

**CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
LAKE CHARLES, LOUISIANA**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2018**

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
LAKE CHARLES, LOUISIANA

ANNUAL FINANCIAL REPORT

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CHENNAULT INTERNATIONAL AIRPORT AUTHORITY

Lake Charles, Louisiana

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June 30, 2018

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CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
LAKE CHARLES, LOUISIANA

ANNUAL FINANCIAL REPORT  
Year Ended June 30, 2018

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Chennault International Airport Authority  
Lake Charles, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major funds, and the remaining fund information of Chennault International Airport Authority as of and for the year then ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major funds, and the remaining fund information of Chennault International Airport Authority as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as shown in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chennault International Airport Authority's basic financial statements. The schedule of compensation, benefits, and other payments to agency head or chief executive officer and the schedule of per diem paid commissioners are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of compensation, benefits, and other payments to agency head or chief executive officer and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to agency head or chief executive officer and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of per diem paid commissioners has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

Lake Charles, Louisiana  
December 7, 2018

## **Management's Discussion and Analysis**

The management of the Chennault International Airport Authority offers readers of the Chennault International Airport's financial statements this narrative overview and analysis of the financial activities for the Authority for the fiscal year ended June 30, 2018, with selected comparative information for the years ending June 30, 2017 and 2016. The information presented here should be read in conjunction with the financial statements, footnotes, and supplementary information in this report.

### **Governmental Funds**

Chennault International Airport Authority uses two funds: the Special Revenue Funds and the Capital Projects Funds. The Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than capital projects. Capital Projects Funds are used to account for financial resources to be used for the acquisition, renovation, or construction of major capital facilities.

### **Financial Highlights**

- Chennault International Airport Authority continued its infrastructure growth and expansion during this reporting period. The Authority spent \$12,589,319 of capital expenditures during the fiscal year to enhance facilities and to support existing tenants.
- The Authority entered into two grant agreements with the Louisiana Department of Transportation and Development (DOTD) in the amount of \$1,000,000 each with the funds from the grants to be used for Airfield Lighting Rehabilitation-Phase I (Runway)/Airfield Lighting Rehabilitation-Phase II. Prior to the fiscal year ended June 30, 2018 the Authority reported revenue of \$580,871. For the fiscal year ended June 30, 2018 the Authority reported revenue of \$1,419,129.
- The Authority entered into grant agreements with the Federal Aviation Administration (FAA) in the amount of \$4,737,695 and with the Louisiana Department of Transportation and Development (DOTD) in the amount of \$526,411 with the funds from the grants to be used for Rehabilitate Runway. For the fiscal year ended June 30, 2018 the Authority reported revenue of \$3,463,266 from FAA and \$384,807 from DOTD.
- The Authority entered into a grant agreement with the Louisiana Department of Transportation and Development (DOTD) in the amount of \$36,536 with the funds from the grant to be used for Reconstruct Blast Pad Runway 33. For the fiscal year ended June 30, 2018 the Authority reported revenue of \$36,536.
- Chennault International Airport Authority entered into a Cooperative Endeavor Agreement on January 17, 2018, with the City of Lake Charles, MC Golf Development, L.L.C. and Arrozal Investment Part A, LLC and Arrozal Investment Part C, LLC. Under the terms of the agreement, the Authority shall provide funding for construction of the Golf Course by MC Golf in an amount not to exceed \$6,600,000. The funds are setup in an escrow account with Whitney Bank. MC Golf contracted a design professional to undertake the construction management of the golf course. Arrozal donated land for the construction of the golf course to the Authority. Upon completion of the golf course the City will convey title of Mallard Cove to the Authority and Authority will transfer title of the new golf course to the City.

- On March 1, 2018 the Louisiana State Bond Commission granted approval to the Authority for the issuance, sale and delivery of Excess Revenue Certificates of Indebtedness (Mallard Cove Municipal Golf Course Project), Series 2018. On March 1, 2018, an issue in the original principal amount of \$6,725,000 was sold to Iberia Bank. The funds, less costs of issuance of \$125,000, were transferred to paying agent/registrars Whitney Bank to pay for the construction and equipping of a new municipal golf course for the City of Lake Charles, Louisiana.

### **Financial Analysis**

The assets of the Chemnault International Airport Authority exceeded its liabilities at the close of the fiscal year ended June 30, 2018 by \$142,614,878. Table 1 on page 6 compares the calculation of net assets for the last three years. Net assets increased by \$4,604,570 during the fiscal year ended June 30, 2018. The changes in net position are detailed in Table 2 on page 7.

### **Budgetary Highlights**

Property tax collections of \$11,509,593 from the 5.45 mill tax levied in 2017 exceeded the \$10,300,000 that was budgeted by \$1,209,593. On March 24, 2012 an election was held and the proposition passed authorizing the Authority to renew the levy and collect a 5.45 mill property tax for a period of ten years beginning in 2016 and ending in 2025. The property tax levy approved for the year ending December 31, 2018 is 5.45 mills.

\$3,267,540 was budgeted for major repairs expenditures for the year ending June 30, 2018. The actual expenditures for the year were only \$1,551,482 due to budgeted concrete repairs and other maintenance projects that were deferred until next year.

**Table 1**  
**Chennault International Airport Authority**  
**Net Position**

	June 30, 2018	June 30, 2017	June 30, 2016
Assets other than property, plant and equipment:			
Cash and certificates of deposit	\$ 12,697,223	\$ 12,197,317	\$ 8,723,949
Receivables	2,766,990	2,499,488	4,194,663
Prepaid Insurance	272,327	247,751	274,663
Restricted Cash	6,600,000	-	367,278
Total	<u>22,336,540</u>	<u>14,944,556</u>	<u>13,560,553</u>
Property, plant and equipment:			
Hangars	90,441,809	89,498,914	87,960,163
Offices, warehouses and shops	34,445,196	34,445,196	33,971,381
Airport operations buildings	4,914,706	4,914,706	4,894,168
Airfield pavement improvements	18,629,796	18,629,797	9,353,182
Roads and parking lots	5,433,212	5,416,012	4,262,966
Utility systems	7,070,582	6,722,543	6,722,543
Waste treatment plant	1,880,786	1,880,786	1,880,786
Firewater plant and lines	2,378,456	2,378,456	2,378,456
Fences and gates	2,643,687	2,622,567	2,622,567
Other improvements	9,705,431	9,330,757	9,330,757
Equipment	14,478,047	13,399,947	14,132,332
Subtotal	<u>192,021,708</u>	<u>189,239,681</u>	<u>177,509,301</u>
Less accumulated depreciation	<u>(75,981,015)</u>	<u>(70,247,595)</u>	<u>(65,374,237)</u>
Capital Assets, net of depreciation	116,040,693	118,992,086	112,135,064
Land	3,293,903	3,293,903	3,293,903
Construction in progress	10,928,494	1,121,202	6,944,742
Total property, plant and equipment	<u>130,263,090</u>	<u>123,407,191</u>	<u>122,373,709</u>
Total Assets	<u>152,599,630</u>	<u>138,351,747</u>	<u>135,934,262</u>
Liabilities:			
Other liabilities	3,259,752	341,439	2,423,655
Bonds payable	6,725,000	-	-
Total liabilities	<u>9,984,752</u>	<u>341,439</u>	<u>2,423,655</u>
Net Position:			
Invested in capital assets	127,374,293	123,303,513	120,336,582
Restricted for capital projects	7,304,065	4,950,572	6,933,145
Unrestricted	7,936,520	9,756,223	6,240,880
Total Net Position	<u>\$ 142,614,878</u>	<u>\$ 138,010,308</u>	<u>\$ 133,510,607</u>

Note - The net position listed above does not include either the value of the 1,200 acres of land leased to the Authority for ninety-nine years by the four entities that created Chennault in June 1986 or the value of the approximately 14 million square feet of pavement that remains of the runway, taxiway, and aircraft parking aprons of the former Chennault Air Force Base.

**Table 2**  
**Chennault International Airport Authority**  
**Changes in Net Position**

	June 30, 2018	June 30, 2017	June 30, 2016
Revenues:			
Property tax	\$ 11,509,593	\$ 11,053,403	\$ 9,460,493
Rent income	1,151,210	1,213,599	1,242,097
Miscellaneous income	114,366	219,189	335,727
Interest income	63,781	57,983	49,372
Grants	5,303,138	4,282,457	6,010,540
Subtotal	<u>18,142,088</u>	<u>16,826,631</u>	<u>17,098,229</u>
Other Financing Sources:			
Gain on sale of assets	-	381,080	-
FEMA proceeds	43,648	-	-
Total revenues and other financing sources	<u>18,185,736</u>	<u>17,207,711</u>	<u>17,098,229</u>
Expenses:			
Operate, maintain and repair airport and facilities	6,761,312	6,326,656	5,913,772
Intergovernmental	911,554	994,459	687,495
Interest and fiscal charges paid on debt	174,880	800	7,574
Depreciation	5,733,420	5,386,095	5,311,433
Total	<u>13,581,166</u>	<u>12,708,010</u>	<u>11,920,274</u>
Increase in Net Position	4,604,570	4,499,701	5,177,955
Beginning Net Position	<u>138,010,308</u>	<u>133,510,607</u>	<u>128,332,652</u>
Ending Net Position	<u>\$ 142,614,878</u>	<u>\$ 138,010,308</u>	<u>\$ 133,510,607</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET  
June 30, 2018

	Governmental Fund Types	
	Special Revenue	Capital Projects
ASSETS		
Cash	\$ 8,017,550	\$ 4,679,673
Receivables:		
Taxes	51,984	-
Federal/State Grants		2,675,190
Other	37,692	2,124
Land	-	-
Other Capital Assets, net of accumulated depreciation	-	-
Prepaid insurance	272,327	-
Restricted Cash	-	-
Due from other funds	<u>5,209</u>	<u>-</u>
 Total assets	 <u>\$ 8,384,762</u>	 <u>\$ 7,356,987</u>
LIABILITIES		
Accounts payable	\$ 206,956	\$ 52,922
Accrued expenses	3,064	-
Contracts payable	116,152	2,772,645
Deferred revenues	58,133	-
Due to other funds	-	5,209
Certificates of indebtedness		
Due within one year	-	-
Due after one year	<u>-</u>	<u>-</u>
 Total liabilities	 <u>384,305</u>	 <u>2,830,776</u>
FUND BALANCES/ NET POSITION		
Fund Balances		
Nonspendable: prepaid insurance	272,327	-
Committed for construction and repairs	-	4,526,211
Assigned to:		
Debt service	585,000	-
Airport facility	<u>7,143,130</u>	<u>-</u>
	<u>8,000,457</u>	<u>4,526,211</u>
 Total liabilities and fund balance	 <u>\$ 8,384,762</u>	 <u>\$ 7,356,987</u>
Net Position		
Net investment in capital assets		
Restricted for construction and repairs		
Unrestricted		
Total net position		

Total Government Funds	Adjustments	Statement of Net Position
\$ 12,697,223	\$ -	\$ 12,697,223
51,984	-	51,984
2,675,190	-	2,675,190
39,816	-	39,816
-	3,293,903	3,293,903
-	126,969,187	126,969,187
272,327	-	272,327
-	6,600,000	6,600,000
<u>5,209</u>	<u>(5,209)</u>	<u>-</u>
<u>\$ 15,741,749</u>	<u>\$ 136,857,881</u>	<u>\$ 152,599,630</u>
\$ 259,878	\$ -	\$ 259,878
3,064	49,880	52,944
2,888,797	-	2,888,797
58,133	-	58,133
5,209	(5,209)	-
-	585,000	585,000
<u>-</u>	<u>6,140,000</u>	<u>6,140,000</u>
<u>3,215,081</u>	<u>6,769,671</u>	<u>9,984,752</u>
272,327	(272,327)	
4,526,211	(4,526,211)	
585,000	(585,000)	
<u>7,143,130</u>	<u>(7,143,130)</u>	
<u>12,526,668</u>	<u>(12,526,668)</u>	
<u>\$ 15,741,749</u>	<u>(5,756,997)</u>	
	127,374,293	127,374,293
	7,304,065	7,304,065
	<u>7,936,520</u>	<u>7,936,520</u>
	<u>\$ 142,614,878</u>	<u>\$ 142,614,878</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO NET POSITION  
June 30, 2018

Total Governmental Fund Balances \$ 12,526,668

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

Restricted cash, for the purchase of land in the future, is not currently available and therefore not reported in the funds. 6,600,000

Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land 3,293,903

Buildings 129,801,711

Airfield Pavement Improvement 18,629,796

Roads and Parking 5,433,212

Utility and Fire Protection Systems 9,449,038

Waste Treatment Plant 1,880,786

Fences and Gates 2,643,687

Other Improvements 9,705,431

Equipment 14,478,047

Construction in progress 10,928,494

Accumulated depreciation (75,981,015)

Other capital assets, net of accumulated depreciation 126,969,187

Interfund receivables are eliminated in reporting total assets (5,209)

Total asset adjustments 136,857,881

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Certificates of indebtedness 6,725,000

Accrued interest 49,880

Interfund payables are eliminated in reporting total assets (5,209)

Total liability adjustments 6,769,671

Net position of governmental activities \$ 142,614,878

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
Fiscal Year Ended June 30, 2018

	Governmental Funds	
	Special Revenue	Capital Projects
Revenues:		
Taxes	\$ 11,509,593	\$ -
Rents	1,151,210	-
Interest	57,779	6,002
Fuel flowage	100,688	
Miscellaneous	13,678	-
Grant proceeds	-	5,303,138
Total revenues	12,832,948	5,309,140
Expenditures:		
Current operating:		
Personal services	2,368,050	-
Travel	43,431	-
Contractual services	2,840,086	-
Intergovernmental	911,554	-
Supplies and materials	277,365	-
Repairs and maintenance	1,551,482	-
Depreciation	-	-
Capital outlays	306,375	11,963,842
Debt service:		
Interest and fiscal charges	125,000	-
Total expenditures	8,423,343	11,963,842
Excess (deficiency) of revenues over expenditures	4,409,605	(6,654,702)
Other financing sources (uses):		
FEMA proceeds	43,648	-
Bond issue	6,725,000	-
Transfer to escrow agent	(6,600,000)	-
Operating transfers in	-	6,300,000
Operating transfers (out)	(6,300,000)	-
Total other financing sources (uses)	(6,131,352)	6,300,000
Net change in fund balance/ net position	(1,721,747)	(354,702)
Fund balance/ net position Beginning of year	9,722,204	4,880,913
End of year	\$ 8,000,457	\$ 4,526,211

See Accompanying Notes to Financial Statements

Total Government Funds	Adjustments	Statement of Activities
\$ 11,509,593	\$ -	\$ 11,509,593
1,151,210	-	1,151,210
63,781	-	63,781
100,688	-	100,688
13,678	-	13,678
5,303,138	-	5,303,138
<u>18,142,088</u>	<u>-</u>	<u>18,142,088</u>
2,368,050	-	2,368,050
43,431	-	43,431
2,840,086	-	2,840,086
911,554	-	911,554
277,365	67,257	344,622
1,551,482	(386,359)	1,165,123
-	5,733,420	5,733,420
12,270,217	(12,270,217)	-
<u>125,000</u>	<u>49,880</u>	<u>174,880</u>
<u>20,387,185</u>	<u>(6,806,019)</u>	<u>13,581,166</u>
<u>(2,245,097)</u>	<u>6,806,019</u>	<u>4,560,922</u>
43,648	-	43,648
6,725,000	(6,725,000)	-
(6,600,000)	6,600,000	-
6,300,000	-	6,300,000
(6,300,000)	-	(6,300,000)
<u>168,648</u>	<u>(125,000)</u>	<u>43,648</u>
(2,076,449)	6,681,019	4,604,570
<u>14,603,117</u>	<u>123,407,191</u>	<u>138,010,308</u>
<u>\$ 12,526,668</u>	<u>\$ 130,088,210</u>	<u>\$ 142,614,878</u>

See Accompanying Notes to Financial Statements

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
RECONCILIATION OF CHANGE IN GOVERNMENTAL FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
June 30, 2018

Net change in fund balances - total governmental funds \$ (2,076,449)  
Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays and repairs as expenditures.  
However, in the statement of activities, assets with an individual cost of more than  
\$10,000 are capitalized and the cost is allocated over their estimated useful lives and  
reported as depreciation expense. For the current period, these amounts are:

Capital outlay	12,270,217	
Repairs	386,359	
Reclassification from capital outlay to supplies and materials	(67,257)	
Depreciation expense	<u>(5,733,420)</u>	
Excess of capital outlay over depreciation expense		6,855,899

Repayment of long-term debt is reported as an expenditure in governmental  
funds, but the repayment reduces long-term liabilities in the statement of net  
position. In the current year, these amounts consisted of:

Net increase in accrued interest payable	<u>(49,880)</u>	
Net decrease		(49,880)

Governmental funds report Bond issue as other financing sources. However,  
in the statement of net assets, bond issue is reported as a long-term liability.  
For the current period, these amounts are:

Bond issue	(6,725,000)	
Transfer to restricted escrow cash account	<u>6,600,000</u>	
Bond issuance costs		<u>(125,000)</u>

Change in net position of governmental funds \$ 4,604,570

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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.

The Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. In June 1999, the Governmental Accounting Standards Board unanimously approved Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. The Authority implemented the new reporting model standards in fiscal year ended June 30, 2004.

**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 are 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.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018  
(continued)

**Basic Financial Statements – Fund Financial Statements**

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures. 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 two broad funds categories as follows:

**GOVERNMENTAL FUNDS**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the authority.

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than capital projects.

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.

**Fund Balances – Governmental Funds**

Beginning with fiscal year ended June 30, 2012, the Authority implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. Fund balances of the governmental funds are classified as follows:

*Nonspendable* – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – amounts that can be used only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Committed* – amounts constrained to specific purposes by the Authority itself, using its highest level of decision-making authority (i.e., Board of Commissioners). To be reported as committed, amounts cannot be used for any other purpose unless the Authority takes the same highest level action to remove or change the constraint.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018  
(continued)

*Assigned* – amounts the Authority intends to use for a specific purpose. Intent can be expressed by the Board of Commissioners or by an individual or body to which the Board delegates the authority.

*Unassigned* – amounts that are available for any purpose.

The Authority establishes (and modifies or rescinds) fund balance commitments by passage of board resolution or formal approval. Assigned fund balance is established by the Authority through the adoption or amendment of the budget as intended for specific purposes.

**Basic Financial Statements – Government-Wide Statements**

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's funds). In the government-wide Statement of Net Position, governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The government-wide Statement of Activities reports revenues and expenses on a full accrual, economic resource basis. The Statement of Activities recognizes depreciation expense.

This government-wide focus is more on the sustainability of the Authority as an entity and the change in the Authority's net position resulting from current year's activities.

**Use of Restricted Resources**

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Authority's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Authority's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

**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.

**Accrual**

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018  
(continued)

**Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when available and measurable. "Available" means collectible within the current period or within 60 days after year end. Revenues that are accrued include rent, property taxes, and interest. Property tax revenues are recognized in the period for which levied provided they are also available. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures, other than interest on long-term debt, are recognized when the related liability is incurred.

**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.

**Accounts Receivable**

Accounts receivable represent amounts due from various federal, state, and local agencies and customers and are deemed to be fully collectible by management.

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Additions, improvement and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for costs for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	15 - 40 years
Machinery and equipment	10 - 30 years
Improvements	10 - 50 years
Other infrastructure	10 - 50 years

GASB 34 requires the Authority to report and depreciate new infrastructure assets effective beginning the year of implementation (June 30, 2004). The Authority voluntarily elected to retroactively report infrastructure assets and depreciation. Infrastructure assets include drainage, roads, runways, lighting, utilities, etc.

**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, 2018 unrecorded Special Revenue Fund liabilities included approximately \$108,677 vacation pay and \$6,371 compensation time.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018  
(continued)

**Use of Estimates**

The financial statements are prepared in conformity with generally accepted accounting principles and, accordingly, include amounts that are based on management's best estimates and judgments. Actual results could differ from these estimates.

**2. Cash and Certificates of Deposit**

Under Louisiana Revised Statutes 39:2955, the Authority may deposit funds in demand deposit accounts, interest bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks, organized under Louisiana Law and National Banks having a principal office in Louisiana. Additionally, Louisiana statutes allow the Authority to invest in United States Treasury obligations, obligations issued or guaranteed by the United States government or federal agencies, and mutual or trust funds register with the Securities and Exchange Commission which have underlying investments consisting solely of and limited to the United States government or its agencies.

In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

At June 30 2018, the Authority had cash and cash equivalents (book balances) totaling \$12,697,223. The Authority had Restricted Cash of \$6,600,000 which is held by Whitney Bank for construction and equipping of a new municipal golf course for the City of Lake Charles which was not included in the book balances.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held by the pledging financial institution's trust department or agent, in the Authority's name.

Custodial Credit Risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority deposits its cash with high quality financial institutions, and management believes the Authority is not exposed to significant credit risk.

At June 30, 2018, the Authority had \$13,402,629 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$13,152,629 of pledged securities held in a custodial bank in the Authority's name.

Interest Rate Risk is the risk that changes in the in interest rate will adversely affect the fair value of the investment. At June 30, 2018 and 2017, the Authority did not have investments in any debt instruments.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018  
(continued)

**Interfund Activity**

Transfers are used to move special revenue funds to the capital projects fund. The transfers are to cover budgeted capital outlay expenditures not reimbursed by grants. The total transfer for the year ended June 30, 2018 was \$6,300,000.

**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 amended agreements, effective for years 2006 through 2015, the Authority agreed to annually grant or transfer \$200,000 to the West-Calcasieu Airport Authority Managing Board and \$100,000 to the DeQuincy Airport Authority. The transfers are scheduled to take place annually for the ten-year period.

In October 2012, the parties entered into new Joint Service Agreements effective for years 2016 through 2026. The new agreements call for annual transfers as follows:

	Tax Collection Period		
	2017-2019	2020-2023	2024-2026
West Calcasieu Airport Authority	\$300,000	\$375,000	\$425,000
DeQuincy Airport Authority	\$200,000	\$250,000	\$300,000

In addition to the above transfers, the Authority agrees to review its tax revenue in 2017, 2021, and 2025 to compare the previous year's property tax collection. If the receipts for those years increase by 3% or more, the Authority will increase its transfer by 3% for a period not to exceed three years.

It is understood and agreed that should untoward events, i.e., natural disaster, tenant loss, etc., resulting directly or indirectly, more than 10% decrease in annual gross revenue to the Authority, or such other unexpected development resulting in said decrease in revenue, or overall tax revenues decrease to 7 million or below per year, this agreement may be modified accordingly, upon formal action by the Board Authority.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018  
(continued)

4. **Cooperative Endeavor Agreement**

The Chennault International Airport Authority entered into a Cooperative Endeavor Agreement on January 17, 2018, with the City of Lake Charles, MC Golf Development, L.L.C. and Arrozal Investment Part A, LLC and Arrozal Investment Part C, LLC. Under the terms of the agreement, the Authority shall provide funding for construction of the Golf Course by MC Golf in an amount not to exceed \$6,600,000. The funds are setup in an escrow account with Whitney Bank. MC Golf contracted a design professional to undertake the construction management of the golf course. Arrozal donated land for the construction of the golf course to the Authority. Upon completion of the golf course, the City will convey title of Mallard Cove to the Authority and Authority will transfer title of the new golf course to the City.

5. **Property Taxes**

On January 15, 2005, an election was held and the proposition passed authorizing the Authority to renew the levy and collect a 5.45 mill property tax for a period of ten years beginning with the year 2006. On March 24, 2012, an election was held and the proposition passed authorizing the Authority to renew the levy and collect a 5.45 mill property tax for a period of ten years beginning 2016. For the year ended June 30, 2018, the Authority levied taxes of 5.45 mills on property with assessed valuation totaling \$2,143,208,511 the taxes were dedicated to maintaining, operating, relocating, constructing, or improving Airpark facilities of the Authority. Total taxes levied were \$11,680,486.

Property tax millage 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.

6. **Excess Revenue Certificates of Indebtedness**

On March 1, 2018 the Louisiana State Bond Commission granted approval to the Authority for the issuance, sale and delivery of Excess Revenue Certificates of Indebtedness (Mallard Cove Municipal Golf Course Project), Series 2018. On March 1, 2018, an issue in the original principal amount of \$6,725,000 was sold to Iberia bank. The funds, less costs of issuance of \$125,000, were transferred to paying agent/registrar Whitney Bank to pay for the construction and equipping of a new municipal golf course for the City of Lake Charles, Louisiana.

The certificates of indebtedness, dated March 1, 2018, provide that the Authority shall repay the paying agent semi-annual interest payments at a rate of 2.975% and annual principal payments with the final payment due and paid March 1, 2028.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018  
(continued)

The annual requirements to amortize the indebtedness outstanding as of June 30, 2018 is as follows:

<u>Year Ending June 30</u>	<u>Interest</u>	<u>Principal</u>
2019	\$ 200,069	\$ 585,000
2020	182,665	605,000
2021	164,666	625,000
2022	146,073	640,000
2023	127,033	660,000
2024 and thereafter	<u>328,588</u>	<u>3,610,000</u>
	<u>\$1,149,094</u>	<u>\$6,725,000</u>

**7. 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, 2018:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Balance June 30, 2018</u>
Certificates of Indebtedness	<u>\$0</u>	<u>\$6,725,000</u>	<u>\$6,725,000</u>

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

**8. Capital Assets Activity**

Capital assets consist of the following:

	<u>June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2018</u>
Construction in progress	\$ 1,121,202	\$11,963,843	\$ (2,156,551)	\$ 10,928,494
Land	3,293,903	-	-	3,293,903
Buildings	128,858,816	942,895	-	129,801,711
Improvement other than building	46,980,918	761,032	-	47,741,950
Equipment	<u>13,399,947</u>	<u>1,078,100</u>	<u>-</u>	<u>14,478,047</u>
	193,654,786	14,745,870	(2,156,551)	206,244,105
Accumulated depreciation	<u>(70,247,595)</u>	<u>(5,733,420)</u>	<u>-</u>	<u>(75,981,015)</u>
	<u>\$123,407,191</u>	<u>\$9,012,450</u>	<u>\$(2,156,551)</u>	<u>\$130,263,090</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018  
(continued)

During the fiscal year ended June 30, 2018, the Authority completed construction on several capital projects. Listed below is a summary of the completed projects.

	<u>Prior Period Expenditures</u>	<u>Year Ended June 30, 2018</u>	<u>Total Project Expenditures</u>
Hangar F Two Air Handlers	\$ 0	\$ 91,980	\$ 91,980
RFID Antennas	100	682,581	682,681
Hangar A Restroom Annex	118,610	197,237	315,847
Hangar G Fans/Lighting	0	350,756	350,756
Blast Pad	0	374,673	374,673
Underground Air Lines	0	386,359	386,359
Air Traffic Control Tower Ext	0	133,364	133,364
Other Projects	0	207,250	207,250
	<u>\$ 118,710</u>	<u>\$2,424,200</u>	<u>\$ 2,542,910</u>

Construction in progress as of June 30, 2018, is composed of the following:

	<u>Expended to June 30, 2018</u>
Hangar A/D Lighting Upgrade	\$ 746,644
Runway 15-33 Rehabilitation	4,391,061
Airfield Lighting Rehabilitation	2,276,331
Land Leveling Site 2	104,073
CIAA Fuel Farm Tanks	134,127
Louisiana Millwork Admin	2,697,591
Hangar E Paint Hangar Upgrade	574,742
Other Projects	<u>3,925</u>
	<u>\$10,928,494</u>

9. **Lease Revenue**

The Authority leases its property to various commercial operations. A significant portion of these leases are non-cancelable operating leases.

Minimum rentals as of June 30, 2018 on non-cancelable operating leases for the next five years are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2019	\$1,781,474
June 30, 2020	1,834,588
June 30, 2021	1,640,220
June 30, 2022	1,435,352
June 30, 2023	899,252

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018  
(continued)

Fuel flowage income associated with the Authority’s non-cancelable operating leases was approximately \$100,688 for the year ended June 30, 2018. The Authority’s fuel flowage fee is eight cents per gallon.

10. **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). As a result of state legislation passed Chennault employees with 10 years of service credit on June 30, 2004 participate in the system.

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 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, 2018 was \$153,236. The Authority's total payroll and taxable benefits was \$1,905,552.

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 37.90 percent of eligible salaries. The contribution requirement for the year ended June 30, 2018, was \$69,569 (45.40% of current year covered payroll), which consisted of \$58,076 (37.90% of current year covered payroll) from the Authority and \$11,493 (7.5% of current year covered payroll) from employees. As of June 30, 2018, the total amount owed to the system was \$5,629 for June contributions.

The Authority’s contributions to the Louisiana State Employees’ Retirement System for each of the years ending June 30, 2018, 2017, and 2016 are presented below:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Employer’s contribution	\$ 58,076	\$86,486	\$114,725
Employee’s contribution	<u>11,493</u>	<u>18,119</u>	<u>23,130</u>
Total	<u>\$ 69,569</u>	<u>\$104,605</u>	<u>\$137,855</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018  
(continued)

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, 2018; however, the System does not make separate measurements of assets and pension benefit obligations of individual employers. The pension benefit obligation at June 30, 2018, for the System as a whole was approximately \$19.1 billion.

The System's net assets available for benefits on that date (valued at market) were approximately \$12.361 billion, leaving an unfunded pension benefit obligation of approximately \$6.743 billion.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. Also included in this report is historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due. This annual report is available on the System's website ([www.lasersonline.org](http://www.lasersonline.org)), may be obtained by writing to the Louisiana State Employees' Retirement System, P.O. Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Management has determined that adjustments required by GASB 68 would be immaterial and therefore provisions from the statement have not been applied to the financial statements.

**11. Deferred Compensation Plan**

The Authority set up a deferred compensation plan effective as July 1, 2005 that would be administered through the State of Louisiana Deferred Compensation Plan. Employees who are not contributing to the Louisiana State Employees' Retirement System plan are eligible to participate in the Authority's deferred compensation plan.

Contributions are based on an employee's wages and taxable benefits. The contribution rate was set at seven percent. The contribution rate for employees hired after July 1, 1994 was modified from seven percent to eight and one half percent. The contribution rate was increased on July 1, 2011 to include an additional amount with an employee contribution. The Authority matches up to two percent with employee contributing four percent.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018  
(continued)

The amounts contributed to the deferred compensation plan by the Authority are included both in the amount of wages reported for the employee and in the amount of deferred compensation contributed by the employee. Funds contributed by the Authority to the plan are held in separate accounts set up for the individual employees within the State of Louisiana Deferred Compensation Plan. Contributions to the Plan and any earnings they generate are 100% vested to the employee. The Authority contributed \$145,695 for employees covered by the deferred compensation plan for the year ended June 30, 2018. The total amount owed to the plan as of June 30, 2018 was \$0.

**12. Contingencies and Commitments**

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

<u>Year ending June 30</u>	<u>Fire Protection</u>	<u>Runway Equipment</u>
2019	1,388,017	30,660
2020	-	20,440

Cooperative Endeavor Agreement (Note 4)

As additional consideration for the City's (a) reimbursement of \$1,600,000 to MC Golf for the extension of a walkway and public utilities; (b) transfer of 40 acres to Arrozal; and (c) the transfer of Mallard Cove, including all improvements, to the Authority, the Authority shall pay unto the city the sum of \$15,000 per month for a twenty year term beginning upon the transfer of Mallard Cove by the City to the Authority (\$3,600,000).

In the event the Authority acquires a developer ready, willing and financially able to construct a \$250,000,000 or more air cargo transportation or air transportation related facility(ies) prior to completion of the Golf Course and closure of Mallard Cove, then, in that event, the City shall terminate operation of Mallard Cove within ninety days of the City's receipt of a request by the Authority to close Mallard Cove. Simultaneous to closure of Mallard Cove, the Authority shall arrange with an additional golf course facility situated in Calcasieu Parish, Louisiana, to accept any golfer desirous of golf play at Mallard Cove until such time as construction of the Golf Course is complete. The Authority shall be financially responsible for the cost differential between the fees for play at the additional golf course as compared to those which would have been charged at Mallard Cove. The Authority's financial obligation for the additional golf fees shall terminate upon completion and official opening of the new Golf Course.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018  
(continued)

Federal Emergency Management Agency

On September 24, 2005, Hurricane Rita made landfall and caused extensive damages to the Authority's property and equipment. Federal Emergency Management Agency (FEMA) recovery has been in excess of \$13 million. The Authority is in ongoing negotiations with FEMA, the State of Louisiana, and the U.S. Office of Inspector General to close out the remaining project worksheets for Hurricane Rita.

Pending claims

The Authority is subject to pending claims and litigation which arise primarily in the ordinary course of business. The Authority does not anticipate any losses with respect to such pending claims and litigation as of June 30, 2018.

13. **Subsequent Events**

Subsequent events were evaluated through December 7, 2018 the date of which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
Fiscal Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
Revenues:				
Taxes	\$ 10,300,000	\$ 10,300,000	\$ 11,509,593	\$ 1,209,593
Rents	1,299,846	1,299,846	1,151,210	(148,636)
Interest	8,000	8,000	57,779	49,779
Miscellaneous	145,000	145,000	114,366	(30,634)
Grant proceeds	-	-	-	-
Total revenues	<u>11,752,846</u>	<u>11,752,846</u>	<u>12,832,948</u>	<u>1,080,102</u>
Expenditures:				
Salaries	1,831,189	1,831,189	1,836,333	(5,144)
Employee benefits and taxes	559,681	559,681	531,717	27,964
Travel	71,000	71,000	43,431	27,569
Advertising	26,500	26,500	82,029	(55,529)
Architectural and engineering	165,000	165,000	91,894	73,106
Control tower	46,000	46,000	51,478	(5,478)
Fire protection	1,437,085	1,437,085	1,350,881	86,204
Insurance	515,400	515,400	514,011	1,389
Maintenance	59,860	59,860	55,270	4,590
Rentals	234,100	234,100	79,496	154,604
Telephone and utilities	178,500	178,500	270,863	(92,363)
Miscellaneous Contractual	422,000	422,000	344,164	77,836
Intergovernmental	912,500	912,500	911,554	946
Business development	19,500	19,500	19,775	(275)
Office Expense	21,000	21,000	22,492	(1,492)
Maintenance supplies	43,000	43,000	68,162	(25,162)
Vehicles-fuel and repairs	313,000	313,000	166,936	146,064
Major repairs	3,267,540	3,267,540	1,551,482	1,716,058
Capital outlays	420,400	420,400	306,375	114,025
Debt service	<u>866,500</u>	<u>866,500</u>	<u>125,000</u>	<u>741,500</u>
Total expenditures	<u>11,409,755</u>	<u>11,409,755</u>	<u>8,423,343</u>	<u>2,986,412</u>
Excess of revenues over expenditures	343,091	343,091	4,409,605	4,066,514

(continued on next page)

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
Fiscal Year Ended June 30, 2018  
(continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Excess of revenues over expenditures	343,091	343,091	4,409,605	4,066,514
Other financing sources (uses):				
FEMA proceeds	-	-	43,648	43,648
Bond issue	-	-	6,725,000	6,725,000
Transfer to escrow agent	-	-	(6,600,000)	(6,600,000)
Operating transfers in	-	-	-	-
Operating transfers out	<u>(6,300,000)</u>	<u>(6,300,000)</u>	<u>(6,300,000)</u>	<u>-</u>
Total Other Sources (Uses)	<u>(6,300,000)</u>	<u>(6,300,000)</u>	<u>(6,131,352)</u>	<u>168,648</u>
Net change in fund balance	<u>\$ (5,956,909)</u>	<u>\$ (5,956,909)</u>	(1,721,747)	<u>\$ 4,235,162</u>
Fund balance at beginning of year			<u>9,722,204</u>	
Fund balance at end of year			<u>\$ 8,000,457</u>	

Chennault International Airport Authority  
Note to Required Supplementary Information-Budgetary Reporting  
For the year ended June 30, 2018

The Budgetary Comparison Schedule-Budget to Actual presents comparisons of the original and final legally adopted budget with actual data on a budgetary basis.

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 of the Special Revenue Fund. At the end of the fiscal year, unexpended appropriations automatically lapse. Budget amendments are approved by the Board of Commissioners. Formal budgetary integration is employed as a management control device during the year for the Special Revenue Funds.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2018

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Federal Emergency Management Agency Passed through the Louisiana Office of Homeland Security and Emergency Preparedness Hurricane Rita recovery program	97.036	\$43,648
U. S. Department of Transportation Federal Aviation Administration Airport Improvement Program	20.106	<u>3,463,266</u>
		<u>\$3,506,914</u>

See accompanying notes to schedule of expenditures of federal awards

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Chennault International Airport Authority (the Authority) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The Authority has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
 SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER  
 PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

Year ended June 30, 2018

**AGENCY HEAD NAME: EXECUTIVE DIRECTOR**

	<b>Randolph R. Robb</b>	<b>W. Kevin Melton</b>
	July 1, 2017- April 3, 2018	April 30, 2018- June 30, 2018
<b><u>PURPOSE</u></b>	<b><u>AMOUNT</u></b>	<b><u>AMOUNT</u></b>
Salary	\$147,615	\$22,565
Benefits		
Insurance	6,896	2,440
Retirement	11,729	2,887
Uniforms	0	648
Car Allowance	9,100	2,033
Moving	0	15,218
Reimbursements	378	16
Registration Fees	1,935	450
Travel	<u>12,412</u>	<u>3,355</u>
<b>TOTAL</b>	<b><u>\$190,065</u></b>	<b><u>\$49,612</u></b>

**CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
BOARD OF COMMISSIONERS  
July 1, 2017 – June 30, 2018**

Charles K. Dagleish	President
Andrew D. Hankins	Vice President
Denise Rau	Secretary/Treasurer
James G. Gobert	Commissioner
Rico Guillory Sr.	Commissioner
Bill Hankins	Commissioner
Kenneth Nabours	Commissioner

**CHENNAULT INTERNATIONAL AIRPORT AUTHORITY  
SCHEDULE OF PER DIEM PAID COMMISSIONERS**

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.

<b>COMMISSIONER</b>	<b>MEETINGS ATTENDED</b>	<b>COMPENSATION</b>
Charles K. Dagleish	15	-0-
Andrew D. Hankins	12	-0-
Denise Rau	14	-0-
James G. Gobert	16	-0-
Rico Guillory, Sr.	13	-0-
Bill Hankins	15	-0-
Kenneth Nabours	14	-0-

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

Board of Commissioners  
Chennault International Airport Authority  
Lake Charles, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, major funds, and the remaining fund information of Chennault International Airport Authority as of and for the year then ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report dated December 7, 2018.

### **Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Chennault International Airport Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questioned costs as item 2018-1.

## **Authority's Response to Findings**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Lake Charles, Louisiana  
December 7, 2018

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners  
Chennault International Airport Authority  
Lake Charles, Louisiana

### Report on Compliance for Each Major Federal Program

We have audited Chennault International Airport Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2018. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

## Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Lake Charles, Louisiana  
December 7, 2018

Chennault International Airport Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditors’ Results

June 30, 2018

*Financial Statements*

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? \_\_\_yes X no
- Significant deficiency identified? \_\_\_yes X no
- Noncompliance material to financial statements noted? X yes \_\_\_no

*Federal Awards*

Internal control over major programs:

- Material weakness identified? \_\_\_yes X no
- Significant Deficiency (ies) identified that are not considered to be material weaknesses? \_\_\_yes X no

Type of auditors’ report issued on compliance

For the major federal award programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? \_\_\_yes X no

Identification of major programs: CFDA Number

U. S. Department of Transportation  
Airport Improvement Program 20.106

Dollar threshold used to distinguish  
Between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes \_\_\_ no

## Section II – Financial Statement Findings

### Current Audit

#### **2018-1**

#### **Formally Adopting Executive Session Actions Taken**

Condition: The 2017 Board of Directors agreed to retroactively increase the Executive Director's vacation time from twenty days to thirty days per year for the current year and two prior years. The Director retired months after the increase in vacation time and was paid for all of the unused vacation time.

Criteria: State of Louisiana Attorney General Opinion No. 09-0260 declares paying an employee extra compensation in addition to what is owed to him or her for work that has been done in the past when the employer is under no legal obligation to do is payment of a bonus. The office has consistently opined that the payment of a bonus, or any other gratuitous, unearned payment to public employees is prohibited, is not legal as it is a violation of LA. Const. art VII, Sec. 14(A).

Cause: In 2014, the Board of Directors discussed in Executive Session increasing the Director's vacation time from twenty days to thirty days in lieu of an increase in compensation for that year. There was no formal resolution approving the increase in vacation time for the Director.

Effect: Without a formal resolution from the Board of Directors in 2014, the Authority potentially paid an employee \$12,485 for prior services rendered in violation of LA. Const. art VII, Sec. 14(A).

Recommendation: We recommend the Authority formally adopt all actions taken during Executive Session meetings.

Management Response: Management believes this is an isolated incident and actions taken during Executive Session meetings are formally adopted. Management has polled the 2014 Board of Directors and all of the responses indicate the increase in vacation time in lieu of an increase in compensation was approved but not formally adopted. Management believes the former Director was entitled to the increase in vacation time, but there was a lack of documentation by not formally approving the action taken during the Executive Session.

### Prior Audit

There were no findings or questioned costs

## Section III – Federal Awards Findings

### Current Audit

There were no findings or questioned costs

### Prior Audit

There were no findings or questioned costs

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors of Chennault International Airport Authority and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Chennault International Airport Authority (Authority) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Authority's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

### Written Policies and Procedures

1. Obtain the Authority's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the Authority does not have any written policies and procedures), as applicable:
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
  - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) **Disbursements**, including processing, reviewing, and approving
  - d) **Receipts**, including receiving, recording, and preparing deposits
  - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
  - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
  - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
  - i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the Authority's ethics policy.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*We performed the procedures above and noted no exceptions.*

#### ***Board Minutes (or Finance Committee, if applicable)***

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There were no exceptions in this category during Year 1 therefore this category is excluded from testing in Year 2.

#### ***Bank Reconciliations***

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3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select four additional accounts (or all accounts if less than five). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- a) Bank reconciliations include evidence they were prepared within two months of the related statement closing date;
  - b) Bank reconciliations include evidence that a member of management or a board member, who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation; and
  - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date.

*We performed the procedures above and noted no exceptions.*

#### ***Collections***

---

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select five deposit sites (or all deposit sites if less than five).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. five collection locations for five deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
- a) Employees that are responsible for cash collections do not share cash drawers/registers.
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
  - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

*We performed the procedures above and noted no exceptions.*

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day) Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:
- a) Observe that receipts are sequentially pre-numbered.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.
  - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
  - e) Trace the actual deposit per the bank statement to the general ledger.

*We performed the procedures above and noted the following exception:  
Deposits were not made within one business day of receipt.*

**Management response:**

*7d) Management will require all deposits to be made within one business day of receipt. While every effort shall be made to deposit checks within one day of receipt, there may be instances that this is not achievable based on manning (vacation or sickness). On the rare occasion this would occur, the Airport Authority will ensure all checks for deposit, are deposited with the financial institution within 3 business days of receipt. To mitigate delays, management will also assign a secondary individual that can deposit checks at the bank.*

**Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)**

8. Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
  - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.
- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

*We performed the procedures above and noted no exceptions.*

#### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

---

There were no exceptions in this category during Year 1 therefore this category is excluded from testing in Year 2.

#### ***Travel and Expense Reimbursement***

---

There were no exceptions in this category during Year 1 therefore this category is excluded from testing in Year 2.

#### ***Contracts***

---

There were no exceptions in this category during Year 1 therefore this category is excluded from testing in Year 2.

#### ***Payroll and Personnel***

---

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

*We performed the procedures above and noted no exceptions.*

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

*We performed the procedures above and noted the following exception:*

**In 2014, The Board of Directors discussed in Executive Session increasing the Executive Director's vacation days from twenty to thirty days in lieu of an increase in compensation for that year. There was no formal resolution approving the increase in vacation time for the Executive Director. The 2017 Board of Directors agreed to retroactively increase the former Executive Director's vacation time from twenty days to thirty days per year for the current year and two prior years. During the fiscal year, the Executive Director retired and was paid for the unused vacation time.**

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

*We performed the procedures above and noted no exceptions.*

**Management response:**

**18) Management has polled the 2014 Board of Directors and all of the responses indicate the increase in vacation time in lieu of an increase in compensation was approved but not formally adopted. Management believes the former Director was entitled to the increase in vacation time, but there was a lack of documentation by not formally approving the action taken during the Executive Session.**

**Ethics (excluding Non-Profits)**

---

There were no exceptions in this category during Year 1 therefore this category is excluded from testing in Year 2.

**Debt Service (excluding Non-Profits)**

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21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

*We performed the procedures above and noted no exceptions.*

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentations for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

*We performed the procedures above and noted no exceptions.*

**Other**

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23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

*There were no misappropriation of public funds or assets.*

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

*We performed the procedures above and noted no exceptions.*

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Lake Charles, Louisiana

December 5, 2018

Stull & Associates