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**AIRPORT DISTRICT NO.1
OF JEFFERSON DAVIS PARISH**

Jennings, Louisiana

**General Purpose Financial Statements
And Independent Auditor's Report
As of and for the Year Ended April 30, 2004**

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 10-27-04

AIRPORT DISTRICT NO.1 OF JEFFERSON DAVIS PARISH

Jennings, Louisiana

General Purpose Financial Statements
And Independent Auditor's Report
As of and for the Year Ended April 30, 2004

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Mike B. Gillespie, CPA

(A Professional Accounting Corporation)

414 East Nezpique Street
PO Box 1347, Jennings, LA 70546
Phone (337) 824-7773

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
Airport District No. 1 of Jefferson Davis Parish
Jennings, Louisiana

I have audited the accompanying general purpose financial statements of the Airport District No. 1 of Jefferson Davis Parish (District), a component unit of the Jefferson Davis Parish Police Jury, as of April 30, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the District, as of April 30, 2004, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 26, 2004 on my consideration of District's internal control over financial reporting and my 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 my audit.

Mike B. Gillespie, CPA, APAC

Jennings, Louisiana
August 26, 2004

AIRPORT DISTRICT NO. 1 OF JEFFERSON DAVIS PARISH
PROPRIETARY FUND - ENTERPRISE FUND
 (All Fund Types and Account Groups)
BALANCE SHEET
 As of April 30, 2004

ASSETS

Current assets:

Cash and equivalents	\$ 46,602
Investments- certificates of deposit	808,318
Accounts receivable, net of allowance for doubtful accounts	1,925
Due from other governments	87,458
Prepaid insurance	13,385
Total current assets	957,688

Fixed assets:

Buildings, land improvements, & equipment	5,237,922
Accumulated depreciation	(2,391,390)
Land	993,549
Construction in progress	575,779
Net fixed assets	4,415,860

Other assets:

Utility deposits	73
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TOTAL ASSETS	\$ <u>5,373,621</u>
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LIABILITIES AND FUND EQUITY

Current liabilities:

Accounts payable	\$ 3,748
Contracts payable	184,128
Prepaid revenue	7,017
Total current liabilities	194,893

Fund equity:

Contributed capital:	
Donated assets	751,325
Capital grants	3,811,489
Total contributed capital	4,562,814
Retained earnings:	
Unreserved-undesignated	615,914
Total retained earnings	615,914
Total fund equity	5,178,728

TOTAL LIABILITIES AND FUND EQUITY	\$ <u>5,373,621</u>
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The accompanying notes are an intergral part of this statement.

AIRPORT DISTRICT NO. 1 OF JEFFERSON DAVIS PARISH
PROPRIETARY FUND-ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
For the Year Ended April 30, 2004

OPERATING REVENUES :

Property rental- regular	\$ 269,935
Property rental- inkind	20,940
Gallonage rental	14,418
Miscellaenous revenue	3,331
Total operating revenues	308,624

EXPENSES :

Salaries and related benefits:	
Salaries	4,100
Retirement	434
Operating services:	
Dues and subscriptions	2,050
Advertising and printing	2,785
Bad Debt	525
Telephone	2,213
Utilities	5,894
Airport contract management (includes in-kind of \$20,940)	56,241
Professional fees	9,721
Commission expense	840
Insurance	14,107
Materials, supplies and repairs:	
Repairs and maintenance- Airport	23,890
Repairs and maintenance- Equipment	4,148
Office expense	75
Travel and other charges:	
Conventions	175
Travel	61
Depreciation expense	140,767
Total operating expenses	268,026

OPERATING INCOME (LOSS)	40,598
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NON-OPERATING REVENUES (EXPENSES) :

Interest income	13,974
Gain on sale of assets	-
Loss on sale of assets	(9,663)
Intergovernmental grants	-
Total non-operating revenues (expenses)	4,311

NET INCOME (LOSS)	44,909
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RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR	571,005
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RETAINED EARNINGS (DEFICIT) AT END OF YEAR	\$ 615,914
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The accompanying notes are an integral part of this statement.

**AIRPORT DISTRICT NO. 1 OF JEFFERSON DAVIS PARISH
 PROPRIETARY FUND - ENTERPRISE FUND
 STATEMENT OF CASH FLOWS
 For the Year Ended April 30, 2004**

Cash flows from operating activities:	
Operating income	\$ 40,598
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	140,767
Bad debt provision	525
Net changes in assets and liabilities:	
Decrease (increase) in receivables	(2,450)
Decrease (increase) in prepaid expenses	(121)
Increase (decrease) in accounts and contracts payable	(2,036)
Increase (decrease) in prepaid revenue	6,017
Net cash provided (used) by operating activities	<u>183,300</u>
Cash flows from capital and related financing activities:	
Construction and equipment purchases	(413,023)
Contributed capital- capital grants	133,574
Net cash provided (used) by capital and related financing activities	<u>(279,449)</u>
Cash flows from investing activities:	
Interest income received on investments	13,974
Proceeds from redemption of investments	794,494
Purchase of investments	(808,318)
Net cash provided (used) by investing activities	<u>150</u>
Net increase (decrease) in cash and cash equivalents	<u>(95,999)</u>
Cash and cash equivalents at beginning of year, as per previously stated	937,095
Prior period adjustment to restate cash and cash equivalents	(794,494)
Cash and cash equivalents at beginning of year, as restated	<u>142,601</u>
Cash and cash equivalents at end of year	<u>\$ 46,602</u>

The accompanying notes are an integral part of this statement.

AIRPORT DISTRICT NO. 1 OF JEFFERSON DAVIS PARISH

Notes to the Financial Statements

INTRODUCTION

The Airport District No. 1 of Jefferson Davis Parish (District) was created by the Jefferson Davis Parish Police Jury pursuant to (LSA-RS 2.311) through the passage of Parish Ordinance 483 on March 7, 1963. The District has the power and authority, within its boundaries, to acquire, construct, maintain, and operate airports and airport facilities, including both movable and immovable property. The District is a subdivision of the State of Louisiana and may issue bonds and levy taxes in accordance with Article 6, Section 30. The District may also, by resolution or ordinance, establish, maintain, and collect proper and reasonable rates, charges, rents, or other fees for the use of the facilities of the airport.

Under the provision of Parish Ordinance 635, dated May 10, 1978, the District shall be governed and controlled by a board of commissioners composed of five members. Pursuant to Ordinance 635 these commissioners are appointed by the Jefferson Davis Police Jury for terms of two years from the date they assume their duties and shall serve without compensation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying general purpose financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the Jefferson Davis Parish Police Jury is the financial reporting entity for Jefferson Davis Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Jefferson Davis Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

AIRPORT DISTRICT NO. 1 OF JEFFERSON DAVIS PARISH

Notes to the Financial Statements

1. Appointing a voting majority of an organization's governing body, and
 - a. *The ability of the police jury to impose its will on that organization and/or*
 - b. *The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.*
2. *Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.*
3. *Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.*

Because the police jury appoints a voting majority of the board and has the ability to impose its will on that organization, the District was determined to be a component unit of the Jefferson Davis Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING

The District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The District, a special purpose single proprietary fund type, is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District has applied all applicable Government Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) opinions and Accounting Research Bulletins (ARB's) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. In addition, the District applied all applicable FASB statements and interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

AIRPORT DISTRICT NO. 1 OF JEFFERSON DAVIS PARISH

Notes to the Financial Statements

E. BUDGETARY PRACTICES

The District was not required and did not adopt a budget for the period covered by the accompanying financial statements.

F. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and these investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana Law or any other state of the United States, or under the laws of the United States.

G. PREPAID EXPENSE

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

G. FIXED ASSETS

Fixed assets of the district are included on the balance sheet of the fund. Interest costs incurred during construction are capitalized. Depreciation of all exhaustible fixed assets is charged as an expense against operations. Fixed assets reported on the balance sheet are net of accumulated depreciation, exclusive of those reported under construction in progress. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Runways and Improvements	10-50 years
Buildings and Hangers	10-40 years
Improvements other than Buildings and Hangers	10-20 years
Furniture and Equipment	5-10 years

H. FUND EQUITY

Contributed Capital

Grants, entitlements, or shared revenues received that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is not amortized based on the depreciation recognized on that portion of the assets acquired from such contributions.

AIRPORT DISTRICT NO. 1 OF JEFFERSON DAVIS PARISH

Notes to the Financial Statements

Reserves

Reserves represent those portions of fund equity legally segregated for a specific future use.

I. USE OF ESTIMATES

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

J. CAPITALIZATION OF INTEREST

FAS-34 (Capitalization of interest Costs) requires that interest expenditures incurred during construction of assets be capitalized. FAS-62 (Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants) concludes that constructed assets finance with the proceeds of tax-exempt debt (if those funds are externally restricted to finance the acquisitions of the asset or used to service the related debt) should include capitalized interest only to the extent that interest cost exceeds interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing. Net interest costs capitalized totaled \$0 during fiscal year ending in 2004.

K. COMPENSATED ABSENCES

The District has no formal vacation and sick leave policy since it has only one part-time employee and provides for no compensated absences.

2. DEPOSITS AND INVESTMENTS

Deposits

At April 30, 2004, the District has cash equivalents (book balances) totaling \$46,602 as follows:

Demand deposits	\$ 16,754
Interest bearing demand deposits	<u>29,848</u>
Total Book Balances	\$ <u>46,602</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At April 30, 2004, the District had \$ 81,390 in deposits (collected bank balances). These deposits are secured from risk by \$ 81,390 of federal

AIRPORT DISTRICT NO. 1 OF JEFFERSON DAVIS PARISH

Notes to the Financial Statements

deposit insurance and \$0 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

Investments

The District invests only in certificates of deposit. Investments are categorized into the following three categories of credit risk in accordance with GASB Statement No. 3 to give an indication of the level of risk assumed by the Commission.

Category 1 – includes investments that are insured or registered, or securities held by the government or its agent in the District’s name.

Category 2 – includes investments that are uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the District’s name.

Category 3 – includes investments that are uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District’s name.

At year end, the District’s investment balances were as follows:

<u>Investment Type</u>	<u>Category 1</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Certificates of Deposit	\$ 808,318	\$ 808,318	\$ 808,318
Total	<u>808,318</u>	<u>808,318</u>	<u>808,318</u>
Total Investments		<u>\$ 808,318</u>	<u>\$ 808,318</u>

3. ACCOUNTS RECEIVABLES

The following is a summary of receivables at year end:

Customer property rentals	\$ 2,450
Gross receivables	<u>2,450</u>
Less: allowance for doubtful accounts	<u>525</u>
Net account receivables	<u>\$ 1,925</u>

AIRPORT DISTRICT NO. 1 OF JEFFERSON DAVIS PARISH

Notes to the Financial Statements

Accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on an assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

4. FIXED ASSETS

A summary of fixed assets at year end follows:

Runways and Improvements	\$ 3,942,230
Buildings and Hangers	896,936
Improvements other than Buildings and Hangers	304,783
Furniture and Equipment	93,973
Less accumulated depreciation	(2,391,390)
Land	993,549
Construction in Progress	575,779
Total	<u>\$ 4,415,860</u>

5. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. As of April 30, 2004 the District carries commercial insurance for general and aviation liability and property damage. During the construction phase, contractor nonperformance and liability risk was protected by requiring each contractor to post a performance bond and a certificate of liability insurance coverage for approved contracts. In addition, the District carried builders' risk coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

6. COMMITMENTS

As of April 30, 2004, the District had three construction contract projects in progress totaling \$556,765 as follows: Administrative Building \$183,800 (Phillip Mayo Construction), Aircraft Hangar Building \$307,837 (KAS Construction LLC), and Rehabilitation of Taxiways \$65,128 (Justice & Huang Engineers Inc). Remaining construction contract commitments for these projects was \$302,391 as of April 30, 2004.

7. LITIGATION AND CLAIMS

The Airport Commission is not presently involved in any litigation as plaintiff or defendant.

AIRPORT DISTRICT NO. 1 OF JEFFERSON DAVIS PARISH

Notes to the Financial Statements

8. NON-CANCELABLE OPERATING LEASES

The District had numerous real estate properties leased to various commercial enterprises. As of April 30, 2004, this property is reported in the accompanying financial statements at a cost of \$841,041 with associated accumulated depreciation of \$677,009.

As of April 30, 2004 future minimum rentals of non-cancelable operating leases of such property in aggregate are as follows:

Fiscal Year	
2005	\$ 142,472
2006	93,824
2007	80,304
2008	72,790
2009	37,334
2010 to 2014	18,123
 Total	 <u>\$ 444,847</u>

9. ECONOMIC DEPENDENCE

The District has three commercial customers that each account for more than 10% individually of total operating revenues.

10. RELATED PARTY TRANSACTIONS

The District's airport is managed by a commercial agricultural aviation service company, Riceland Aviation, Inc., under a five year contract which began on February 1, 2000. Under the contract, Riceland is paid \$2,941.75 per month (\$35,301 annually) and allowed to occupy certain hangars, offices, and other physical structures for the operation of an aerial seed planting, crop dusting, fertilizer business, and retail sale of aviation fuel in return for providing Airport management services for the District. The in-kind rental value of the occupied facilities, estimated to be \$20,940, has been recorded in the accompanying financial statements as operating revenue and as an expense for the year ending April 30, 2004.

Riceland Aviation, Inc. has a salaried employee (a former owner of Riceland Aviation, Inc.) that serves as the designated manager of the District's Airport. One of the manager's sons is a 100% owner of a KAS Construction LLC. The District has entered into two construction contracts with KAS Construction LLC totaling \$371,537 during the year ended April 30, 2004. As of April 30, 2004, the financial statements included \$100,146 in construction and retainage payables owed to KAS Construction LLC. Remaining construction contract commitments with KAS Construction LLC amounted to \$144,042 as of April 30, 2004.

The full-time salaried Treasurer of the Jefferson Davis Parish Police Jury also serves as the Official Secretary of the District. This individual is paid \$350 a month as a part-time employee for serving as the Official Secretary

AIRPORT DISTRICT NO. 1 OF JEFFERSON DAVIS PARISH

Notes to the Financial Statements

of the District. In addition, her part-time salary is being reported as qualifying for parochial retirement system and matching contributions in the amount of \$434.37 were submitted during the fiscal year ending April 30, 2004. The part-time salary and retirement is reported through the Jefferson Davis Parish Police Jury's quarterly reports, since this individual is a full-time employee of the Police Jury.

One member of the Board of Commissioners leases an airplane hanger from the District. This lease provided \$780 in revenues to the District during the fiscal year.

The District maintains primarily all of its deposits in a local bank in which one of the Board of Commissioners is also a minority shareholder and board member. This bank is also a major land rental tenant under a ten year non-cancelable optionally renewable operating lease commencing October 1, 1998. This lease provided \$30,000 in revenues to the District during the fiscal year. As of April 30, 2004, the financial statements included \$2,500 in prepaid revenues from this bank. As of April 30, 2004, District deposits maintained at this bank were included in the financial statements as \$42,669 in cash and cash equivalents and \$808,318 in certificates of deposits.

11. PRIOR PERIOD ADJUSTMENTS AND RECLASSIFICATIONS

A prior period adjustment was made to the beginning balance sheet amount to correct the recognition of capital grant expenditure reimbursement awards in previous year. Pursuant to GASB Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions* grant recipients should recognize receivables when all applicable eligibility requirements are met. Correction of this error caused beginning accounts receivable and contributed capital to increase \$35,585.

A material reclassification was made to the beginning balance in cash and cash equivalents on the statement of cash flows to correct the prior period presentation. Subsequent review of prior years ending cash and cash equivalents disclosed that this balance contained \$794,494 in certificates of deposits with original maturities of more than 90 days. As stated under Note 1 Summary of Significant Accounting Policies and pursuant to GASB Statement No. 95 *Statement of Cash Flows* only investments with original maturities of three months or less qualify as cash and cash equivalents. Correction of this error caused beginning cash and cash equivalents in the Statement of Cash Flows to decrease \$794,494.

12. OTHER MATTERS

Prior years audit reports have displayed the name of the entity as Airport Commission of Airport District #1 of Jefferson Davis Parish. Pursuant to Jefferson Davis Parish Ordinance 483 dated March 7, 1963, the actual legal name of the entity is Airport District No. 1 of Jefferson Davis Parish.

13. CONTINGENCIES

Litigation. The District is not involved in any litigation as plaintiff or defendant as of year end.

Grant Disallowances. The District participates in a number of Federal Financial Assistance Programs. These programs are subject to further financial and compliance audits by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. Based on prior experience, management feels such amounts, if any, to be immaterial to the financial statements.

AIRPORT DISTRICT NO. 1 OF JEFFERSON DAVIS PARISH

Notes to the Financial Statements

14. CHANGES IN CONTRIBUTED CAPITAL

The following is a summary of changes in contributed capital:

	Donated Assets	Capital Grants
Balance, beginning of year –as previously stated	\$ 751,325	\$ 3,590,457
Prior period adjustment – See Note 11	-	35,585
Balance, beginning of year – as restated	<u>751,325</u>	<u>3,626,042</u>
Additions:		
Federal Aviation Administration	-	167,644
State of Louisiana, Department of Transportation and Development	-	17,803
Balance, end of year	<u>\$ 751,325</u>	<u>\$ 3,811,489</u>

15. NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

The following is a summary of noncash investing, capital and financing activities:

Construction and equipment purchases:	
Cost of construction and equipment	\$ 610,077
Less book value traded-in	(22,589)
Loss on trade-in	9,663
Less construction in progress accrued in payables	<u>(184,128)</u>
Cash payments for construction and equipment	<u>\$ 413,023</u>
Contributed capital grants received:	
Contributed capital grants recognized	\$ 185,447
Amounts recognized in prior year as receivables	35,585
Amounts recognized in current year as receivables	<u>(87,458)</u>
Cash grant payments received	<u>\$ 133,574</u>

16. SUBSEQUENT EVENTS

During the June 16, 2004 meeting the board of commissioners accepted a bid in the amount of \$380,812 by H&S Construction for the rehabilitation of taxiways A1-5, A2, and C.

OTHER REPORTS

AIRPORT DISTRICT NO. 1 OF JEFFERSON DAVIS PARISH
MANAGEMENT'S STATUS OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended April 30, 2004

SECTION I – FINANCIAL STATEMENT FINDINGS

No findings reported.

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings reported.

SECTION III – MANAGEMENT LETTER FINDINGS

No findings reported.

Mike B. Gillespie, CPA

(A Professional Accounting Corporation)

414 East Nezpique Street
PO Box 1347, Jennings, LA 70546
Phone (337) 824-7773

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

To the Board of Commissioners of
Airport District No. 1 of Jefferson Davis Parish
Jennings, Louisiana

I have audited the financial statements of the Airport District No.1 of Jefferson Davis Parish (District) as of and for the year ended April 30, 2004, and have issued my report thereon dated August 26, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my audit, I considered the District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2004-1.

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. My 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, of the reportable conditions described above I consider items 2004-1 to be a material weakness.

This report is intended for the information and use of the District's board of commissioners, management, others within the organization, and the Louisiana Legislative Audit Advisory Council, 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. However, this report is a matter of public record and its distribution is not limited.

Mike B. Gillespie, CPA, APAC

Jennings, Louisiana
August 26, 2004

**AIRPORT DISTRICT NO. 1 OF JEFFERSON DAVIS PARISH
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Year Ended April 30, 2004**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. Type of report issued: unqualified opinion on the general purpose financial statements
2. Internal control over financial reporting:
 - Material weakness(es) identified? – Yes
 - Reportable condition(s) identified that are not considered to be material weakness(es)? - No
3. Noncompliance material to the financial statements note? – No
4. Was a management letter issued? – No

Federal Awards

5. Internal control over major programs:
 - Material weakness(es) identified? – Not applicable
 - Reportable condition(s) identified that that are not considered to be material weakness(es)? – Not applicable
6. Type of auditor's report issued on compliance for major programs: Not applicable
7. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? No findings reported in Section III of this Schedule
8. The programs tested as major programs included:

<u>CFDA No.</u>	<u>Program Name</u>
Not applicable	

9. The threshold used for distinguishing between Type A and B programs was: \$300,000
10. Did the auditee qualify as a low risk auditee? – Not applicable

SECTION II – FINANCIAL STATEMENT FINDINGS

Current Year Findings:

Item: 2004-1

Finding/ Specific Requirement: Deficiency in Internal Controls Concerning Financial Reporting

Condition: Review of controls concerning financial reporting disclosed a lack of proper controls and procedures.

AIRPORT DISTRICT NO. 1 OF JEFFERSON DAVIS PARISH
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Year Ended April 30, 2004

Cause of Condition: Management and the outside contract accountant did not identify material departures from Generally Accepted Accounting Principles (GAAP) contained in the year end financial statements provided to the auditor. During my examination of the year end financial statements I noted the following material departures from GAAP:

Finding No. 1

\$41,453.60 in August 2003 cash disbursements for one bank checking account were journalized but not posted to the general ledger or the year end client financial statement provided to the auditor. Bank reconciliations with correct amounts had been prepared internally, but they were apparently not compared to the general ledger or financial statements prior to issuance of the year end compiled financial statements causing cash in bank to be overstated by \$41,453.60.

Finding No. 2

\$87,457.68 in capital grant receivables was not accrued at year end. The District had two construction contracts in progress totaling \$202,053 as of April 30, 2004 which were being funded by the Federal Aviation Administration and the Louisiana Department of Transportation through expenditure reimbursement capital grants. My examination disclosed no indication of an assessment of these grants monies in the accounting records with respect to accruable amounts as required under GASB Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions* prior to issuance of the year end compiled financial statements. Pursuant to GASB Statement No. 33, recipients should recognize receivables when all eligibility requirements are met. In this circumstance, eligibility is met when allowable expenditures under the grant agreement have been incurred. In addition to the aforementioned, examination of prior year audited ending balance of accounts receivables required a prior adjustment of \$35,585 for similar findings.

Finding No. 3

\$184,127.93 in construction contract payables and contract retainage was not accrued as payable at year end. The District had five construction contracts in progress totaling \$757,390 as of April 30, 2004. My examination disclosed no indication of an assessment of the status of these construction contracts in the accounting records prior to issuance of the compiled financial statements for the fiscal year ending April 30, 2004.

Effect of Condition: Finding No. 1 caused total assets, fund equity, net income, and working capital to be overstated by \$8,774 and expenses to be understated by \$8,774. Finding No. 2 caused total assets and fund equity to be understated by \$87,458. In addition, a prior period adjustment was required to increase accounts receivables and equity by \$35,585. Finding No. 3 caused total assets (construction in progress) and liabilities to be understated \$184,128.

Upon review and approval by management and the outside contract accountant, the accompanying financial statements have been adjusted to correct the effects of the aforementioned findings.

Recommendation: Management is ultimately responsible for ensuring that the financial statements issued by the District are fairly presented in conformity with generally accepted accounting principles. As a result, management should implement procedures to ensure that monthly and year end financial statements are reviewed for accuracy and conformity with generally accepted accounting principles prior to issuance. These procedures should include a review and assessment of construction contracts in progress and associated accounts payables and expenditure reimbursement grant monies receivable by management and the contract accountant to determine if accruals are necessary.

AIRPORT DISTRICT NO. 1 OF JEFFERSON DAVIS PARISH
SCHEDULE OF FINDINGS & QUESTIONED COSTS
For the Year Ended April 30, 2004

Auditee Response: Management agrees that it did not perform adequate supervisory reviews of financial statements before providing them to the auditor. Management will review the findings and develop and implement procedures needed to ensure that future financial statements are free of material departures from generally accepted accounting principles. Management Contact: Mr. Charles Lyles, President of the Board of Commissioners.

Unresolved Prior Year Findings:

No findings reported.

SECTION III –FINANCIAL AWARD FINDINGS AND QUESTIONED COSTS

No findings reported

**AIRPORT DISTRICT NO. 1 OF JEFFERSON DAVIS PARISH
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended April 30, 2004**

SECTION I – FINANACIAL STATEMENT FINDINGS

Item 2004-1: Finding/ Specific Requirement: Deficiency in Internal Controls Concerning Financial Reporting

Auditor's Recommendation: Management is ultimately responsible for ensuring that the financial statements issued by the District are fairly presented in conformity with generally accepted accounting principles. As a result, management should implement procedures to ensure that monthly and year end financial statements are verified for accuracy and conformity with generally accepted accounting principles prior to issuance. These procedures should include a review and assessment of construction contracts in progress and associated accounts payables and expenditure reimbursement grant monies receivable by management and the contract accountant to determine if accruals are necessary.

Management's Corrective Action Planned: Management agrees that it did not perform adequate supervisory reviews of financial statements before providing them to the auditor. Management will review the findings and develop and implement procedures needed to ensure that future financial statements are free of material departures from generally accepted accounting principles. Management Contact: Mr. Charles Lyles, President of the Board of Commissioners.

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No current year findings reported

SECTION III – MANAGEMENT LETTER

No current year findings reported

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THIS CORRECTIVE ACTION PLAN HAS BEEN PREPARED BY MANAGEMENT