

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY

NOTES TO FINANCIAL STATEMENTS - (continued)

June 30, 1996

5. **Changes in Long-Term Debt - (continued)**

The annual requirements to amortize all general obligation debt outstanding as of June 30, 1996, including interest of \$2,409,175, are as follows:

Year Ending June 30, -----	Principal and Interest -----
1997	323,700
1998	321,500
1999	324,000
2000	320,900
2001 and thereafter	4,260,400

	\$5,550,500
	=====

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

6. **Changes in General Fixed Assets**

A summary of general fixed assets for the year ended June 30, 1996 is as follows:

	Beginning of year -----	Additions -----	Retirements or Completions -----	End of Year -----
Construction in progress	\$588,919	\$5,693,830	(\$5,023,513)	\$1,259,236
Land	578,143	500	0	578,643
Buildings Improvements other than building	38,589,397	4,869,059	(45,759)	43,412,697
Equipment	13,416,479	154,454	0	13,570,933
	3,970,829	719,502	(7,533)	4,682,798
	-----	-----	-----	-----
Totals	\$57,143,767	\$11,437,345	(\$5,076,805)	\$63,504,307
	=====	=====	=====	=====

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY
NOTES TO FINANCIAL STATEMENTS - (continued)

June 30, 1996

7. **LEASES - (Continued)**

On April 19, 1996, Northrop exercised its option to extend the term of the lease for the five-year period beginning April 1997. The gross monthly rent shall be \$125,000 plus an amount equal to the product of the original rent and that percentage as is equal to 50% of the increase (if any) in the Consumer Price Index for all Urban Consumers (CPI-U) at the date of commencement of the first renewal period over the CPI-U at the commencement date of the lease, but in no event shall the first renewal increase exceed 20% of the original lease.

8. **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 age 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 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, 1996 was \$487,694; the Authority's total payroll and taxable benefits was \$509,491.

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 12 percent of eligible salaries. The contribution requirement for the year ended June 30, 1996 was \$95,100 (19.5% of current year covered payroll), which consisted of \$58,523 (12% of current year covered payroll) from the Authority and \$36,577 (7.5% of current year covered payroll) from employees.

Stulb & Associates

Certified Public Accountants

James F. Stulb, C.P.A.
Kristine S. Carter, C.P.A.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Chennault Industrial Airpark Authority
Lake Charles, Louisiana

We have audited the general purpose financial statements of the Chennault Industrial Airpark Authority as of and for the year ended June 30, 1996, and have issued our report thereon dated September 5, 1996.

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 financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Chennault Industrial Airpark Authority is the responsibility of the Chennault Industrial Airpark Authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Chennault Industrial Airpark Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of the audit committee, 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 5, 1996

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Member Private Companies Practice Section of the AICPA

C.M. Tower • Suite 1620 • P.O. Box 1117 • Lake Charles, Louisiana 70602
(318) 494-1240 • (318) 494-1040 Fax

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose 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 structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the audit committee, 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.

Stubb & Associates

September 5, 1996

Stulb & Associates

Certified Public Accountants

James F. Stulb, C.P.A.
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF
GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Chennault Industrial Airpark Authority
Lake Charles, Louisiana

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF GENERAL-PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Chennault Industrial Airpark Authority
Lake Charles, Louisiana

We have audited the general purpose financial statements of the Chennault Industrial Airpark Authority as of and for the year ended June 30, 1996, and have issued our report thereon dated September 5, 1996.

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 financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements of Chennault Industrial Airpark Authority for the year ended June 30, 1996, we considered its internal control structure 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 structure. Accordingly, we do not express an opinion.

The management of Chennault Industrial Airpark Authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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CHENNAULT INDUSTRIAL AIRPARK AUTHORITY
 NOTES TO FINANCIAL STATEMENTS - (continued)

June 30, 1996

4. **Reimbursement Contracts - continued**

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, 1996, the Authority had \$83,532 in the reserve fund.

The remaining reimbursement contract reserve payments are as follows:

1993 Contract		1994 Contract	
Date	Principal	Date	Principal
03/15/97	\$26,084	05/15/97	5,282
03/15/98	26,084	05/15/98	5,282
03/15/99	26,084	05/15/99	5,282
03/15/00	26,084	05/15/00	5,282
03/15/01	26,084	05/15/01	5,282
03/15/02-03	52,167	05/15/02-05	21,123
	\$182,587		\$47,533
	=====		=====

5. **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, 1996:

	Certificates of Indebtedness	Reimbursement Contracts	Totals
Balance - July 1, 1995	\$730,000	\$3,500,000	\$4,230,000
Additions	0	0	0
Retirements	(730,000)	(105,000)	(835,000)
	-----	-----	-----
Balance - June 30, 1996	\$0	\$3,395,000	\$3,395,000
	=====	=====	=====

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY

NOTES TO FINANCIAL STATEMENTS - (continued)

June 30, 1996

3. **Property Taxes - continued**

Property tax millage rates are adopted in May for the calendar year in which the 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.

On January 21, 1995, an election was held and the proposition passed authorizing the Authority to levy and collect a 5.82 mil property tax for a period of ten years beginning with the year 1996.

4. **Reimbursement Contracts**

Chennault Industrial Airpark Authority and the State Bond Commission have entered into two separate Reimbursement Contracts - a \$3,000,000 contract amended August 19, 1993 and a \$600,000 contract dated November 17, 1994. The contracts provide for payment to reimburse the State on bonds issued for renovations to Chennault facilities as well as providing for the establishment of a reserve account.

The Reimbursement Contracts provide that Chennault Industrial Airpark 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.

The indebtedness will be repaid as follows:

1993 Contract		1994 Contract	
Date	Principal	Date	Principal
03/15/97	100,000	05/15/97	20,000
03/15/98	105,000	05/15/98	20,000
03/15/99	115,000	05/15/99	20,000
03/15/00	120,000	05/15/00	20,000
03/15/01-05	705,000	05/15/01-05	125,000
03/15/06-10	945,000	05/15/06-10	165,000
03/15/11-15	715,000	05/15/11-15	220,000
	\$2,805,000		\$590,000
	=====		=====

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose 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 structure and its operation that we consider to be material weaknesses as defined above.

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Stubb & Associates

September 5, 1996

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Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE BASED ON AN AUDIT OF
GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Chennault Industrial Airpark Authority
Lake Charles, Louisiana

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CHENNAULT INDUSTRIAL AIRPARK AUTHORITY
 SCHEDULE OF PER DIEM PAID COMMISSIONERS
 June 30, 1996

The schedule of per diem paid to commissioners was prepared in compliance with House Concurrent Resolution NO. 54 of the 1979 Session of the Louisiana Legislature.

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

<u>Commissioner</u>	<u>Meetings</u>	<u>Compensation</u>
Harold T. Heath	14	\$ -
Leonard C. Breda III	14	-
Daryl V. Burckel	12	-
Richard J. Gregory	12	-
Willie S. King	11	-
Russell T. Tritico, Jr.	14	-
Michael G. Eason	11	-
Nancy Freeman	1	-

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY
 NOTES TO FINANCIAL STATEMENTS - (continued)

June 30, 1996

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, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other public employee retirement systems. The measure is called the "actuarial present value of credited projected benefits" and is independent of the funding method used to determine contributions to the plan.

The PBO was computed as part of an actuarial valuation performed as of June 30, 1995; however, the System does not make separate measurements of assets and pension benefit obligations of individual employers. The pension benefit obligation at June 30, 1995 for the System as a whole was approximately \$5.697 billion. The system's net assets available for benefits on that date (valued at market) were approximately \$3.613 billion, leaving an unfunded pension benefit obligation of approximately \$2.084 billion. The Authority's 1995 contribution represented .02 percent of total contributions required of all participating entities.

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.

9. Commitments

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

Year Ending June 30, -----	Control Tower -----	Runway Equipment -----
1997	\$50,574	\$22,800
1998	0	22,800
1999	0	22,800
2000	0	15,200
2001 and thereafter	0	0
	-----	-----
	\$50,574	\$83,600
	=====	=====

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY
CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

Year Ended June 30, 1996
With Comparative Totals for Year Ended June 30, 1995

	Northrop Grumman Project -----	Economic Development Program -----
Revenues		
Interest income	\$27,482	\$109,571
Grant proceeds - state	-	100,000
	-----	-----
Total revenues	27,482	209,571
Expenditures		
Capital outlays	24,662	5,669,668
	-----	-----
Excess (deficiency) of revenues over expenditures	2,820	(5,460,097)
Other financing sources (uses)		
State reimbursement contracts	-	-
Operating transfers in	-	4,000,000
Operating transfers (out)	-	-
	-----	-----
Total other financing sources (uses)	-	4,000,000
	-----	-----
Excess (deficiency) of revenues and other sources over expenditures and other uses	2,820	(1,460,097)
Fund balance at beginning of year	337,082	1,910,120
	-----	-----
Fund balance at end of year	\$339,902	\$450,023
	=====	=====

See accompanying notes to financial statements

Totals
(Memorandum Only)

1996	1995
<p>\$1,234,000</p> <p style="padding-left: 20px;">3,252</p> <p style="padding-left: 40px;">245</p> <p style="padding-left: 20px;">100,000</p> <hr style="border-top: 1px dashed black;"/> <p>\$1,337,497</p> <hr style="border-top: 3px double black;"/>	<p>\$2,250,000</p> <p style="padding-left: 20px;">16,563</p> <p style="padding-left: 40px;">35,834</p> <p style="padding-left: 20px;">-</p> <hr style="border-top: 1px dashed black;"/> <p>\$2,302,397</p> <hr style="border-top: 3px double black;"/>
<p style="padding-left: 20px;">\$62,938</p> <p style="padding-left: 20px;">482,880</p> <p style="padding-left: 40px;">1,754</p> <hr style="border-top: 1px dashed black;"/> <p style="padding-left: 20px;">547,572</p>	<p style="padding-left: 20px;">\$4,028</p> <p style="padding-left: 20px;">38,249</p> <p style="padding-left: 40px;">12,918</p> <hr style="border-top: 1px dashed black;"/> <p style="padding-left: 20px;">55,195</p>
<p style="padding-left: 20px;">789,925</p> <hr style="border-top: 1px dashed black;"/>	<p style="padding-left: 20px;">2,247,202</p> <hr style="border-top: 1px dashed black;"/>
<p>\$1,337,497</p> <hr style="border-top: 3px double black;"/>	<p>\$2,302,397</p> <hr style="border-top: 3px double black;"/>

Totals
(Memorandum Only)

1996	1995
\$45,659	\$39,806
835,000	775,000
253,975	245,225
1,088,975	1,020,225
(1,043,316)	(980,419)
1,027,366	1,030,688
(15,950)	50,269
619,784	569,515
\$603,834	\$619,784

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY
DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

Year Ended June 30, 1996
With Comparative Totals for Year Ended June 30, 1995

	Certificates of Indebtedness Series 1992A -----	State Reimbursement Contracts -----
Revenues		
Interest	\$7,336	\$38,323
Expenditures		
Debt service		
Principal retirement	730,000	105,000
Interest and fiscal charges	34,975	219,000
Total expenditures	----- 764,975	----- 324,000
Excess (deficiency) of revenues over expenditures	(757,639)	(285,677)
Other financing sources (uses)		
Operating transfers in	727,366	300,000
	-----	-----
Excess (deficiency) of revenues and other sources over expenditures	(30,273)	14,323
Fund balance at beginning of year	34,737	585,047
	-----	-----
Fund balance at end of year	\$4,464 =====	\$599,370 =====

See accompanying notes to financial statements

Totals
(Memorandum Only)

1996	1995
\$516,000	\$562,000
83,533	52,168
153	8,543
4,464	-
\$604,150	\$622,711
\$604,150	\$622,711

\$316	\$2,927
603,834	619,784
\$604,150	\$622,711
\$604,150	\$622,711

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY
DEBT SERVICE FUNDS

COMBINING BALANCE SHEET
June 30, 1996
With Comparative Totals for June 30, 1995

	Certificates of Indebtedness Series 1992A -----	State Reimbursement Contracts -----
ASSETS		
Certificates of deposit	\$ -	\$516,000
Reimbursement reserve account	-	83,533
Interest receivable		153
Due from other funds	4,464	-
	-----	-----
Total assets	\$4,464	\$599,686
	=====	=====
 LIABILITIES AND FUND BALANCE		
Liabilities		
Due to other funds	\$ -	\$316
 Fund balance		
Designated for debt service	4,464	599,370
	-----	-----
Total liabilities and fund balance	\$4,464	\$599,686
	=====	=====

See accompanying notes to financial statements

COMBINING STATEMENTS

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY
NOTES TO FINANCIAL STATEMENTS - (continued)

June 30, 1996

9. **Commitments** - (continued)

The development plans for the west end of the airpark include construction of a firewater system including pumphouse, tanks, and distribution lines. Costs incurred on the firewater system through June 30, 1996 totalled to \$1,225,415. There are construction contracts in progress that will result in the total cost of the firewater system being \$1,700,000. The system is scheduled for completion and initial use in October, 1996.

Improvements to the premises leased to Northrop Grumman Corporation are in progress under the terms of Section 29.2 of the Sublease Agreement. These improvements are restroom expansions to Hangars B, C and E and additional modifications to Hangar E for special purpose rooms and remediation of water infiltration. The estimated cost of the projects is \$410,000 with \$25,662 of this amount being construction in progress as of June 30, 1996.

Other capital commitments as of June 30, 1996 include the expansion of the general aviation hangar at a cost of \$47,134 and Taxilane G fence and gate modifications at a cost of \$45,280.

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY
NOTES TO FINANCIAL STATEMENTS - (continued)

June 30, 1996

2. **Cash and Certificates of Deposit**

Cash and investments stated at cost consisted of the following:

Cash	\$656,600
Certificates of deposit	\$1,750,000

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 100% 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.

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, 1996 were all classified as Category 1.

3. **Property Taxes**

For the year ended June 30, 1996, the Authority levied taxes of 5.82 mills on property with assessed valuation totalling \$629,994,770 and were dedicated for maintaining, operating, relocating, constructing, or improving Airpark facilities of the Authority. Total taxes levied were \$3,666,570.

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 (Continued)
 June 30, 1996

With Comparative Totals for June 30, 1995

LIABILITIES AND FUND EQUITY	Governmental Fund Types		
	Special Revenue	Debt Service	Capital Projects
Accounts payable	\$63,691	\$ -	\$62,938
Accrued expenses	7,608	-	-
Contracts payable	-	-	482,880
Due to other funds	4,709	316	1,754
Certificates of indebtedness	-	-	-
Reimbursement contracts - State of Louisiana	-	-	-
Total liabilities	76,008	316	547,572
Fund equity			
Investment in general fixed assets	-	-	-
Fund balances			
Reserved for inventory	-	-	-
Reserved for construction	-	-	789,925
Unreserved			
Designated for debt service	-	603,834	-
Undesignated	604,875	-	-
Total fund equity	604,875	603,834	789,925
Total liabilities and fund equity	\$680,883	\$604,150	\$1,337,497

See accompanying notes to financial statements

Totals
(Memorandum Only)

1996	1995
\$137,053	\$46,084
100,000	-
237,053	46,084
5,694,330	1,781,863
(5,457,277)	(1,735,779)
-	600,000
4,000,000	2,206,746
0	(1,352)
4,000,000	2,805,394
(1,457,277)	1,069,615
2,247,202	1,177,587
\$789,925	\$2,247,202
=====	=====

Totals (Memorandum Only)

1996	1995
\$3,650,832	\$3,597,156
1,813,379	1,509,193
336,259	200,051
10,643	25,078
100,000	-
-----	-----
5,911,113	5,331,478
-----	-----
598,834	571,797
33,623	18,897
1,189,570	1,265,552
80,619	82,791
157,973	165,505
6,413,191	1,844,289
835,000	775,000
253,975	245,225
-----	-----
9,562,785	4,969,056
-----	-----
(3,651,672)	362,422
-----	-----
0	600,000
5,027,366	3,237,434
(5,027,366)	(3,237,434)
-----	-----
0	600,000
-----	-----
(3,651,672)	962,422
5,650,306	4,687,884
-----	-----
\$1,998,634	\$5,650,306
=====	=====

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY
 NOTES TO FINANCIAL STATEMENTS - (continued)

June 30, 1996

Construction in progress is composed of the following:

	Project Authorization	Expended to June 30, 1996	Committed
	-----	-----	-----
Firewater Plant and System	\$1,700,000	\$1,225,415	\$474,585
General Aviation Hangar Expansion	51,573	4,439	47,134
Hangars B & C Upgrade	200,000	12,396	187,604
Hangar E Upgrade	210,000	12,266	197,734
Taxilane G Fences/gates/other	50,000	4,720	45,280
	-----	-----	-----
	\$2,211,573	\$1,259,236	\$952,337
	=====	=====	=====

7. 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. Under the terms of the operating lease, Northrop 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. During the fiscal year ended June 30, 1996, the Authority received payments under the terms of the lease as follows:

Gross Rent	Additional Rent	Fire Protection	Net Rent
-----	-----	-----	-----
\$1,500,000	\$300,000	(\$600,000)	\$1,200,000

The minimum future rentals as of June 30, 1996 are as follows:

Date	Gross Rent	Additional Rent	Fire Protection	Net Rent
-----	-----	-----	-----	-----
06/30/97	\$1,500,000	\$300,000	(\$583,334)	\$1,216,666

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FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITORS
CHENNAULT INDUSTRIAL AIRPARK AUTHORITY
LAKE CHARLES, LOUISIANA

JUNE 30, 1996

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 ~~DEC 18 1996~~

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY

Lake Charles, Louisiana

BOARD OF COMMISSIONERS

June 30, 1996

Harold T. Heath	President
Leonard C. Breda III	Vice President
Daryl V. Burckel	Secretary/Treasurer
Richard J. Gregory	Commissioner
Willie S. King, Jr.	Commissioner
Russell T. Tritico, Jr.	Commissioner
Michael G. Eason	Commissioner

EXECUTIVE DIRECTOR

Max E. Jones

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY
LAKE CHARLES, LOUISIANA

ANNUAL FINANCIAL REPORT
Year Ended June 30, 1996

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Title Page	
Board of Commissioners and Executive Director	
Table of Contents	
FINANCIAL SECTION	
Independent Auditors' Report	1-2
Combined Balance Sheet-All Fund Types and Account Groups	3-6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	7-8
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Revenue Fund	9-12
Notes to Financial Statements	13-24
Combining statements	
Debt Service Funds	
Combining Balance Sheet	25-26
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	27-28
Capital Projects Funds	
Combining Balance Sheet	29-30
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	31-32
Supplemental schedule	
Schedule of Per Diem Paid Commissioners	33
INDEPENDENT AUDITOR'S REPORTS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE	
Independent Auditor's Report on Compliance Based on an Audit of General Purpose Financial Statements Performed in Accordance with Government Auditing Standards	34
Independent Auditor's Report on Internal Accounting Control Structure Based on an Audit of General Purpose Financial Statements in Accordance with Government Auditing Standards	35-36

Stulb & Associates

Certified Public Accountants

James F. Stulb, C.P.A.
Kristine S. Carter, C.P.A.

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Chennault Industrial Airpark Authority
Lake Charles, Louisiana

We have audited the accompanying general purpose financial statements of the Chennault Industrial Airpark Authority and the combining and individual fund financial statements of Chennault Industrial Airpark Authority as of and for the year then ended June 30, 1996, 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 general purpose 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 Industrial Airpark Authority as of June 30, 1996, 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 and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the Chennault Industrial Airpark Authority as of June 30, 1996, and the results of its operations of such funds for the year then ended in conformity with generally accepted accounting principles.

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Member Private Companies Practice Section of the AICPA

C.M. Tower • Suite 1620 • P.O. Box 1117 • Lake Charles, Louisiana 70602
(318) 494-1240 • (318) 494-1040 Fax

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supporting schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Chennault Industrial Airpark Authority. Such information has been subjected to the auditing procedures applied in the audit of the general purpose 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.

Stult & Associates

September 5, 1996

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 1996

With Comparative Totals for June 30, 1995

ASSETS	Governmental Fund Types		
	Special Revenue	Debt Service	Capital Projects
Cash	\$656,600	\$ -	\$ -
Certificates of Deposit	0	516,000	1,234,000
Receivables			
Taxes	6,000	-	-
Interest	9,160	153	3,252
Other	1,917	-	-
Deposits	5,136	-	-
Reimbursement reserve account	-	83,533	-
Due from other funds	2,070	4,464	245
Due from the State of Louisiana	-	-	100,000
General fixed assets	-	-	-
Amounts to be provided for retirement of general long-term debt	-	-	-
Amount available in debt service fund	-	-	-
	-----	-----	-----
Total assets	\$680,883	\$604,150	\$1,337,497

See accompanying notes to financial statements

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - ALL GOVERNMENTAL FUND TYPES

Fiscal Year Ended June 30, 1996

With Comparative Totals for Year Ended June 30, 1995

	Governmental Fund Types		
	Special Revenue	Debt Service	Capital Projects
Revenues			
Taxes	\$3,650,832	\$ -	\$ -
Rents	1,813,379	-	-
Interest	153,547	45,659	137,053
Miscellaneous	10,643	-	-
Grant proceeds	-	-	100,000
Total Revenues	5,628,401	45,659	237,053
Expenditures			
Current operating			
Personal services	598,834	-	-
Travel	33,623	-	-
Contractual services	1,189,570	-	-
Supplies and materials	80,619	-	-
Repairs and maintenance	157,973	-	-
Capital outlays	718,861	-	5,694,330
Debt service			
Principal retirement	-	835,000	-
Interest and fiscal charges	-	253,975	-
Total expenditures	2,779,480	1,088,975	5,694,330
Excess (deficiency) of revenues over expenditures	2,848,921	(1,043,316)	(5,457,277)
Other financing sources (uses)			
State reimbursement contracts	-	-	-
Operating transfers in	-	1,027,366	4,000,000
Operating transfers (out)	(5,027,366)	-	-
Total Other Financing Sources (Uses)	(5,027,366)	1,027,366	4,000,000
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2,178,445)	(15,950)	(1,457,277)
Fund equity at beginning of year	2,783,320	619,784	2,247,202
Fund equity at end of year	\$604,875	\$603,834	\$789,925

See accompanying notes to financial statements

Account Groups		Totals (Memorandum Only)	
General Long-Term Debt	General Fixed Assets	1996	1995
\$ -	\$ -	\$126,629	\$10,344
-	-	7,608	-
-	-	482,880	38,249
-	-	6,779	51,679
-	-	-	730,000
3,395,000	-	3,395,000	3,500,000
<u>3,395,000</u>	<u>\$ -</u>	<u>4,018,896</u>	<u>4,330,272</u>
-	63,504,307	63,504,307	\$57,143,767
-	-	-	-
-	-	789,925	2,247,202
-	-	603,834	619,784
-	-	604,875	2,783,320
-	63,504,307	65,502,941	62,794,073
<u>\$3,395,000</u>	<u>\$63,504,307</u>	<u>\$69,521,837</u>	<u>\$67,124,345</u>

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY

NOTES TO FINANCIAL STATEMENTS - (continued)

June 30, 1996

D. Budget Policy and Budgetary Accounting - (continued)

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. Expenditures cannot legally exceed appropriation on an individual fund level.

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 encompass 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.

F. Accrued Unpaid Vacation 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, 1996, unrecorded Special Revenue Fund liabilities included approximately \$15,700 vacation pay and \$2,400 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. However, comparative data by fund type have not been presented in each of the statements because their inclusion would make the statements unduly complex and difficult to read.

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

Fiscal Year Ended June 30, 1996
With Comparative Actual Amounts for Fiscal Year Ended June 30, 1995

	1996		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$3,600,000	\$3,650,832	\$50,832
Rents	1,808,000	1,813,379	5,379
Interest	125,000	153,547	28,547
Miscellaneous	4,000	10,643	6,643
Total revenues	5,537,000	5,628,401	91,401
Expenditures			
Salaries	586,934	490,653	96,281
Employee benefits and taxes	125,217	108,181	17,036
Tax assessor-retirement contribution	115,552	115,344	208
Travel	32,018	33,623	(1,605)
Rentals	10,959	32,786	(21,827)
Insurance	104,655	113,467	(8,812)
Telephone and utilities	68,927	42,304	26,623
Maintenance	48,272	39,586	8,686
Control tower	141,500	143,663	(2,163)
Fire protection	600,000	600,000	0
Legal services	58,015	58,822	(807)
Advertising	8,651	7,555	1,096
Architectural and engineering	21,000	11,813	9,187
Marketing	8,180	549	7,631
Miscellaneous contractual	35,999	23,681	12,318
Business development	7,780	13,131	(5,351)
Maintenance supplies	19,820	20,296	(476)
Office expense	14,383	15,078	(695)
Fire department supplies	650	102	548
Vehicles-fuel and repairs	51,250	32,012	19,238
Major repairs	250,000	157,973	92,027
Capital outlays	741,180	718,861	22,319
Total expenditures	3,050,942	2,779,480	271,462
Excess of revenue over expenditures	2,486,058	2,848,921	362,863

1995

Actual

\$3,597,156
1,509,193
114,161
25,078

5,245,588

475,045
96,752

113,157
18,897
9,541
88,933
37,025
52,254
124,831
558,333
57,506
8,996
133,802
6,688
74,486
9,027
15,429
12,275
167
45,893
165,505
62,426

2,166,968

3,078,620

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (Continued)

Fiscal Year Ended June 30, 1996
With Comparative Actual Amounts for Fiscal Year Ended June 30, 1995

	1996		
Budget	Actual	Variance Favorable (Unfavorable)	
Excess of revenue over expenditures	\$2,486,058	\$2,848,921	\$362,863
Other financing sources (uses) Operating transfers out	(5,027,366)	(5,027,366)	-
Excess (deficiency) of revenues over expenditures and other uses	(2,541,308)	(2,178,445)	362,863
Fund balance at beginning of year	2,783,320	2,783,320	0
Fund balance at end of year	\$242,012	\$604,875	\$362,863

See accompanying notes to financial statements

1995

Actual

\$3,078,620

(3,236,082)

(157,462)

2,940,782

\$2,783,320

=====

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 1996

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Chennault Industrial Airpark 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 and Secondary 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, and two members appointed by the Calcasieu Parish School Board. The six members so appointed shall appoint by majority vote a seventh member.

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 fund categories as follows:

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.

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY
NOTES TO FINANCIAL STATEMENTS - (continued)

June 30, 1996

A. **Fund Accounting** - (continued)

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, renovations, 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.

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.

CHENNAULT INDUSTRIAL AIRPARK AUTHORITY
NOTES TO FINANCIAL STATEMENTS - (continued)

June 30, 1996

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 the 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.

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.

Account Groups		Totals (Memorandum Only)	
General Long-	General	1996	1995
Term Debt	Fixed Assets		
\$ -	\$ -	\$656,600	\$445,998
-	-	1,750,000	5,150,000
-	-	6,000	6,640
-	-	12,565	37,787
-	-	1,917	160
-	-	5,136	6,146
-	-	83,533	52,168
-	-	6,779	51,679
-	-	100,000	-
-	63,504,307	63,504,307	57,143,767
2,791,166	-	2,791,166	3,610,216
603,834	-	603,834	619,784
<u>\$3,395,000</u>	<u>\$63,504,307</u>	<u>\$69,521,837</u>	<u>\$67,124,345</u>