165
Other financing sources (uses):				
Operating transfers out	(750,000)	(1,550,000)	(1,503,606)	46,394
Total other financing sources (uses)	<u>(750,000)</u>	<u>(1,550,000)</u>	<u>(1,503,606)</u>	<u>46,394</u>
Excess (deficiency) of rev and other sources over exp and other uses	1,289,410	507,642	674,201	166,559
Fund balance at beginning of year	<u>2,762,219</u>	<u>2,762,219</u>	<u>2,762,219</u>	<u>0</u>
Fund balance at end of year	<u><u>\$ 4,051,629</u></u>	<u><u>\$ 3,269,861</u></u>	<u><u>\$ 3,436,420</u></u>	<u><u>\$ 166,559</u></u>

CITY OF LAKE CHARLES, LOUISIANA
Grant Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For Fiscal Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Shared grants:				
Federal	\$ 177,117	\$ 25,780	\$ 37,708	\$ 11,928
State	853,887	987,388	860,148	(127,240)
Local	20,000	14,000	13,639	(361)
Miscellaneous	1,400	4,085	4,819	734
Total revenues	<u>1,052,404</u>	<u>1,031,253</u>	<u>916,314</u>	<u>(114,939)</u>
Expenditures:				
Current:				
Public safety	298,257	558,918	248,628	310,290
Community services	772,197	902,698	765,866	136,832
Capital outlay	164,600	164,600	54,133	110,467
Total expenditures	<u>1,235,054</u>	<u>1,626,216</u>	<u>1,068,627</u>	<u>557,589</u>
Excess of revenues over expenditures	<u>(182,650)</u>	<u>(594,963)</u>	<u>(152,313)</u>	<u>442,650</u>
Other financing source(uses):				
Operating transfers in	146,785	146,785	79,104	(67,681)
Total other financing sources (uses)	<u>146,785</u>	<u>146,785</u>	<u>79,104</u>	<u>(67,681)</u>
Excess (deficiency) of rev and other sources over exp and other uses	(35,865)	(448,178)	(73,209)	374,969
Fund balance at beginning of year	<u>401,404</u>	<u>401,404</u>	<u>401,404</u>	<u>-</u>
Fund balance at end of year	<u>\$ 365,539</u>	<u>\$ (46,774)</u>	<u>\$ 328,195</u>	<u>\$ 374,969</u>

CITY OF LAKE CHARLES, LOUISIANA
Recreation Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For Fiscal Year Ended September 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$1,927,482	\$1,828,230	\$1,845,988	\$17,758
Intergovernmental	-	-	300,000	300,000
Charges for services	119,500	107,500	84,823	(22,677)
Miscellaneous	11,900	642,128	648,145	6,017
Total revenues	<u>2,058,882</u>	<u>2,577,858</u>	<u>2,878,956</u>	<u>301,098</u>
Expenditures:				
Personal services	1,757,995	1,758,884	1,719,854	39,030
Contractual and operational	781,599	847,450	790,233	57,217
Materials and supplies	340,600	392,716	357,570	35,146
Capital outlay	134,000	135,510	126,902	8,608
Total expenditures	<u>3,014,194</u>	<u>3,134,560</u>	<u>2,994,559</u>	<u>140,001</u>
Excess (deficiency) of rev over exp	<u>(955,312)</u>	<u>(556,702)</u>	<u>(115,603)</u>	<u>441,099</u>
Other financing sources (uses):				
Operating transfers in	955,312	1,163,277	1,038,778	(124,499)
Total other financing sources (uses)	<u>955,312</u>	<u>1,163,277</u>	<u>1,038,778</u>	<u>(124,499)</u>
Excess (deficiency) of rev and other sources over exp and other uses	<u>-</u>	<u>606,575</u>	<u>923,175</u>	<u>316,600</u>
Fund balance at beginning of year	<u>298,177</u>	<u>298,177</u>	<u>298,177</u>	<u>(0)</u>
Fund balance at end of year	<u>\$ 298,177</u>	<u>\$ 904,752</u>	<u>\$ 1,221,352</u>	<u>\$ 316,600</u>

CITY OF LAKE CHARLES, LOUISIANA
Central School Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For Fiscal Year Ended September 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Unfavorable)
	Original	Final		
Revenues:				
Charge for services	\$95,000	\$95,000	\$82,407	(\$12,593)
Miscellaneous	13,200	13,200	7,283	(5,917)
Total revenues	108,200	108,200	89,690	(18,510)
Expenditures:				
Materials and supplies	9,600	5,886	5,425	461
Other services and charges	98,451	121,260	117,945	3,315
Capital Outlay	90,000	70,905	53,049	17,856
Total expenditures	198,051	198,051	176,419	21,632
Excess of revenue over expenditures	(89,851)	(89,851)	(86,729)	3,122
Fund balance at beginning of year	481,594	481,594	481,594	-
Fund balance at end of year	\$ 391,743	\$ 391,743	\$ 394,865	\$ 3,122

CITY OF LAKE CHARLES, LOUISIANA
Facility Renewal Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For Fiscal Year Ended September 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Unfavorable)
	Original	Final		
Revenues:				
Interest on investments	\$145,000	\$145,000	\$110,475	(\$34,525)
Total revenues	<u>145,000</u>	<u>145,000</u>	<u>110,475</u>	<u>(34,525)</u>
Expenditures:	-	-	-	-
Excess of revenues over expenditures	<u>145,000</u>	<u>145,000</u>	<u>110,475</u>	<u>(34,525)</u>
Other financing sources:				
Operating transfers in	250,000	250,000	250,000	-
Total other financing sources	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>-</u>
Excess (deficiency) of rev and other sources over exp	395,000	395,000	360,475	(34,525)
Fund balance at beginning of year	<u>4,393,097</u>	<u>4,393,097</u>	<u>4,393,097</u>	<u>-</u>
Fund balance at end of year	<u>\$ 4,788,097</u>	<u>\$ 4,788,097</u>	<u>\$ 4,753,572</u>	<u>\$ (34,525)</u>

INTERNAL SERVICE FUNDS



INTERNAL SERVICE FUNDS

Risk Management Fund – Includes coverage for general liability, auto liability and worker's compensation. This fund is used to account for the financing of services provided by the risk management division to other departments of the City.

Employee Insurance Fund – Provides a self-insurance program for employee health benefits. This fund is used to account for the financing of services provided to other departments of the City.

CITY OF LAKE CHARLES, LOUISIANA

**Internal Service Funds
Combining Statement of Net Assets
September 30, 2003**

	<u>Risk Management</u>	<u>Employee Insurance</u>	<u>Totals 2003</u>
ASSETS			
Current assets:			
Cash	\$452,187	\$490,997	\$943,184
Investments	6,199,619	2,632,071	8,831,690
Receivables:			
Accounts	30,102	-	30,102
Accrued interest	46,997	14,292	61,289
Due from other funds	353,000	131,201	484,201
Prepaid expenses	659,652	-	659,652
Total current assets	<u>7,741,557</u>	<u>3,268,561</u>	<u>11,010,118</u>
Noncurrent assets:			
Capital assets (at cost):			
Office equipment	25,380	-	25,380
Vehicles	25,288	-	25,288
Less accumulated depreciation	<u>(41,646)</u>	<u>-</u>	<u>(41,646)</u>
Total capital assets (net of accumulated depreciation)	9,022	-	9,022
Total assets	<u>7,750,579</u>	<u>3,268,561</u>	<u>11,019,140</u>
LIABILITIES			
Current liabilities:			
Accounts payable	24,645	8,070	32,715
Accrued insurance claims	3,399,224	990,000	4,389,224
Incurred-not reported claims	175,000	150,000	325,000
Total current liabilities	<u>3,598,869</u>	<u>1,148,070</u>	<u>4,746,939</u>
Long-term liabilities:			
Accrued leave benefits	38,732	-	38,732
Accrued insurance claims - noncurrent	677,652	-	677,652
Total long-term liabilities	<u>716,384</u>	<u>-</u>	<u>716,384</u>
Total liabilities	<u>4,315,253</u>	<u>1,148,070</u>	<u>5,463,323</u>
NET ASSETS			
Invested in capital assets	9,022	-	9,022
Unrestricted	3,426,304	2,120,491	5,546,795
Total net assets	<u>\$ 3,435,326</u>	<u>\$ 2,120,491</u>	<u>\$ 5,555,817</u>

CITY OF LAKE CHARLES, LOUISIANA
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the Fiscal Year Ended September 30, 2003

	<u>Risk Management</u>	<u>Employee Insurance</u>	<u>Totals 2003</u>
Operating revenues:			
Charges for services	\$ 2,120,371	\$ 4,536,821	\$ 6,657,192
Subrogation	322,267	-	322,267
Total operating revenues	<u>2,442,638</u>	<u>4,536,821</u>	<u>6,979,459</u>
Operating expenses:			
Personal services	366,227	-	366,227
Materials and supplies	5,894	-	5,894
General and administration	1,356,655	765,757	2,122,412
Depreciation	4,407	-	4,407
Claims and losses paid	2,563,556	4,146,811	6,710,367
Total operating expenses	<u>4,296,739</u>	<u>4,912,568</u>	<u>9,209,307</u>
Operating income (loss)	<u>(1,854,101)</u>	<u>(375,747)</u>	<u>(2,229,848)</u>
Nonoperating revenues:			
Interest	122,157	53,324	175,481
Total nonoperating revenues	<u>122,157</u>	<u>53,324</u>	<u>175,481</u>
Income (loss) before transfers	<u>(1,731,944)</u>	<u>(322,423)</u>	<u>(2,054,367)</u>
Operating transfer in (out)	<u>735,501</u>	<u>131,201</u>	<u>866,702</u>
Change in net assets	(996,443)	(191,222)	(1,187,665)
Net assets - beginning of fiscal year	4,431,769	2,311,713	6,743,482
Net assets - ending of fiscal year	<u>\$ 3,435,326</u>	<u>\$ 2,120,491</u>	<u>\$ 5,555,817</u>

CITY OF LAKE CHARLES, LOUISIANA
Internal Service Fund
Combining Statement of Cash Flows
For the Fiscal Year Ended September 30, 2003

	Risk Management	Employee Insurance	Totals 2003
Cash flows from operating activities:			
Receipts from customers and users	\$2,533,282	\$4,537,579	\$7,070,861
Payments to employees	(366,090)	-	(366,090)
Payments to suppliers and claimants	(3,468,911)	(4,712,405)	(8,181,316)
Internal activity - payments to other funds	(353,096)	(131,201)	(484,297)
Net cash provided by operating activities	<u>(1,654,815)</u>	<u>(306,027)</u>	<u>(1,960,842)</u>
Cash flow from Noncapital Financing Activities			
Operating subsidies	735,501	131,201	866,702
Net cash provided by noncapital financing activities	<u>735,501</u>	<u>131,201</u>	<u>866,702</u>
Cash flow from investing activities:			
Purchase of investment securities	(10,513,310)	(3,935,551)	(14,448,861)
Proceeds from sale and maturities of investment securities	11,265,608	3,886,050	15,151,658
Interest on investments	209,991	69,701	279,692
Net cash provided (used for) investing activities	<u>962,289</u>	<u>20,200</u>	<u>982,489</u>
Net increase (decrease) in cash and cash equivalents	42,975	(154,626)	(111,651)
Cash and cash equivalents at beginning of year	409,212	645,623	1,054,835
Cash and cash equivalents at end of year	<u>\$ 452,187</u>	<u>\$ 490,997</u>	<u>\$ 943,184</u>
Reconciliation of operating (loss) to net cash provided (used) by operating activities			
Operating income (loss)	<u>(\$1,854,101)</u>	<u>(\$375,747)</u>	<u>(\$2,229,848)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	4,407	-	4,407
(Increase) decrease in accounts receivable	90,644	758	91,402
(Increase) decrease in due from other funds	(353,000)	(131,201)	(484,201)
(Increase) decrease in prepaid items	26,953	-	26,953
Increase (Decrease) in accounts payables	8,904	163	9,067
Increase (Decrease) in accrued insurance claims	422,381	200,000	622,381
Increase (Decrease) in compensated absences payable	(907)	-	(907)
Increase (Decrease) in due to other funds	(96)	-	(96)
Total adjustments	<u>199,286</u>	<u>69,720</u>	<u>269,006</u>
Net cash provided by operating activities	<u>(\$1,654,815)</u>	<u>(\$306,027)</u>	<u>(\$1,960,842)</u>

Noncash investing, capital and financing activities:

Assets transferred in costs \$4,405 and had accumulated depreciation of \$4,405. Net loss equaled \$0.

Assets retired costs \$1,926 and had accumulated depreciation of \$1,926. Net loss equaled \$0.

Change in the fair value of investments resulted in an unrealized gain of \$49,953 at year end 2002 and an unrealized loss of \$68,093 at year end 2003.

**CAPITAL ASSETS USED IN
THE OPERATION OF
GOVERNMENTAL FUNDS**



**CAPITAL ASSETS
USED IN THE OPERATION OF
GOVERNMENTAL FUNDS**

CITY OF LAKE CHARLES, LOUISIANA
Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source
September 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Governmental funds capital assets		
Land	\$ 11,226,969	\$ 11,371,169
Buildings	16,365,878	13,244,432
Improvements other than buildings	24,858,148	24,140,776
Machinery and Equipment	24,450,379	21,854,837
Infrastructure	169,193,807	160,648,849
Construction in progress	<u>7,537,568</u>	<u>2,884,434</u>
 Total general fixed assets	 <u>\$ 253,632,749</u>	 <u>\$ 234,144,497</u>
 Property acquired prior to October 1, 1985, excluding infrastructure	 \$ 25,011,938	 \$ 25,294,497
Property acquired after September 30, 1985 from:		
Federal grants	516,988	516,988
State grants	170,000	170,000
General fund revenues	46,334,853	39,713,946
Capital projects funds	160,616,029	147,916,125
Donations	<u>20,982,941</u>	<u>20,532,941</u>
 Total investments in general fixed assets	 <u>\$ 253,632,749</u>	 <u>\$ 234,144,497</u>

Note: This schedule presents the capital asset balances related to governmental funds. Accordingly, the capital assets valued at \$50,668 at 9/30/2003 and \$48,188 at 9/30/2002 that are reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF LAKE CHARLES, LOUISIANA
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the Fiscal Year Ended September 30, 2003

Function and Activity	General Fixed Assets 9/30/2002	Additions	Deletions	General Fixed Assets 9/30/2003
GENERAL GOVERNMENT				
Legislative	\$10,624	\$0	\$0	\$10,624
Executive	85,848	1,663	(8,813)	78,698
Judicial	217,189	48,008	(16,301)	248,896
Total general government	313,661	49,671	(25,114)	338,218
STAFF AGENCIES				
Finance	228,598	13,275	(5,971)	235,902
Planning and development	135,242	14,449	(49,152)	100,539
Human Resources	28,405	-	(3,364)	25,041
Public works	2,545,723	194,466	(544,176)	2,196,013
Information Services	833,682	9,675	(46,952)	796,405
General government buildings	5,435,289	3,147,394	(18,177)	8,564,506
Total staff agencies	9,206,939	3,379,259	(667,792)	11,918,406
PUBLIC SAFETY				
Police	6,619,172	585,397	(205,710)	6,998,859
Fire	8,872,228	2,628,334	(55,568)	11,444,994
Permit Center	167,000	47,143	(47,800)	166,343
Total public safety	15,658,400	3,260,874	(309,078)	18,610,196
Streets	145,844,935	15,072,190	(3,035,619)	157,881,506
Recreation	23,216,203	758,476	(248,350)	23,726,329
Community service	2,554,579	-	-	2,554,579
Sanitation and waste	37,349,780	2,144,793	(891,058)	38,603,515
	208,965,497	17,975,459	(4,175,027)	222,765,929
Total general fixed assets allocated to functions	\$ 234,144,497	\$ 24,665,263	\$ (5,177,011)	\$ 253,632,749

Note: This schedule presents the capital asset balances related to governmental funds. Accordingly, the capital assets valued at \$50,668 at 9/30/2003 and \$48,188 at 9/30/2002 that are reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF LAKE CHARLES, LOUISIANA

Schedule of General Fixed Assets

By Function and Activity

September 30, 2003

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment	Infrastructure	Construction in Progress	Total
GENERAL GOVERNMENT							
Legislative	\$ -	\$ -	\$ -	\$ 10,624	\$ -	\$ -	\$ 10,624
Executive	-	-	-	78,698	-	-	78,698
Judicial	-	-	-	248,896	-	-	248,896
Total general government	-	-	-	338,218	-	-	338,218
STAFF AGENCIES							
Finance	-	-	-	235,902	-	-	235,902
Planning and development	-	-	-	100,539	-	-	100,539
Human Resources	-	-	-	25,041	-	-	25,041
Public works	214,700	901,195	-	1,080,118	-	-	2,196,013
Information Services	-	-	-	796,405	-	-	796,405
General government buildings	1,349,593	5,856,482	1,070,967	287,464	-	-	8,564,506
Total staff agencies	1,564,293	6,757,677	1,070,967	2,525,469	-	-	11,918,406
PUBLIC SAFETY							
Police	67,715	610,113	979,329	5,341,702	-	-	6,998,859
Fire	374,800	3,151,947	527,693	7,390,554	-	-	11,444,994
Permit Center	-	-	-	166,343	-	-	166,343
Total public safety	442,515	3,762,060	1,507,022	12,898,599	-	-	18,610,196
Streets	-	9,693	-	2,346,867	148,551,938	6,973,008	157,881,506
Recreation	8,217,204	3,047,587	11,333,933	1,127,605	-	-	23,726,329
Community service	5,000	2,549,579	-	-	-	-	2,554,579
Sanitation and waste	997,957	239,282	10,946,226	5,213,621	20,641,869	564,560	38,603,515
Total general fixed assets allocated to functions	\$ 11,226,969	\$ 16,365,878	\$ 24,858,148	\$ 24,450,379	\$ 169,193,807	\$ 7,537,568	\$ 253,632,749

Note: This schedule presents the capital asset balances related to governmental funds. Accordingly, the capital assets valued at \$50,668 at 9/30/2003 and \$48,188 at 9/30/2002 that are reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

STATISTICAL SECTION

STATISTICAL SECTION

CITY OF LAKE CHARLES, LOUISIANA
General Governmental Expenditures and Other Uses by Function
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Years Ended</u>	<u>General Government (Personnel- Planning)</u>	<u>Finance</u>	<u>Fire and Police</u>	<u>Public Works</u>
1994	\$2,609,151	\$874,345	\$11,294,553	\$17,065,230
1995	2,834,434	918,321	12,642,552	18,539,153
1996	3,046,895	967,701	14,196,403	25,462,061
1997	3,106,556	974,520	15,299,178	26,464,607
1998	3,186,197	1,034,447	15,515,080	23,799,305
1999	3,328,941	1,079,025	14,608,719	28,591,979
2000	3,501,065	1,109,145	16,070,147	28,727,054
2001	3,523,295	1,144,619	16,115,724	21,636,145
2002	3,395,359	1,099,504	17,344,625	22,161,446
2003	3,641,775	1,306,851	20,218,860	35,095,510

Note:

Includes General, Special Revenue, Debt Service and Capital Projects Funds

Table 1

Community Services	General Services	Community Development	Debt Service	Net Operating Transfers	Total
\$2,488,183	\$1,478,233	\$940,084	\$501,363	\$991,632	\$38,242,774
2,676,811	1,594,832	1,886,605	460,547	1,124,430	42,677,685
2,817,787	1,702,340	1,181,346	271,996	1,155,106	50,801,635
2,858,587	1,815,771	1,127,508	177,026	1,286,915	53,110,668
2,756,989	2,006,759	2,625,806	694,751	1,293,381	52,912,715
3,140,390	2,493,605	3,294,011	1,691,766	1,131,535	59,359,971
3,285,283	2,303,314	2,812,614	1,650,440	1,226,417	60,685,479
3,380,106	2,345,577	1,983,175	1,586,073	942,667	52,657,381
3,366,639	2,728,344	2,178,161	1,485,801	611,967	54,371,846
3,756,893	2,630,205	3,490,492	1,644,173	2,356,198	74,140,957

CITY OF LAKE CHARLES, LOUISIANA
General Governmental Revenues and Other Sources by Source
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Years Ended</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter- Governmental</u>	<u>Charges for Services</u>
1994	\$30,624,830	\$3,820,624	\$2,780,838	\$2,811,985
1995	33,984,440	3,807,766	3,883,355	3,139,203
1996	38,441,976	4,339,682	3,633,397	3,039,712
1997	37,526,792	4,425,108	5,384,140	2,881,616
1998	39,993,118	4,450,105	5,039,189	3,231,181
1999	42,719,120	4,190,415	6,522,258	3,222,346
2000	42,901,989	4,400,485	5,811,970	3,472,143
2001	44,998,800	5,560,635	4,650,805	3,604,664
2002	45,722,277	4,539,687	4,902,427	4,656,723
2003	47,714,962	5,219,813	7,648,860	6,031,983

Note:

Includes General, Special Revenue, Debt Service and Capital Projects Funds

Table 2

Fines and Forfeitures	Uses of Money and Property	Miscellaneous	Net Operating Transfers	Total
\$552,290	\$921,695	\$1,931,275	\$0	\$43,443,537
423,574	1,158,468	6,761,476	0	53,158,282
484,426	1,510,779	3,603,712	0	55,053,684
425,329	1,495,345	3,337,270	0	55,475,600
388,801	1,571,461	3,047,957	0	57,721,812
337,943	1,869,866	3,426,158	0	62,288,106
382,337	1,535,076	2,928,302	0	61,432,302
405,332	2,156,918	3,865,926	0	65,243,080
264,816	1,196,768	2,339,806	0	63,622,504
234,003	879,789	3,540,113		71,269,523

CITY OF LAKE CHARLES, LOUISIANA
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year Ended</u>	<u>Tax Year</u>	<u>Total Tax Levy</u>	<u>Less: Cancellations and Reductions</u>	<u>Net Tax Levy</u>
1994	1993	\$4,315,303	\$47,430	\$4,267,873
1995	1994	4,447,451	4,551	4,442,900
1996	1995	4,604,277	35,102	4,569,175
1997	1996	4,739,814	139,851	4,599,963
1998	1997	4,880,549	39,602	4,840,947
1999	1998	4,944,413	61,418	4,882,995
2000	1999	5,142,416	46,758	5,095,658
2001	2000	5,448,959	331,803	5,117,156
2002	2001	5,600,075	29,978	5,570,097
2003	2002	5,814,877	36,921	5,777,956

Table 3

Less: Outstanding Delinquent Taxes	Net Total Taxes Collected	Percent of Net Taxes Collected	Percent of Delinquent Taxes to Net Levy
\$29,521	\$4,238,352	99.31 %	0.69 %
8,119	4,434,781	99.82	0.18
25,020	4,544,155	99.46	0.54
34,780	4,565,183	99.24	0.76
40,083	4,800,864	99.17	0.83
58,584	4,824,411	98.80	1.20
78,221	5,017,437	98.46	1.54
71,316	5,045,840	98.61	1.39
49,886	5,520,211	99.10	0.90
83,970	5,693,986	98.55	1.45

CITY OF LAKE CHARLES, LOUISIANA
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended	Tax Year	Real Property and Mobile		Personal, Business Industry	
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1994	1993	\$154,739,450	\$1,547,394,500	\$44,019,380	\$293,462,533
1995	1994	158,193,690	1,581,936,900	49,125,000	327,500,000
1996	1995	162,729,110	1,627,291,100	54,037,810	360,252,067
1997	1996	204,016,810	2,040,168,100	69,057,190	460,381,267
1998	1997	204,832,650	2,048,326,500	77,534,440	516,896,267
1999	1998	210,456,270	2,104,562,700	76,939,050	512,927,000
2000	1999	221,014,670	2,210,146,700	79,319,510	528,796,733
2001	2000	229,530,010	2,295,300,100	83,296,660	555,311,067
2002	2001	236,891,890	2,368,918,900	84,699,970	564,666,467
2003	2002	243,210,230	2,432,102,300	91,843,990	612,293,267

Note:

(1) Ratios of assessed valuation to actual value are established by state law. Assessment ratios currently applicable to various classes of property are as follows:

- 10% - Land and residential improvements
- 15% - Commercial improvements
- 15% - Personal property
- 25% - Public Utilities

(2) All property assessments are made by the Calcasieu Parish assessor or the Louisiana Tax Commission. required reassessments of all properties were made in 1992, 1996 and 2000.

Table 4

Public Utilities		Total all Property		Ratio of Total Assessed to Total Estimated Actual Value
Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
\$18,407,910	\$73,631,640	\$217,166,740	\$1,914,488,673	8.82 to 1
18,544,830	74,179,320	225,863,520	1,983,616,220	8.78 to 1
18,497,100	73,988,400	235,264,020	2,061,531,567	8.76 to 1
17,913,050	71,652,200	290,987,050	2,572,201,567	8.84 to 1
18,182,000	72,728,000	300,549,090	2,637,950,767	8.78 to 1
17,753,290	71,013,160	305,148,610	2,688,502,860	8.81 to 1
18,278,340	73,113,360	318,612,520	2,812,056,793	8.83 to 1
18,819,110	75,276,440	331,645,780	2,925,887,607	8.82 to 1
19,251,490	77,005,960	340,843,350	3,010,591,327	8.83 to 1
18,862,920	75,451,680	353,917,140	3,119,847,247	8.82 to 1

CITY OF LAKE CHARLES, LOUISIANA
Assessed Value of All Taxable Property by Source
Fiscal Year Ended September 30, 1994 through September 30, 2003
(Unaudited)

Tax Year	Real and Mobile Property Assessed Value	Personal Property Assessed Value	Public Service Assessed Value	Total Assessed Value
1993	\$154,739,450	\$44,019,380	\$17,407,910	\$216,166,740
1994	158,193,690	49,125,000	18,544,830	225,863,520
1995	162,729,110	54,037,810	18,497,100	235,264,020
1996	204,016,810	69,057,190	17,913,050	290,987,050
1997	204,832,650	77,534,440	18,182,000	300,549,090
1998	210,456,270	76,939,050	17,947,890	305,343,210
1999	221,014,670	79,319,510	18,278,340	318,612,520
2000	229,530,010	83,296,660	18,819,110	331,645,780
2001	236,891,890	84,699,970	19,251,490	340,843,350
2002	243,210,230	91,843,990	18,862,920	353,917,140

Note:

Assessed value is determined as noted in Table 4.

CITY OF LAKE CHARLES, LOUISIANA
Reconciliation of 2002 Tax Roll
Fiscal Year Ended September 30, 2003
(Unaudited)

Assessed valuation of \$353,917,140 at 16.43 mills		\$5,814,859
Additions		8,352
Less:		
Cancellations and reductions		(45,273)
Unpaid taxes (includes bankruptcies, adjudications, and paid under protest)		(83,970)
Total to account for (current year collections only)		<u>5,693,968</u>
Distribution of ad valorem taxes collected during fiscal year ended September 30, 2003:		
General Fund:		
General alimony - 6.20 mill	\$2,188,017	
Special street improvements - 2.59 mills	896,631	
Employee salary - 5.73 mills	1,983,666	
Special recreation - 1.91 mills	<u>666,946</u>	
Total accounted for		<u>5,735,260</u>
Total amount over collected*		<u><u>(\$41,292)</u></u>

* Includes collections for prior year.

CITY OF LAKE CHARLES, LOUISIANA
Principal Taxpayers
Tax Year December 31, 2002
for Fiscal Year Ended September 30, 2003
(Unaudited)

Taxpayer	Type of Business	Assessed Valuation 2001	Percentage of Total Valuation
Harrah's	Riverboat casino	\$12,242,660	2.75 %
Bell South Telecommunications	Telephone	9,608,810	2.16
Hibernia National Bank	Bank	7,856,520	1.77
Wal-Mart Stores	Retail	6,627,080	1.49
Banc One Management Corp.	Bank	4,490,110	1.01
Entergy Gulf States Inc.	Electric utility	4,438,430	1.00
Simon, Melvin & Associates	Land & Project Developer	2,448,520	0.55
Lowe's	Retail	2,304,930	0.52
US Unwired	Telecommunications	2,137,910	0.48
Xspedius Accelerated	Telecommunications	<u>2,079,760</u>	0.47
		<u>\$54,234,730</u>	<u>12.19 %</u>

Total city valuation: \$444,954,980

CITY OF LAKE CHARLES, LOUISIANA
Property Tax Rates (Millage) - Per \$1000 Assessment
Last Ten Fiscal Years
(Unaudited)

Calendar Year Ended	Fiscal Year	General and Special Revenue Funds	Debt Service Funds	Total
1993	1993-94	19.15	0.59	19.74
1994	1994-95	19.15	0.54	19.69
1995	1995-96	19.15	0.42	19.57
1996	1996-97	16.12	0.16	16.28
1997	1997-98	16.14	0.00	16.14
1998	1998-99	16.14	0.00	16.14
1999	1999-00	16.14	0.00	16.14
2000	2000-01	16.43	0.00	16.43
2001	2001-02	16.43	0.00	16.43
2002	2002-03	16.43	0.00	16.43

Note:

All property taxes levied by the City of Lake Charles are retained in the City budget and none are collected for distribution to other governmental units.

CITY OF LAKE CHARLES, LOUISIANA
Ratio of Net General Obligation Bonded Debt
To Assessed Value and Net General Obligation Bonded Debt Per Capita
Fiscal Years Ended September 30, 1994 through 2003
(Unaudited)

<u>Fiscal Year Ended</u>	<u>Population</u>	<u>Assessed Value (in Thousands)</u>
1994	72,112	\$217,167
1995	73,742	225,864
1996	75,424	235,264
1997	No General Obligation Debt	
1998	No General Obligation Debt	
1999	No General Obligation Debt	
2000	No General Obligation Debt	
2001	No General Obligation Debt	
2002	No General Obligation Debt	
2003	No General Obligation Debt	

Note:

- (1) Gross bonded debt amount does not includes special assessment bonds.
- (2) Debt service money available is for the repayment of general obligation bonds.
- (3) All bonded debt was paid in full in fiscal year 1997

Table 9

Gross Bonded Debt	Debt Service Money Available	Net Bonded Debt	Percent Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
\$245,000	\$9,630	\$235,370	0.11	3
145,000	18,076	126,924	0.06	2
50,000	13,898	36,102	0.02	1

CITY OF LAKE CHARLES, LOUISIANA
Computation of Legal Debt Margin
September 30, 2003
(Unaudited)

Net assessed value (real property)		\$243,210,230
Plus exempt property		<u>84,884,590</u>
Total assessed value		<u>\$328,094,820</u>
Debt limit - 10 percent of total assessed value		\$32,809,482
Amount of debt applicable to debt limit:		
Total bonded debt (including special assessments)	\$34,735,000	
Less:		
Assets in Debt Service Funds available for payment of principal and interest	\$891,273	
Other deductions allowed by law:		
Special assessment bonds	<u>1,142,837</u>	
Total deductions		<u>2,034,110</u>
Total amount of debt applicable to debt limit		<u>32,700,890</u>
Legal debt margin		<u><u>\$108,592</u></u>

CITY OF LAKE CHARLES, LOUISIANA

Computation of Direct and Overlapping

General Obligation Bonded Debt

September 30, 2003

(Unaudited)

Jurisdiction	General Obligation Bonded Debt Outstanding	Percentage Applicable to City of Lake Charles	Amount Applicable to Lake Charles
City of Lake Charles	\$0	100 %	\$0
Calcasieu Parish School Board	165,299,434	28.772%	47,559,840
Calcasieu Parish Library Bonds	6,492,765	28.772%	1,868,094
Calcasieu Parish Police Jury	0	28.772%	0
Total Direct and Overlapping General Obligation Bonded Debt	<u>\$171,792,199</u>		<u>\$49,427,934</u>

CITY OF LAKE CHARLES, LOUISIANA
 Ratio of Annual Debt Service Expenditures for
 General Bonded Debt to Total General Expenditures
 Last Ten Fiscal Years
 (Unaudited)

<u>Fiscal Year Ended</u>	<u>Principal Retirement</u>	<u>Interest Paid</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to General Expenditures</u>
1994	\$387,821	\$113,542	\$501,363	\$38,242,774	1.31 %
1995	378,397	82,150	460,547	42,677,685	1.08
1996	221,804	50,192	271,996	50,801,635	0.54
1997	144,442	32,584	177,026	53,110,668	0.33
1998	75,277	19,417	94,694	52,912,715	0.18
1999	645,278	600,039	1,245,317	59,359,971	2.10
2000	581,181	697,618	1,278,799	60,685,479	2.11
2001	582,000	660,792	1,242,792	52,657,381	2.36
2002	600,000	628,440	1,228,440	54,371,846	2.26
2003	640,000	593,100	1,233,100	74,140,957	1.66

Note:

- (1) Total General Expenditures includes General, Special Revenue, and Debt Service Funds.
- (2) Amounts include principal and interest payments of special assessments through 2001.

CITY OF LAKE CHARLES, LOUISIANA
Special Assessment Billing and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended	Special Assessments Billings	Special Assessments collected	Ratio of Collections To Amount Due	Total Outstanding Assessments
1994	\$946,748	\$196,202	20.7 %	\$1,252,323
1995	955,381	108,018	11.3	1,082,893
1996	893,970	100,288	11.2	880,248
1997	791,612	42,669	5.4	795,981
1998	750,013	27,083	3.6	748,373
1999	729,489	17,762	2.4	665,609
2000	664,487	1,122	0.2	647,895
2001	647,895	9,483	1.5	638,412
2002	638,412	12,727	2.0	625,685
2003	625,685	12,272	2.0	613,413

Note:

The amount reported as Special Assessments Billings is the total amount actually billed, including current and delinquent principal and interest, in November of each year. The amount reported as Special Assessments Collected is the total amount actually collected during the fiscal year.

CITY OF LAKE CHARLES, LOUISIANA
Sales Tax, Licenses Tax and Utility Franchise Tax Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended	One Percent Sales Tax (1965)	Additional One Percent Sales Tax (1987)	Employee's Pay Sales Tax (1995)
1994	\$10,299,961	\$10,299,960	\$0
1995	10,673,230	10,673,228	1,127,825
1996	11,286,542	11,286,540	2,795,072
1997	11,571,527	11,571,526	2,887,759
1998	12,282,721	12,282,721	3,051,254
1999	13,312,712	13,312,712	3,270,504
2000	13,100,266	13,100,266	3,268,928
2001	13,913,944	13,913,944	3,455,464
2002	14,232,232	14,232,232	3,546,611
2003	14,738,034	14,738,034	3,680,714

Note:

One-quarter cent sales tax collections levied for an employee pay raise began May, 1995.

Occupational License and Insurance Taxes	Electric Utility Franchise	Gas Utility Franchise	Cable Television Franchise
\$1,941,457	\$2,848,582	\$261,731	\$372,239
2,000,807	2,778,707	265,766	405,569
2,152,181	3,173,086	248,011	474,811
2,125,724	3,007,878	599,121	430,584
2,196,952	3,144,286	393,389	430,158
2,183,838	3,018,078	331,305	417,689
2,202,192	3,096,916	404,659	420,144
2,266,471	3,938,095	663,156	459,191
2,392,602	3,233,184	398,356	482,724
2,393,547	3,689,830	540,348	499,422

CITY OF LAKE CHARLES, LOUISIANA
Property Value, Construction and Bank Deposits
Last Ten Calendar Years
(Unaudited)

Calendar Year Ended	Commercial Construction	
	Permits Issued	Value
1994	216	\$21,848,575
1995	283	47,431,671
1996	311	97,633,110
1997	329	62,691,854
1998	444	29,747,777
1999	287	21,275,879
2000	289	28,374,567
2001	574	79,854,735
2002	492	51,304,184
2003	424	137,598,552

Source: Construction data from City of Lake Charles Inspection Division; bank deposits from individual banks; property value (assessed valuation) from Calcasieu Parish Tax assessor's Office.

Table 15

Residential Construction		Property Value		
Permits Issued	Value	Bank Deposits	Taxable	Non-Taxable
622	\$4,987,188	\$1,397,813,000	\$217,166,740	\$41,350,180
552	4,536,337	1,395,149,000	225,863,520	43,971,290
784	6,800,564	1,647,834,000	235,264,020	84,884,590
736	6,708,083	1,619,879,000	290,987,050	84,884,590
950	5,609,288	1,848,275,000	300,549,090	81,510,260
805	11,633,499	3,004,576,000	305,148,610	56,066,260
689	8,751,892	3,024,391,000	386,125,520	63,022,230
845	28,329,654	3,330,156,000	331,645,780	68,351,570
708	25,309,302	3,248,297,000	340,843,350	83,768,950
784	33,088,665	3,601,473	353,917,140	84,884,590

CITY OF LAKE CHARLES, LOUISIANA
Demographic Statistics
Last Ten Calendar Years
(Unaudited)

<u>Calendar Year Ended</u>	<u>Population</u>	<u>Median Household Income (1)</u>	<u>Median Age</u>
1993	71,705	\$21,225	32.1
1994	72,112	21,225	32.2
1995	73,742	21,225	32.1
1996	75,424	21,225	32.1
1997	75,743	21,225	32.1
1998	76,537	21,225	31.6
1999	76,537	21,225	32.2
2000	71,757	21,225	35.3
2001	73,029	30,774	35.3
2002	71,757	30,774	35.3

Notes:

- (1) Estimates for population, income age and unemployment provided by Imperial Calcasieu regional Planning and Development.
- (2) School enrollment includes public and state approved private schools only as provided by the Calcasieu Parish School Board.

Table 16

Public City School Enrollment (K-12 Grades)	Private City School Enrollment (K-12 Grades)	Total City School Enrollment (K-12 Grades)	Unemployment Percentage Rate
16,232	2,614	18,846	7.3 %
16,662	2,713	19,375	5.1
14,291	2,713	17,004	6.3
14,777	2,815	17,592	6.0
14,696	2,820	17,516	5.0
15,748	3,121	18,869	3.5
15,590	3,042	18,632	5.1
14,335	3,078	17,377	5.3
13,830	2,907	16,737	5.4
14,281	2,907	17,188	5.1

CITY OF LAKE CHARLES, LOUISIANA
Enterprise Fund Operating Revenues
Last Ten Fiscal Years
(Unaudited)

<u>Year Ended</u>	<u>Civic Center</u>	<u>Golf Course</u>	<u>Public Transit</u>	<u>Water Utility</u>
1994	\$745,956	\$990,626	\$136,568	\$5,745,312
1995	666,793	1,087,392	137,512	6,015,162
1996	729,982	1,147,880	79,231	6,396,291
1997	647,765	1,182,153	86,120	6,155,325
1998	1,618,265	1,201,766	79,927	6,584,346
1999	1,582,948	1,152,147	53,431	6,476,055
2000	1,502,565	1,114,722	62,151	6,817,627
2001	1,339,526	385,485	63,742	6,524,879
2002	942,792	1,164,086	81,015	6,339,417
2003	920,085	1,069,405	75,268	6,320,794

Note:

The Golf Course was closed for most of 2001 for major renovations.

CITY OF LAKE CHARLES, LOUISIANA
Miscellaneous Statistics
September 30, 2003
(Unaudited)

Date of incorporation	1867
Form of government	Mayor-Council
Area	44 square miles
Miles of streets (estimate)	483
Fire protection:	
Number of stations	7
Total authorized personnel	176
Police protection:	
Number of stations	4
Total authorized personnel	192
Water system:	
Number of customers	27,760
Average daily consumption	9.62 million gallons
Sewers:	
Sanitary sewers	600 miles
Storm sewers	425 miles
Recreation and culture:	
Number of parks and acreage	34-453 acres
Number of libraries	1 central - 13 branches
Number of volumes	378,833
Employees - City of Lake Charles	992
Telephones	56,093
Electric meters	26,653
Gas meters	38,216
Building permits issued	1,468
Schools	28 public 8 non-public 17,188 enrollment 1 technical institute 1,675 enrollment 1 college 8,447 enrollment
Industry	141 establishments 13,650 workers \$313,700,000 annual wages

Source: Lake Charles city directory and local city sources.

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CITY OF LAKE CHARLES, LOUISIANA

**OMB CIRCULAR A-133
SUPPLEMENTARY REPORTS**

YEAR ENDED SEPTEMBER 30, 2003

CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA

C O N T E N T S

	Page
Report on Compliance and on Internal Control over Financial Reporting Based on An Audit of Financial Statements Performed in Accordance with <i>GOVERNMENT AUDITING STANDARDS</i>	3-4
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB CIRCULAR A-133	5-7
Schedule of Expenditures of Federal Awards	8-11
Schedule of Findings and Questioned Costs	12-14
Summary Schedule of Prior Audit Findings	15

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

Honorable Mayor
and City Council
City of Lake Charles
Lake Charles, Louisiana

We have audited the financial statements of the City of Lake Charles, Louisiana as of and for the year ended September 30, 2003, and have issued our report thereon dated February 6, 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 Audit Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Lake Charles' 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 City of Lake Charles'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Lake Charles's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 03-1.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of the audit committee, management, Legislative Auditor, 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.

Mc Elroy, Quirk & Beach

Lake Charles, Louisiana

February 6, 2004

McELROY, QUIRK & BURCH

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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

Honorable Mayor
and City Council
City of Lake Charles
Lake Charles, Louisiana

Compliance

We have audited the compliance of the City of Lake Charles, Louisiana 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 September 30, 2003. The City of Lake Charles' major federal programs are identified in the summary of auditor's 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 City of Lake Charles' management. Our responsibility is to express an opinion on the City of Lake Charles' 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 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 City of

Lake Charles' 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 on the City of Lake Charles' compliance with those requirements.

In our opinion, the City of Lake Charles, Louisiana 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 September 30, 2003.

Internal Control Over Compliance

The management of the Town of Welsh is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Welsh's internal control over compliance with requirements that could have a direct and 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 the internal control over compliance in accordance with OMB Circular A-133.

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.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the City of Lake Charles as of and for the year ended September 30, 2003, and have issued our report thereon dated February 6, 2004. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. 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.

This report is intended solely for the information and use of the audit committee, management, Legislative Auditor, 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.

Ms Elroy, Quirk & Burch

Lake Charles, Louisiana

February 6, 2004

CITY OF LAKE CHARLES, LOUISIANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For Period Ending September 30, 2003

<u>Grant Type</u>	<u>Federal CFDA Number</u>
Department of Housing & Urban Development:	
Community Development Block Grant	14.218
Louisiana Department of Administration (pass thru agency):	
HUD/Emergency Shelter Grant	14.231
HUD/Emergency Shelter Grant	14.231
HUD/HOME Grant	14.239
HUD/CHDOS	-
Louisiana Housing Finance Agency (pass thru agency):	
Metro SHARE Grant Program	-
Federal Emergency Management Agency:	
Louisiana Department of Military Affairs (pass thru agency)	-
Department of Transportation:	
Federal Transit Administration	20.507
	-
	-
	-
Federal Transit Administration	-
Department of Agriculture:	
Louisiana Department of Education (pass thru agency):	
Child Nutrition Summer Food Program	10.559
Department of Justice:	
COPS Formula Grant (LLEBG)	-
COPS Formula Grant (LLEBG)	-
COPS Formula Grant (LLEBG)	-
FBI Safe Street Taskforce	-
Louisiana Commission on Law Enforcement (pass thru agency):	
DARE	-
Street Sales Disruption	16.579
Louisiana Highway Safety Commission (pass thru agency):	
Lake Charles Safe City Project	-

<u>Grant Number</u>	<u>Grant Period</u>		<u>Grant Receipts</u>	<u>Current Expenditures</u>
	<u>From</u>	<u>To</u>		
B-00-MC-22-0004	10/1/02	9/30/03	\$ 2,048,240	\$ 2,171,726
570987-370-201101	10/1/02	9/30/03	17,412	17,412
	10/1/02	9/30/03	54,750	54,750
M-99-MC-22-0208	10/1/02	9/30/03	358,403	358,403
M-00-MC-22-0208	10/1/02	9/30/03	184,362	184,362
MS-02-300 LC	10/1/02	9/30/03	56,300	56,300
FMP01-019-0001	10/1/02	9/30/03	177,083	177,083
LA-902-232	10/1/02	9/30/03	5,861	5,861
LA-900-247	10/1/02	9/30/03	143,653	143,653
LA-902-247	10/1/02	9/30/03	30,970	30,970
LA-904-247	10/1/02	9/30/03	391,165	391,165
LA-900-209	10/1/02	9/30/03	303,005	303,005
	10/1/02	9/30/03	475,823	475,823
2000-LBVX-1246	10/1/02	9/30/03	-	33,074
2001-LBBX-2098	10/1/02	9/30/03	-	46,670
2002-LBBX-2544	10/1/02	9/30/03	151,337	-
166 E-NO-65645	10/1/02	9/30/03	21,748	21,748
E03-6-007	10/1/02	9/30/03	38,147	38,147
B01-6-003	10/1/02	9/30/03	93,709	93,709
PT 03-07-18	10/1/02	9/30/03	20,643	20,643

CITY OF LAKE CHARLES, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Period Ending September 30, 2003
(Continued)

<u>Grant Type</u>	<u>Federal CFDA Number</u>
National Highway Safety Administration (pass thru agency):	
Click-it or Ticket Seat Belt Enforcement	-
Louisiana Serve Commission/Dept of Treasury:	
Americorps 2000 Grant	94.006
Americorps 2001 Grant	-
Americorps 2002 Grant	-
Americorps/PDAT Grant	-
Total Federal Assistance	

<u>Grant Number</u>	<u>Grant Period</u>		<u>Grant Receipts</u>	<u>Current Expenditures</u>
	<u>From</u>	<u>To</u>		
DTNH22-02-G-8529	10/2/02	9/30/03	37,708	37,708
00ASFLA0191301	10/1/02	9/30/03	4,134	4,134
00ASFLA0191301	10/1/02	9/30/03	218,090	218,090
00ASFLA0191301	10/1/02	9/30/03	9,601	9,601
PDAT	10/1/02	9/30/03	-	-
			<u>\$ 4,842,144</u>	<u>\$ 4,894,037</u>

CITY OF LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2003

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified
Internal control over financial reporting:
Material weakness identified? Yes No
Reportable condition identified not considered
to be material weakness? Yes None reported
Noncompliance material to financial statements
noted? Yes No

Federal Awards

Internal control over major programs:
Material weakness identified? Yes No
Reportable condition identified not considered
to be material weakness? Yes None reported
Type of auditor's report issued on compliance
for major programs: Unqualified
Any audit findings disclosed that are required
to be reported in accordance with Circular
A-133, Section .510(a)? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.239	HUD/HOME Grant
20.507	Federal Transit Administration
10.559	Child Nutrition Summer Food Program

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

Auditee qualified as low-risk auditee? Yes No

(continued on next page)

CITY OF LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2003
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

03-1 Controls Over Cash Collections

Condition: Controls over cash receipts at decentralized locations need to be improved.

Criteria: Good internal control over cash receipts requires adequate segregation of duty as well as utilization and reconciliation on pre-numbered cash receipts. Additionally, all supporting documentation should agree with amounts deposited with the Finance Department, specifically that deposit components agree with the underlying data.

Effect: Cash may have been misappropriated.

Recommendation: We recommend that a system of pre-numbered work orders, pre-numbered cash receipts and daily reconciliation of collections to receipts be implemented. Additionally, each deposit should reconcile the individual components of cash and checks for each deposit.

Response: We concur with this finding.

CITY OF LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2003
(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No Findings to report.

CITY OF LAKE CHARLES, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2003

02-1 Child Nutrition Summer Food Program - CFDA No. 10.559

Condition: We noted during our testing, that different inventory records do not agree with each other. The City utilizes three inventory records: the "Daily Food Production Record," inventory cards and the "Daily Issue/Withdrawal Record." In various combinations, these three reports did not agree with each other.

Recommendation: We recommend that close attention be paid to insure that all records accurately reflect the movement of inventory items and that a periodic physical inventory be taken to check these cards. The City should provide some form of orientation and training for individuals responsible for preparing these reports.

Current status: No similar condition existed for the year ended September 30, 2003.