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CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
LAKE CHARLES, LOUISIANA

ANNUAL FINANCIAL REPORT

JUNE 30, 1998

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Release Date DEC 7 6 1998

**CHENNAULT INTERNATIONAL AIRPORT AUTHORITY**

Lake Charles, Louisiana

**BOARD OF COMMISSIONERS**

June 30, 1998

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Willie S. King, Jr.	Vice President
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Max E. Jones

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
LAKE CHARLES, LOUISIANA

ANNUAL FINANCIAL REPORT  
Year Ended June 30, 1998

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND  
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WITH GOVERNMENT AUDITING STANDARDS.

## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Chennault International Airpark Authority  
Lake Charles, Louisiana

We have audited the accompanying general-purpose financial statements of the Chennault International Airpark Authority and the combining and individual fund financial statements of Chennault International Airpark Authority as of and for the year then ended June 30, 1998, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *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 general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Chennault International Airpark Authority as of June 30, 1998, and the results of its operations of the individual funds for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the Chennault International Airpark Authority as of June 30, 1998, and the results of its operations of such funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 18, 1998, on our consideration of the Authority's internal control and on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole and on the combining and individual fund financial statements. The supporting schedule listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements of the Chennault International Airpark Authority. Such information has been subjected to the auditing procedures applied in the audit of the general purpose, combining and individual fund financial statements and, in our opinion, the information is fairly stated in all material respects in relation to such financial statements taken as a whole.

A handwritten signature in cursive script that reads "Stubb & Associates".

September 18, 1998

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
 COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS  
 June 30, 1998  
 With Comparative Totals for June 30, 1997

	Governmental Fund Types		
	Special Revenue	Debt Service	Capital Projects
<b>ASSETS</b>			
Cash	\$ 748,879	\$ -	\$ -
Certificates of Deposit	2,119,500	455,000	2,575,000
Receivables:			
Taxes	22,863	-	-
Interest	6,566	8,863	-
Other	225	-	-
Deposits	1,118	-	-
Reimbursement reserve account	-	148,898	-
Due from other funds	-	1,616	3,806
Due from the State of Louisiana	-	-	695,023
General fixed assets	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Amount available in debt service fund	-	-	-
<b>Total assets</b>	<b><u>\$ 2,899,151</u></b>	<b><u>\$ 614,377</u></b>	<b><u>\$ 3,273,829</u></b>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Accounts payable	\$ 32,065	\$ -	\$ 61,464
Accrued expenses	444	-	-
Contracts payable	3,695	-	482,360
Due to other funds	3,768	-	1,654
Reimbursement contracts, State of Louisiana	-	-	-
<b>Total liabilities</b>	<b><u>39,972</u></b>	<b><u>-</u></b>	<b><u>545,478</u></b>
Fund equity:			
Investment in general fixed assets	-	-	-
Fund balances:			
Reserved for construction and repairs	-	-	2,728,351
Unreserved:			
Designated for debt service	-	614,377	-
Undesignated	2,859,179	-	-
<b>Total fund equity</b>	<b><u>2,859,179</u></b>	<b><u>614,377</u></b>	<b><u>2,728,351</u></b>
<b>Total liabilities and fund equity</b>	<b><u>\$ 2,899,151</u></b>	<b><u>\$ 614,377</u></b>	<b><u>\$ 3,273,829</u></b>

See accompanying notes to financial statements

Account Groups		Totals (Memorandum Only)	
General Long-Term Debt	General Fixed Asset	1998	1997
\$ -	\$ -	\$ 748,879	\$ 637,551
-	-	5,149,500	2,950,000
-	-	22,863	39,529
-	-	15,429	17,591
-	-	225	32,990
-	-	1,118	1,425
-	-	148,898	114,898
-	-	5,422	1,051,369
-	-	695,023	951,901
-	68,859,228	68,859,228	64,934,447
2,830,623	-	2,830,623	2,642,644
614,377	-	614,377	632,356
<u>\$ 3,445,000</u>	<u>\$ 68,859,228</u>	<u>\$ 79,091,585</u>	<u>\$ 74,006,701</u>
\$ -	\$ -	\$ 93,529	\$ 118,480
-	-	444	6,139
-	-	486,055	358,862
-	-	5,422	1,051,369
3,445,000	-	3,445,000	3,275,000
<u>3,445,000</u>	<u>-</u>	<u>4,030,450</u>	<u>4,809,850</u>
-	68,859,228	68,859,228	64,934,447
-	-	2,728,351	1,001,772
-	-	614,377	632,356
-	-	2,859,179	2,628,276
-	68,859,228	75,061,135	69,196,851
<u>\$ 3,445,000</u>	<u>\$ 68,859,228</u>	<u>\$ 79,091,585</u>	<u>\$ 74,006,701</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE-ALL GOVERNMENTAL FUND TYPES  
 Fiscal Year Ended June 30, 1998  
 With Comparative Totals for Fiscal Year Ended June 30, 1997

	Governmental Fund Types		
	Special Revenue	Debt Service	Capital Projects
<b>Revenues:</b>			
Taxes	\$ 4,108,905	\$ -	\$ -
Rents	2,083,689	-	-
Interest	154,639	28,021	56,978
Miscellaneous	65,289	-	-
Grant proceeds	-	-	1,927,383
Total revenues	<u>6,412,522</u>	<u>28,021</u>	<u>1,984,361</u>
<b>Expenditures:</b>			
<b>Current operating:</b>			
Personal services	681,340	-	-
Travel	11,678	-	-
Contractual services	1,372,836	-	-
Supplies and materials	77,266	-	-
Repairs and maintenance	310,613	-	-
Capital outlays	185,499	-	3,800,169
<b>Debt service:</b>			
Principal retirement	-	130,000	-
Interest and fiscal charges	-	216,000	-
Total expenditures	<u>2,639,232</u>	<u>346,000</u>	<u>3,800,169</u>
Excess (deficiency) of revenues over expenditures	<u>3,773,290</u>	<u>(317,979)</u>	<u>(1,815,808)</u>
<b>Other financing sources (uses):</b>			
State reimbursement contract			300,000
Operating transfers in	-	304,464	3,242,387
Operating transfers (out)	<u>(3,542,387)</u>	<u>(4,464)</u>	-
Total other financing sources (uses)	<u>(3,542,387)</u>	<u>300,000</u>	<u>3,542,387</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	230,903	(17,979)	1,726,579
Fund balance at beginning of year	<u>2,628,276</u>	<u>632,356</u>	<u>1,001,772</u>
Fund balance at end of year	<u>\$ 2,859,179</u>	<u>\$ 614,377</u>	<u>\$ 2,728,351</u>

See accompanying notes to financial statements

Totals (Memorandum Only)

	<u>1998</u>	<u>1997</u>	
\$	4,108,905	\$ 3,945,342	
	2,083,689	1,840,890	
	239,638	111,364	
	65,289	62,129	
	<u>1,927,383</u>	<u>951,901</u>	
	<u>8,424,904</u>	<u>6,911,626</u>	
	681,340	614,909	
	11,678	22,946	
	1,372,836	1,412,249	
	77,266	73,097	
	310,613	261,921	
	3,985,668	1,939,034	
	130,000	120,000	
	<u>216,000</u>	<u>203,700</u>	
	<u>6,785,401</u>	<u>4,647,856</u>	
	<u>1,639,503</u>	<u>2,263,770</u>	
	300,000	-	
	3,546,851	1,481,079	
	<u>(3,546,851)</u>	<u>(1,481,079)</u>	
	<u>300,000</u>	<u>-</u>	
	1,939,503	2,263,770	
	<u>4,262,404</u>	<u>1,998,634</u>	
\$	<u>6,201,907</u>	\$ <u>4,262,404</u>	

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
Fiscal Year Ended June 30, 1998  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 1997

	1998		Variance Favorable (Unfavorable)	1997
	Budget	Actual		Actual
<b>Revenues:</b>				
Taxes	\$ 3,850,000	\$ 4,108,905	\$ 258,905	\$ 3,945,342
Rents	2,062,268	2,083,689	21,421	1,840,890
Interest	60,000	154,639	94,639	58,028
Miscellaneous	36,000	65,289	29,289	62,129
Total revenues	<u>6,008,268</u>	<u>6,412,522</u>	<u>404,254</u>	<u>5,906,389</u>
<b>Expenditures:</b>				
Salaries	574,153	548,138	26,015	502,330
Employee benefits and taxes	131,057	133,202	(2,145)	112,579
Travel	39,600	11,678	27,922	22,946
Rentals	15,750	11,598	4,152	12,621
Insurance	125,472	83,598	41,874	86,327
Telephone and utilities	87,145	58,128	29,017	56,552
Maintenance	48,823	38,537	10,286	38,234
Control tower	251,100	217,901	33,199	187,921
Fire protection	537,500	537,108	392	589,518
Legal and professional services	62,500	58,059	4,441	57,841
Advertising	13,761	1,854	11,907	16,473
Architectural and engineering	50,000	12,158	37,842	28,698
Miscellaneous Contractual	59,020	43,106	15,914	30,038
Intergovernmental	180,000	180,000	-	180,000
State Required Tax Payment	130,000	130,788	(788)	128,026
Business development	10,000	9,851	149	10,796
Maintenance supplies	29,456	21,694	7,762	16,949
Office Expense	13,600	17,201	(3,601)	14,589
Vehicles-fuel and repairs	74,575	28,521	46,054	30,763
Major repairs	653,000	310,613	342,387	261,921
Capital outlays	715,000	185,499	529,501	16,787
Total expenditures	<u>3,801,512</u>	<u>2,639,232</u>	<u>1,162,280</u>	<u>2,401,909</u>
 Excess of revenues over expenditures	 2,206,756	 3,773,290	 1,566,534	 3,504,480

(continued on next page)

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
Fiscal Year Ended June 30, 1998  
With Comparative Actual Amounts for Fiscal Year Ended June 30, 1997  
(continued)

	1998		Variance Favorable (Unfavorable)	1997
	Budget	Actual		Actual
Excess of revenues over expenditures	2,206,756	3,773,290	1,566,534	3,504,480
Other financing sources (uses):				
Operating transfers out	<u>(4,500,000)</u>	<u>(3,542,387)</u>	<u>957,613</u>	<u>(1,481,079)</u>
Excess (deficiency) of revenues over expenditures and other uses	(2,293,244)	230,903	2,524,147	2,023,401
Fund balance at beginning of year	<u>2,452,299</u>	<u>2,628,276</u>	<u>175,977</u>	<u>604,875</u>
Fund balance at end of year	<u>\$ 159,055</u>	<u>\$ 2,859,179</u>	<u>\$ 2,700,124</u>	<u>\$ 2,628,276</u>

See accompanying notes to financial statements

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 1998

1. Summary of Significant Accounting Policies

The Chennault International Airport Authority (the Authority) is a political subdivision of the State of Louisiana and was created by an Act of the Louisiana Legislature. By virtue of the act and the joint initiative of Calcasieu Parish, City of Lake Charles, Calcasieu Parish School Board and the State Board of Elementary Education, a special district was created through an intergovernmental contract and local services agreement. The Authority is governed by a board of seven commissioners appointed as follows: two members appointed by Calcasieu Parish, two members appointed by the City of Lake Charles, two members appointed by the Calcasieu Parish School Board. The six members so appointed shall appoint by majority vote a seventh member.

The name of the Authority was changed by Act 458 of the Louisiana Legislature, 1997 Regular Session, from the Chennault Industrial Airpark Authority to the Chennault International Airport Authority. This change was effective on August 15, 1997.

The accounting and reporting policies of the Authority conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures 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 AICPA industry audit guide, *Audits of State and Local Governmental Units*.

A. Fund Accounting

The accounts of the Authority are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three generic fund types and two broad funds categories as follows:

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998  
(continued)

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition, renovation, or construction of major capital facilities.

GENERAL FIXED ASSETS AND GENERAL LONG-TERM DEBT  
ACCOUNT GROUP

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets. Fixed assets are valued at historical cost. The Authority has elected to capitalize infrastructure fixed assets including paving, parking lots, and runway improvements.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in governmental funds.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with the measurement or results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities of the General Long-Term Debt Group.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998  
(continued)

The combined financial statements include total columns that aggregate the financial statements of the various fund types and account groups. The columns are designated "memorandum only" because the totals are not comparable to a consolidation in that interfund transactions are not eliminated.

B. Reporting Entity

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criteria used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, it was determined that no other agency should be included in this reporting entity.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when available and measurable. Revenues that are accrued include rent, property taxes, and interest. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998  
(continued)

D. Budget Policy and Budgetary Accounting

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

The annual operating budget, prepared on the modified accrual basis, covers all Authority activities. At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Board of Commissioners.

The budget adoption resolution for the fiscal year ending June 30, 1998, included a Capital Projects Fund-Major Repair and Renovation to provide funds for future period major repair and renovation projects. The resolution specified that, on the last day of the fiscal year, the unexpended portion of the Special Revenue Fund budget for major repairs shall be transferred to the Capital Projects Fund-Major Repair and Renovation. The amount of the transfer on June 30, 1998, was \$342,387.

Formal budgetary integration is employed as a management control device during the year for the Special Revenue Funds. Formal budgetary integration, although employed by the Debt Service Funds, is alternatively achieved through certificate of indebtedness and reimbursement contract provisions. The capital budget ordinances which authorize the Capital Projects Funds present cumulative as opposed to annual budget amounts and thus budget and actual comparisons are not reported in the accompanying financial report for these funds. The budget and actual comparison presented in the accompanying financial report includes the Special Revenue Fund.

E. Cash and Certificates of Deposit

Cash and certificates of deposit are stated at cost which approximates market. Interest is accrued as earned in the period it becomes measurable and available.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998  
(continued)

F. Accrued Unpaid Vacation, Sick Leave and Other Employee Benefit Amounts

Vacation, compensation time, and sick leave are recorded as expenditures of the period in which they are paid. In the event of separation of employment, the employee will be paid for any unused vacation time accrued. Employees are able to accrue unused sick leave without limitation. However, there will be no payment of unused sick leave upon separation of employment. At June 30, 1998, unrecorded Special Revenue Fund liabilities included approximately \$21,187 vacation pay and \$2,722 compensation time.

G. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position and operations.

2. Cash and Certificates of Deposit

Cash and investments stated at cost consisted of the following:

Cash	\$ 748,879
Certificates of deposit	\$ 5,149,500

The Authority maintains a fiscal agent agreement whereby, through the administrator bank, local depository banks which are members of the federal reserve participate in demand deposits of the Authority.

All cash and certificates of deposit are entirely insured or collateralized. Louisiana state statute requires that the Authority's deposits be secured by the depository banks and savings and loan associations pledging government securities as collateral. The amount of the security shall at all time be equal to one hundred percent of the amount on deposit except that portion of deposits insured by any governmental agency insuring bank deposits which is organized under the laws of the United States.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998  
(continued)

Cash and investments of the Authority are classified into three categories to give an indication of the level of risk assumed at year end:

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

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

Category 3: includes uninsured and unregistered investments with the securities held by the financial institution, or by its trust department or agent, but not in the name of the Authority.

Cash and certificates of deposit as of June 30, 1998 were all classified as Category 1.

3. Joint Services Agreement

The Chennault International Airport Authority entered into Joint Services Agreements on April 4, 1995, with the West-Calcasieu Airport Managing Board and the DeQuincy Airport Authority. The purpose of the agreements is to cooperate on the construction, acquisition, and improvement of public aviation projects or improvements. The joint use of funds is intended to carry out the public purpose of encouraging and stimulating economic development throughout Calcasieu Parish.

Under the terms of the agreements, the Authority agreed to annually grant or transfer \$120,000 to the West-Calcasieu Airport Authority Managing Board and \$60,000 to the DeQuincy Airport Authority. The transfers are scheduled to take place annually for a ten year period with the last payment to be made in the year 2006. The initial transfers were made on January 21, 1997.

4. Property Taxes

On January 21, 1995, an election was held and the proposition passed authorizing the Authority to levy and collect a 5.82 mill property tax for a period of ten years beginning with the year 1996. For the year ended June 30, 1998, the Authority levied taxes of 5.70 mills on property with assessed valuation totaling \$728,362,470, the taxes were dedicated to maintaining, operating, relocating,

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998  
(continued)

constructing, or improving Airpark facilities of the Authority. Total taxes levied were \$ 4,151,666.

Property tax mileage rates are normally adopted in May for the calendar year in which taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31st. Property taxes not paid by February 28th are subject to property lien.

5. State Capital Outlay Appropriation of \$3,000,000

The State of Louisiana Capital Outlay Act of 1996 appropriated \$2,000,000 to finance Administration and Hangar Facilities, Parking, Infrastructure for Expanding the J-STARS Program, Planning and Construction. The state appropriated an additional \$1,000,000 for this project in the Capital Outlay Act of 1997. The appropriations provide that the funds appropriated shall be administered by the Department of Transportation and Development ("DOTD").

The Authority and DOTD entered into a Cooperative Endeavor Agreement ("CEA") on October 24, 1996. The CEA was subsequently amended on May 16, 1997, and September 3, 1997, to incorporate actions of the State Bond Commission in approving lines of credit to be used in constructing the project.

The \$3,000,000 capital outlay appropriation from the state is being used to construct a 25,000 square foot addition to Hangar A and a 23,616 square foot addition to Hangar B. The Authority is responsible for paying for project costs that either are not eligible costs under the terms of the CEA or that exceed the aggregate amount of \$3,000,000.

As of June 30, 1998, the project to construct the addition to Hangar A was complete and the project to construct the addition to Hangar B was in the final stage of construction. The costs incurred on the addition to Hangar A totaled to \$ 1,641,352. Of this amount, the State of Louisiana under the terms of the CEA reimbursed \$ 1,571,660 to the Authority.

Costs through June 30, 1998 on the project to construct the addition to Hangar B were \$ 1,307,882. The project was subsequently completed in August 1998 for a total cost of \$ 1,431,801. Reimbursement requests to the State of Louisiana on the Hangar B project through June 30, 1998 totaled \$ 1,307,624. The Authority received reimbursements in the amount of \$ 612,601 prior to June 30, 1998 with

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998  
(continued)

the remaining \$ 695,023 received in July and August 1998. The reimbursement to the Authority of the final \$ 120,716 due under the CEA should be completed by December 15, 1998.

6. State Capital Outlay Appropriation of \$300,000

The State of Louisiana Capital Outlay Act of 1996 appropriated \$300,000 to finance Renovations, Planning, and Construction to Chennault Facilities. The appropriation contains the requirement that the \$300,000 be reimbursed by the Authority to the State of Louisiana with six percent annual interest over a term of twenty years (see note 7). The appropriation also provides that the funds appropriated shall be administered by the Department of Transportation and Development ("DOTD"). To meet this requirement, the Authority and DOTD entered into a Cooperative Endeavor Agreement ("CEA) on May 7, 1997, for the project.

The \$ 300,000 was received during the fiscal year ending June 30, 1998 and was used in the construction of improvements to Hangar E. The Hangar E improvements cost \$ 421,302. The Authority provided \$ 121,302 for the project.

7. Reimbursement Contract

Chennault International Airport Authority and the State Bond Commission have entered into three separate reimbursement contracts including a \$3,000,000 contract amended August 19, 1993, a \$600,000 contract dated November 17, 1994, and a \$300,000 contract dated July 18, 1996. The contracts provide for *payments to reimburse the state on bonds issued for renovations to Chennault facilities as well as providing for the establishment of a reserve account* (see note 7).

The reimbursement contracts provide that Chennault International Airport Authority shall repay into the State of Louisiana Bond Security and Redemption Fund designated revenues in an amount sufficient to reimburse the amount of the contract, together with interest at the rate of 6% over a period of twenty years.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998  
(continued)

The indebtedness will be repaid as follows:

1993 Contract		1994 Contract																	
Date	Principal	Date	Principal																
3/15/99	\$115,000	5/15/99	\$20,000																
3/15/00	120,000	5/15/00	20,000																
3/15/01	125,000	5/15/01	20,000																
3/15/02	130,000	5/15/02	25,000																
3/15/03-13	2,110,000	5/15/03-15	465,000																
	\$ 2,600,000		\$ 550,000																
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">1996 Contract</th> </tr> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Date</th> <th style="text-align: center; border-bottom: 1px solid black;">Principal</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">4/15/99</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td style="text-align: center;">4/15/00</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td style="text-align: center;">4/15/01</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td style="text-align: center;">4/15/02</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td style="text-align: center;">4/15/03-17</td> <td style="text-align: right;">255,000</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 295,000</td> </tr> </tbody> </table>				1996 Contract		Date	Principal	4/15/99	10,000	4/15/00	10,000	4/15/01	10,000	4/15/02	10,000	4/15/03-17	255,000		\$ 295,000
1996 Contract																			
Date	Principal																		
4/15/99	10,000																		
4/15/00	10,000																		
4/15/01	10,000																		
4/15/02	10,000																		
4/15/03-17	255,000																		
	\$ 295,000																		

The Authority shall, in addition to making annual principal and interest payments, transfer and make available to the State of Louisiana an amount equal to a minimum of one-tenth of the average annual debt service on the reimbursement contract. The amount so deposited shall be used, if necessary, solely to remedy or prevent a default in making the reimbursement payments required by this contract. When the reimbursement contract has been paid in full, any amount of funds remaining in the reserve fund shall be transferred by the State to the Authority. As of June 30, 1998, the Authority had \$148,898 in the reserve fund.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998  
(continued)

The reimbursement contract reserve payment schedule is as follows:

1993 Contract		1994 Contract	
Date	Principal	Date	Principal
3/15/99	26,084	5/15/99	5,282
3/15/00	26,084	5/15/00	5,282
3/15/01	26,084	5/15/01	5,282
3/15/02	26,084	5/15/02	5,282
3/15/03	26,084	05/15/03-05	15,846
	\$ 130,420		\$ 36,974

1996 Contract	
Date	Principal
4/15/99	2,634
4/15/00	2,634
4/15/01	2,634
4/15/02	2,634
4/15/03-07	13,170
	\$ 23,706

8. Changes in Long-Term Debt

The following is a summary of changes in long-term debt of the Authority for the year ended June 30, 1998:

	Reimbursement Contract
Balance - July 1, 1997	\$ 3,275,000
Additions	300,000
Retirements	(130,000)
Balance - June 30, 1998	\$ 3,445,000

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998  
(continued)

The annual requirements to amortize all general obligation debt outstanding as of June 30, 1998, including interest of \$1,962,600, are as follows:

Year Ending June 30	Principal and Interest
1999	351,700
2000	348,000
2001	344,000
2002	344,700
2003	349,800
2004 and thereafter	3,669,400
	\$ 5,407,600

There are various limitations and restrictions contained in the various debt agreements. The Authority is in compliance with all significant limitations and restrictions.

9. Change in General Fixed Assets

A summary of general fixed assets for the year ended June 30, 1998 is as follows:

	Beginning of Year	Additions	Retirements	End of Year
Construction in progress	\$ 1,155,709	\$ 3,800,169	\$ 2,893,857	\$ 2,062,021
Land	578,643	0	0	578,643
Buildings	43,731,181	2,853,361	0	46,584,542
Improvements other than building	15,278,223	40,496	0	15,318,719
Equipment	4,190,691	185,499	60,887	4,315,303
Total	\$ 64,934,447	\$ 6,879,525	\$ 2,954,744	\$ 68,859,228

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998  
(continued)

During the fiscal year ended June 30, 1998, the Authority completed construction on several capital projects. Listed below is a summary of the completed projects.

Project	Prior Period Expenditures	Year Ended June 30, 1998	Total Project Expenditures
Hangar E Upgrade	\$ 37,897	\$ 383,405	\$ 421,302
Hangar A Annex	1,076,031	565,321	1,641,352
Air Cargo Building	24,513	130,126	154,639
CIAA Administration Building	0	636,068	636,068
Firewater Plant	0	40,496	40,496
Total	<u>\$ 1,138,441</u>	<u>\$ 1,755,416</u>	<u>\$ 2,893,857</u>

Construction in progress as of June 30, 1998, is composed of the following:

Project	Project Authorization	Expended to June 30, 1997	Committed
Building 3009 HVAC	\$ 790,000	\$ 41,171	\$ 539,825
Hangar B Annex	1,650,000	1,307,882	123,920
Approach Lighting	500,000	188,788	245,393
Pavement & Drainage	721,000	467,492	213,762
Other Projects	227,089	56,688	79,728
Total	<u>\$ 3,888,089</u>	<u>\$ 2,062,021</u>	<u>\$ 1,202,628</u>

10. Leases

On November 5, 1991, the Authority entered into a five-year lease agreement with Grumman Louisiana Corporation, that commenced May 1, 1992. Grumman Louisiana Corporation is owned by Northrop Grumman Corporation. The lease contains four consecutive renewal options for five year periods. On April 19, 1996, Northrop Grumman exercised its option to extend the term of the lease through April 30, 2002.

The Authority amended the sublease with Northrop Grumman Corporation on January 10, 1997, to provide additional building space within the leased premises. The State of Louisiana has appropriated \$3,000,000 to be used in constructing the improvements.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998  
(continued)

The sublease was amended to provide additional compensation to the Authority for the addition to Hangar A of \$12,500 per month scheduled to commence on October 1, 1997, and to continue through the earlier of the completion of the addition to Hangar B or the end of the current sublease term on April 30, 2002. The additional monthly compensation increased from \$12,500 to \$27,571 on September 1, 1998 based on the completion of the addition to Hangar B.

Under the terms of the operating lease, Northrop Grumman pays scheduled rent to the Authority, as well as an additional amount representing the amortization of improvements made by the Authority. The amount of rent is reduced by an amount due from the Authority for fire protection provided by Northrop Grumman. During the fiscal year ended June 30, 1998, the Authority received payments under the terms of the lease as follows:

Gross Rent	Fire Protection	Net Rent
\$ 2,023,800	(\$ 537,100)	\$ 1,486,700

The minimum future rentals for the year ending June 30, 1999, are as follows:

Gross Rent	Fire Protection	Net Rent
\$ 2,246,510	(\$ 537,100)	\$ 1,709,410

11. Defined Benefit Plan

Plan Description:

The Authority contributes to the Louisiana State Employees' Retirement System (System), a cost-sharing multiple-employer public employee retirement system (PERS). All full-time employees, as defined, are eligible to participate in the System. Benefits vest after ten years of participation.

Employees are eligible for retirement if they have: a) thirty years or more of service, at any age; b) twenty-five years or more of service, at age fifty-five or thereafter; or c) ten years or more of service, at the age of sixty or thereafter. Retirees shall receive a maximum retirement allowance equal to two and one-half percent of average compensation for every year of creditable service plus three

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998  
(continued)

hundred dollars. The retirement benefits provided shall not exceed one hundred percent of retiree's average compensation. The System also provides death and disability benefits. Benefits are established by Louisiana state statute.

The Authority's payroll for employees covered by the System for the year ended June 30, 1998 was \$544,860; the Authority's total payroll and taxable benefits was \$562,340.

Contribution requirements:

Covered employees are required by Louisiana state statute to contribute 7.5 percent of their salary to the plan. The Authority is required by the same statute to contribute 13.0 percent of eligible salaries. The contribution requirement for the year ended June 30, 1998, was \$111,696 (20.5% of current year covered payroll), which consisted of \$70,832 (13.0% of current year covered payroll) from the Authority and \$40,864 (7.5% of current year covered payroll) from employees.

Fund status and progress:

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

The PBO was computed as part of an actuarial valuation performed as of June 30, 1998; however, the System does not make separate measurements of assets and pension benefit obligations of individual employers. The pension benefit obligation at June 30, 1998, for the System as a whole was approximately \$6.953 billion. The system's net assets available for benefits on that date (valued at market) were approximately \$5.067 billion, leaving an unfunded pension benefit obligation of approximately \$1.886 billion. The Authority's 1998 contribution represented .03 percent of the total contributions required of all participating entities.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998  
(continued)

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

12. Commitments

Commitments under maintenance and service contracts provide for minimum annual payments as follows:

<u>Year Ending June 30</u>	<u>Control Tower</u>	<u>Runway Equipment</u>
1999	\$ 116,312	\$ 22,800
2000	-	15,200
2001 and thereafter	-	-
	<u>\$ 116,312</u>	<u>\$ 38,000</u>

There were two capital projects in the design stage on June 30, 1998. They were the Control Tower Renovations Project and the CIAA Maintenance Building Project. The budget for the fiscal year ending June 30, 1999, includes \$360,000 for the Control Tower Renovations and \$230,000 for the Maintenance Building. Both projects are scheduled for completion prior to June 30, 1999. A contract was awarded on October 6, 1998 in the amount of \$285,000 for construction of the CIAA Maintenance Building with a paved parking area.

13. Contingent Liabilities

There is ongoing litigation relative to the removal of a fuel farm that is located on the airport. If the litigation is not resolved favorably to the Authority, then it will be responsible for paying for the cost of removing the fuel farm. The estimated cost of removal is \$ 55,000.

## COMBINING STATEMENTS

**DEBT SERVICE FUNDS**

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
DEBT SERVICE FUNDS

COMBINING BALANCE SHEET  
June 30, 1998  
With Comparative Totals for June 30, 1997

	Certificates of Indebtedness Series 1992	State Reimbursement Contract	Totals (Memorandum Only)	
			1998	1997
<b>ASSETS</b>				
Certificates of deposit	\$ -	\$ 455,000	\$ 455,000	\$ 500,000
Reimbursement reserve account	-	148,898	148,898	114,898
Interest receivable	-	8,863	8,863	8,427
Due from other funds	-	1,616	1,616	9,031
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 614,377</b>	<b>\$ 614,377</b>	<b>\$ 632,356</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities:</b>				
Due to other funds	\$ -	\$ -	\$ -	\$ -
<b>Fund balance:</b>				
Designated for debt service	-	614,377	614,377	632,356
<b>Total liabilities and fund balance</b>	<b>\$ -</b>	<b>\$ 614,377</b>	<b>\$ 614,377</b>	<b>\$ 632,356</b>

See accompanying notes to financial statements

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Year Ended June 30, 1998  
With Comparative Totals for Year Ended June 30, 1997

	Certificates of Indebtedness Series 1992	State Reimbursement Contract	Totals (Memorandum Only)	
			1998	1997
Revenues:				
Interest	\$ -	\$ 28,021	\$ 28,021	\$ 27,222
Expenditures:				
Debt Service:				
Principal retirement	-	130,000	130,000	120,000
Interest and fiscal change	-	216,000	216,000	203,700
Total expenditures	-	346,000	346,000	323,700
Excess (deficiency) of revenues over expenditures	-	(317,979)	(317,979)	(296,478)
Other financing sources (uses):				
Operating transfers in	-	304,464	304,464	325,000
Operating transfers out	(4,464)	-	(4,464)	-
Total other financing sources (uses)	(4,464)	304,464	300,000	325,000
Excess (deficiency) of revenues and other sources over expenditures	(4,464)	(13,515)	(17,979)	28,522
Fund balance at beginning of year	4,464	627,892	632,356	603,834
Fund balance at end of year	\$ -	\$ 614,377	\$ 614,377	\$ 632,356

**CAPITAL PROJECTS FUNDS**

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET  
June 30, 1998  
With Comparative Totals for June 30, 1997

	Northrop Grumman Projects	Economic Development Program	Major Repair and Renovation
<b>ASSETS</b>			
Certificates of deposit	\$ 155,000	\$ 1,070,000	\$ 1,350,000
Interest receivable	-	-	-
Due from other funds	-	2,357	1,449
Due from the State of Louisiana	695,023	-	-
Total assets	\$ 850,023	\$ 1,072,357	\$ 1,351,449
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$ 55,404	\$ 6,060	\$ -
Contracts payable	327,065	155,295	-
Due to other funds	1,654	-	-
Total Liabilities	384,123	161,355	
Fund balance (deficit):			
Reserved for construction and repairs	465,900	911,002	1,351,449
Total liabilities and fund balance	\$ 850,023	\$ 1,072,357	\$ 1,351,449

See accompanying notes to financial statements

Totals

(Memorandum Only)

1998	1997
\$ 2,575,000	\$ 700,000
-	979
3,806	409,871
<u>695,023</u>	<u>951,901</u>
<u>\$ 3,273,829</u>	<u>\$ 2,062,751</u>

\$ 61,464	\$ 69,650
482,360	358,862
1,654	632,467
<u>545,478</u>	<u>1,060,979</u>

<u>2,728,351</u>	<u>1,001,772</u>
<u>\$ 3,273,829</u>	<u>\$ 2,062,751</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
 CAPITAL PROJECTS FUNDS  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCE

June 30, 1998

With Comparative Totals for June 30, 1997

	Northrop Grumman Projects	Economic Development Program	Major Repair and Renovation
Revenues:			
Interest	\$ 2,073	\$ 51,922	\$ 2,983
Grant proceeds- State	1,927,383	-	-
Total Revenues	1,929,456	51,922	2,983
Expenditures:			
Capital Outlay	2,756,699	1,043,470	-
Excess (deficiency) of revenues over expenditures	(827,243)	(991,548)	2,983
Other financing sources (uses):			
State reimbursement contract	300,000	-	-
Operating transfers in	1,000,000	1,300,000	942,387
Operating transfers (out)	-	-	-
Total other financing sources (uses)	1,300,000	1,300,000	942,387
Excess (deficiency) of revenues and other sources over expenditures and other uses	472,757	308,452	945,370
Fund balance at beginning of year	(6,857)	602,550	406,079
Fund balance at end of year	\$ 465,900	\$ 911,002	\$ 1,351,449

See accompanying notes to financial statements

Totals  
(Memorandum Only)

1998	1997
\$ 56,978	\$ 26,114
1,927,383	951,901
<u>1,984,361</u>	<u>978,015</u>
<u>3,800,169</u>	<u>1,922,247</u>
<u>(1,815,808)</u>	<u>(944,232)</u>
300,000	-
3,242,387	1,156,079
<u>-</u>	<u>-</u>
<u>3,542,387</u>	<u>1,156,079</u>
1,726,579	211,847
<u>1,001,772</u>	<u>789,925</u>
<u>\$ 2,728,351</u>	<u>\$ 1,001,772</u>

**SUPPLEMENTAL INFORMATION**

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY

SCHEDULE OF PER DIEM PAID COMMISSIONERS

June 30, 1998

The schedule of per diem paid to commissioners was prepared in compliance with house Concurrent Resolutions No. 54 of the 1979 Session of the Louisiana Legislature.

As provided by Louisiana Revised Statute 33:4710.6, member of the commission serve without compensation.

<u>Commissioner</u>	<u>Meeting</u>	<u>Compensation</u>
Leonard C. Breda, III	14	\$ -
Daryl V. Burckel	7	-
Michael G. Eason	13	-
Richard J. Gregory	14	-
Glen A. James	14	-
Willie S. King, Jr.	12	-
Russell T. Tritico, Jr.	15	-
George A. Swift	4	-

- \* Daryl V. Burckel resigned his appointment on February 10, 1998.
- \* George A. Swift was appointed to fill the unexpired term of Daryl V. Burckel.

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

Board of Commissioners  
Chennault International Airpark Authority  
Lake Charles, Louisiana

We have audited the general-purpose financial statements of the Chennault International Airpark Authority as of and for the year ended June 30, 1998. We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

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

This report is intended for the information of the Board of Commissioners, management, and other state and federal audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



September 18, 1998

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