

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

ANNUAL FINANCIAL REPORT

JUNE 30, 2020

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
LAKE CHARLES, LOUISIANA

ANNUAL FINANCIAL REPORT

JUNE 30, 2020

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY

Lake Charles, Louisiana

BOARD OF COMMISSIONERS

June 30, 2020

| | |
|---------------------|---------------------|
| Andrew D. Hankins | President |
| Denise Rau | Vice President |
| Rico Guillory Sr. | Secretary/Treasurer |
| Charles K. Dalglish | Commissioner |
| James G. Gobert | Commissioner |
| Bill Hankins | Commissioner |
| Tad Martin | Commissioner |

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
LAKE CHARLES, LOUISIANA

ANNUAL FINANCIAL REPORT
Year Ended June 30, 2020

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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, 2020, 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, 2020, 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 schedule of compensation, benefits, and other payments to agency head or chief executive officer is the responsibility of management and was 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 is 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 17, 2020, 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". The signature is written in black ink and is positioned above the typed name and date.

Lake Charles, Louisiana
December 17, 2020

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, 2020, with selected comparative information for the years ending June 30, 2019 and 2018. 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

- According to Louisiana Department of Transportation, Chennault International Airport Authority continues to be the #3 economic producer of 70 airports across the State of Louisiana.
- Chennault International Airport Authority continued its infrastructure growth and expansion during this reporting period. The Authority spent \$3,869,676 of capital expenditures during the fiscal year to enhance facilities and to support existing tenants.
- The Authority entered into a grant agreement with the Federal Aviation Administration (FAA) in the amount of \$20,000 for the Cares Act Airport Grant. The grant amount was derived by legislative formula as a result of the COVID-19 Public Health Emergency.
- The Authority entered into grant agreements with the Federal Aviation Administration (FAA) in the amount of \$67,478 and with the Louisiana Department of Transportation and Development (DOTD) in the amount of \$7,497 with the funds from the grants to be used for Taxiway "D" Realignment. Prior to the fiscal year ended June 30, 2020 the Authority reported revenue of \$45,136. For the fiscal year ended June 30, 2020 the Authority reported revenue of \$26,856 from FAA and \$2,983 from DOTD. The Authority entered into additional grant agreements with the Federal Aviation Administration (FAA) in the amount of \$202,000 and with the Louisiana Department of Transportation and Development (DOTD) in the amount of \$22,444 with the funds from the grants to be used for Reconstruct Taxiway "D" Realignment. For the fiscal year ended June 30, 2020 the Authority reported revenue of \$185,440 from FAA and \$20,605 from DOTD.
- The Authority entered into a grant agreement with the Federal Aviation Administration (FAA) in the amount of \$72,000 and an amendment with an additional \$8,000 provided because of a CARES Act Local Match with the funds from the grants to be used for Rehabilitate Taxiway Lighting Design Only. For the fiscal year ended June 30, 2020 the Authority reported revenue of \$14,250.
- The Authority entered into a grant agreement with the Louisiana Department of Transportation and Development (DOTD) in the amount of \$117,000 with the funds

from the grant to be used to Upgrade AWOS-3 P/T System. For the fiscal year ended June 30, 2020 the Authority reported revenue of \$117,000.

- The Authority completed several construction projects in the fiscal year ended June 30, 2020. Citadel and Landlocked shared parking lot, Fire Suppression Upgrade on the Authority's Hangars, and the Authority's Equipment Barn for equipment and vehicle storage.

Financial Analysis

The assets of the Chennault International Airport Authority exceeded its liabilities at the close of the fiscal year ended June 30, 2020 by \$146,185,493. Table 1 on page 6 compares the calculation of net assets for the last three years. Net assets increased by \$2,304,277 during the fiscal year ended June 30, 2020. The changes in net position are detailed in Table 2 on page 7.

Long-Term Debt

The Authority owes a total of \$5,535,000 plus accrued interest on the \$6,725,000 that was borrowed under a contract entered into on March 1, 2018 for the issuance of Excess Revenue Certificates of Indebtedness (Mallard Cove Municipal Golf Course Project). The total accrued interest on all debt as of June 30, 2020 is \$54,588.

Budgetary Highlights

Property tax collections of \$13,131,547 from the 5.45 mill tax levied in 2019 exceeded the \$12,000,000 that was budgeted by \$1,131,547. 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, 2020 is 5.380 mills.

\$4,537,500 was budgeted for major repairs expenditures for the year ending June 30, 2020. The actual expenditures for the year were only \$711,727 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, 2020 | June 30, 2019 | June 30, 2018 |
|--|-----------------------|-----------------------|-----------------------|
| Assets other than property, plant and equipment: | | | |
| Cash and certificates of deposit | \$ 17,294,422 | \$ 13,211,893 | \$ 12,697,223 |
| Receivables | 167,603 | 101,099 | 2,766,990 |
| Prepaid Insurance | 268,493 | 283,138 | 272,327 |
| Restricted Cash | - | - | 6,600,000 |
| Total | <u>17,730,518</u> | <u>13,596,130</u> | <u>22,336,540</u> |
| Property, plant and equipment: | | | |
| Hangars | 94,382,027 | 94,357,526 | 90,441,809 |
| Offices, warehouses and shops | 39,380,083 | 38,031,569 | 34,445,196 |
| Airport operations buildings | 4,914,706 | 4,914,706 | 4,914,706 |
| Airfield pavement improvements | 26,993,530 | 26,993,530 | 18,629,797 |
| Roads and parking lots | 5,897,783 | 5,453,333 | 5,433,212 |
| Utility systems | 7,121,359 | 7,086,957 | 7,070,582 |
| 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 | 2,661,287 | 2,643,687 | 2,643,687 |
| Other improvements | 9,756,061 | 9,734,479 | 9,705,431 |
| Equipment | 15,810,308 | 15,121,593 | 14,478,047 |
| Subtotal | <u>211,176,386</u> | <u>208,596,622</u> | <u>192,021,709</u> |
| Less accumulated depreciation | <u>(88,516,545)</u> | <u>(82,151,046)</u> | <u>(75,981,015)</u> |
| Capital Assets, net of depreciation | 122,659,841 | 126,445,576 | 116,040,694 |
| Land | 9,893,903 | 9,893,903 | 3,293,903 |
| Construction in progress | 1,889,761 | 599,848 | 10,928,494 |
| Total property, plant and equipment | <u>134,443,505</u> | <u>136,939,327</u> | <u>130,263,091</u> |
| Total Assets | <u>152,174,023</u> | <u>150,535,457</u> | <u>152,599,631</u> |
| Liabilities: | | | |
| Other liabilities | 453,530 | 514,242 | 3,259,752 |
| Bonds payable | 5,535,000 | 6,140,000 | 6,725,000 |
| Total liabilities | <u>5,988,530</u> | <u>6,654,242</u> | <u>9,984,752</u> |
| Net Position: | | | |
| Invested in capital assets | 134,224,625 | 136,745,745 | 127,374,293 |
| Restricted for capital projects | 5,704,989 | 3,916,231 | 7,304,065 |
| Unrestricted | 6,255,879 | 3,219,240 | 7,936,520 |
| Total Net Position | <u>\$ 146,185,493</u> | <u>\$ 143,881,216</u> | <u>\$ 142,614,878</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, 2020 | June 30, 2019 | June 30, 2018 |
|---|-----------------------|-----------------------|-----------------------|
| Revenues: | | | |
| Property tax | \$ 13,131,547 | \$ 12,077,208 | \$ 11,509,593 |
| Rent income | 1,974,813 | 1,875,840 | 1,151,210 |
| Miscellaneous income | 123,202 | 115,900 | 114,366 |
| Interest income | 127,651 | 93,366 | 63,781 |
| Grants | 387,134 | 1,494,900 | 5,303,138 |
| Subtotal | <u>15,744,347</u> | <u>15,657,214</u> | <u>18,142,088</u> |
| Other Financing Sources: | | | |
| Gain on sale of assets | - | - | - |
| FEMA proceeds | 478,031 | 26,455 | 43,648 |
| Total revenues and other financing sources | <u>16,222,378</u> | <u>15,683,669</u> | <u>18,185,736</u> |
| Expenses: | | | |
| Operate, maintain and repair airport and facilities | 6,356,047 | 7,113,587 | 6,761,312 |
| Intergovernmental | 1,018,357 | 921,471 | 911,554 |
| Interest and fiscal charges paid on debt | 178,198 | 212,243 | 174,880 |
| Depreciation | 6,365,499 | 6,170,031 | 5,733,420 |
| Total | <u>13,918,101</u> | <u>14,417,332</u> | <u>13,581,166</u> |
| Increase in Net Position | 2,304,277 | 1,266,337 | 4,604,570 |
| Beginning Net Position | 143,881,216 | 142,614,879 | 138,010,308 |
| Ending Net Position | <u>\$ 146,185,493</u> | <u>\$ 143,881,216</u> | <u>\$ 142,614,878</u> |

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2020

| | Governmental Fund Types | |
|--|-------------------------|---------------------|
| | Special Revenue | Capital Projects |
| ASSETS | | |
| Cash | \$ 11,637,692 | \$ 5,656,730 |
| Receivables: | | |
| Taxes | 16,239 | - |
| Federal/State Grants | - | 76,410 |
| Other | 74,954 | - |
| Land | - | - |
| Other Capital Assets, net of accumulated depreciation | - | - |
| Prepaid insurance | 268,493 | - |
| Due from other funds | 4,743 | - |
| | <u>12,002,121</u> | <u>5,733,140</u> |
| Total assets | \$ 12,002,121 | \$ 5,733,140 |
| LIABILITIES | | |
| Accounts payable | \$ 149,029 | \$ 28,151 |
| Accrued expenses | 2,882 | - |
| Contracts payable | - | 218,880 |
| Due to other funds | - | 4,743 |
| Certificates of indebtedness | | |
| Due within one year | - | - |
| Due after one year | - | - |
| | <u>151,911</u> | <u>251,774</u> |
| Total liabilities | 151,911 | 251,774 |
| FUND BALANCES/ NET POSITION | | |
| Fund Balances | | |
| Nonspendable: prepaid insurance | 268,493 | - |
| Committed for construction and repairs | - | 5,481,366 |
| Assigned to: | | |
| Airport facility | 11,581,717 | - |
| | <u>11,850,210</u> | <u>5,481,366</u> |
| Total liabilities and fund balance | \$ 12,002,121 | \$ 5,733,140 |
| Net Position | | |
| Net investment in capital assets | | |
| Restricted for construction and repairs | | |
| Unrestricted | | |
| Total net position | | |

| Total Government Funds | Adjustments | Statement of Net Position |
|---------------------------|-----------------------|------------------------------|
| \$ 17,294,422 | \$ - | \$ 17,294,422 |
| 16,239 | - | 16,239 |
| 76,410 | - | 76,410 |
| 74,954 | - | 74,954 |
| - | 9,893,903 | 9,893,903 |
| - | 124,549,602 | 124,549,602 |
| 268,493 | - | 268,493 |
| 4,743 | (4,743) | - |
| <u>\$ 17,735,261</u> | <u>\$ 134,438,762</u> | <u>\$ 152,174,023</u> |
| \$ 177,180 | \$ - | \$ 177,180 |
| 2,882 | 54,588 | 57,470 |
| 218,880 | - | 218,880 |
| 4,743 | (4,743) | - |
| - | 605,000 | 605,000 |
| - | 4,930,000 | 4,930,000 |
| <u>403,685</u> | <u>5,584,845</u> | <u>5,988,530</u> |
| 268,493 | (268,493) | |
| 5,481,366 | (5,481,366) | |
| <u>11,581,717</u> | <u>(11,581,717)</u> | |
| <u>17,331,576</u> | <u>(17,331,576)</u> | |
| <u>\$ 17,735,261</u> | <u>(11,746,731)</u> | |
| | 134,224,625 | 134,224,625 |
| | 5,704,989 | 5,704,989 |
| | <u>6,255,879</u> | <u>6,255,879</u> |
| | <u>\$ 146,185,493</u> | <u>\$ 146,185,493</u> |

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO NET POSITION
June 30, 2020

Total Governmental Fund Balances \$ 17,331,576

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

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

| | |
|---|---------------------|
| Land | 9,893,903 |
| Buildings | 138,676,816 |
| Airfield Pavement Improvement | 26,993,530 |
| Roads and Parking | 5,897,783 |
| Utility and Fire Protection Systems | 9,499,815 |
| Waste Treatment Plant | 1,880,786 |
| Fences and Gates | 2,661,287 |
| Other Improvements | 9,756,061 |
| Equipment | 15,810,308 |
| Construction in progress | 1,889,761 |
| Accumulated depreciation | <u>(88,516,545)</u> |
| Other capital assets, net of accumulated depreciation | 124,549,602 |

Interfund receivables are eliminated in reporting total assets (4,743)

Total asset adjustments 134,438,762

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 | 5,535,000 |
| Accrued interest | 54,588 |

Interfund payables are eliminated in reporting total assets (4,743)

Total liability adjustments 5,584,845

Net position of governmental activities \$ 146,185,493

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2020

| | Governmental Funds | |
|--|--------------------|---------------------|
| | Special Revenue | Capital Projects |
| Revenues: | | |
| Taxes | \$ 13,131,547 | \$ - |
| Rents | 1,974,813 | - |
| Interest | 110,471 | 17,180 |
| Fuel flowage | 97,800 | |
| Miscellaneous | 25,402 | - |
| Grant proceeds | 20,000 | 367,134 |
| Total revenues | 15,360,033 | 384,314 |
| Expenditures: | | |
| Current operating: | | |
| Personal services | 2,425,301 | - |
| Travel | 14,505 | - |
| Contractual services | 2,999,138 | - |
| Intergovernmental | 1,018,357 | - |
| Supplies and materials | 255,595 | - |
| Repairs and maintenance | 711,727 | - |
| Depreciation | - | - |
| Capital outlays | 184,291 | 3,635,166 |
| Debt service: | | |
| Interest and fiscal charges | 789,165 | - |
| Total expenditures | 8,398,079 | 3,635,166 |
| Excess (deficiency) of revenues over expenditures | 6,961,954 | (3,250,852) |
| Other financing sources (uses): | | |
| FEMA proceeds | 478,031 | - |
| Operating transfers in | - | 5,000,000 |
| Operating transfers (out) | (5,000,000) | - |
| Total other financing sources (uses) | (4,521,969) | 5,000,000 |
| Net change in fund balance/ net position | 2,439,985 | 1,749,148 |
| Fund balance/ net position | | |
| Beginning of year | 9,410,225 | 3,732,218 |
| End of year | \$ 11,850,210 | \$ 5,481,366 |

See Accompanying Notes to Financial Statements

| Total Government Funds | Adjustments | Statement of Activities |
|---------------------------|-----------------------|----------------------------|
| \$ 13,131,547 | \$ - | \$ 13,131,547 |
| 1,974,813 | - | 1,974,813 |
| 127,651 | - | 127,651 |
| 97,800 | - | 97,800 |
| 25,402 | - | 25,402 |
| 387,134 | - | 387,134 |
| <u>15,744,347</u> | <u>-</u> | <u>15,744,347</u> |
| 2,425,301 | - | 2,425,301 |
| 14,505 | - | 14,505 |
| 2,999,138 | - | 2,999,138 |
| 1,018,357 | - | 1,018,357 |
| 255,595 | 4,060 | 259,655 |
| 711,727 | (54,279) | 657,448 |
| - | 6,365,499 | 6,365,499 |
| 3,819,457 | (3,819,457) | - |
| <u>789,165</u> | <u>(610,967)</u> | <u>178,198</u> |
| <u>12,033,245</u> | <u>1,884,856</u> | <u>13,918,101</u> |
| <u>3,711,102</u> | <u>(1,884,856)</u> | <u>1,826,246</u> |
| 478,031 | - | 478,031 |
| 5,000,000 | - | 5,000,000 |
| <u>(5,000,000)</u> | <u>-</u> | <u>(5,000,000)</u> |
| <u>478,031</u> | <u>-</u> | <u>478,031</u> |
| 4,189,133 | (1,884,856) | 2,304,277 |
| <u>13,142,443</u> | <u>130,738,773</u> | <u>143,881,216</u> |
| <u>\$ 17,331,576</u> | <u>\$ 128,853,917</u> | <u>\$ 146,185,493</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, 2020

Net change in fund balances - total governmental funds \$ 4,189,133
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 | 3,819,457 | |
| Repairs | 54,279 | |
| Reclassification from capital outlay to supplies and materials | (4,060) | |
| Depreciation expense | <u>(6,365,499)</u> | |
| Excess of capital outlay over depreciation expense | | (2,495,823) |

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:

| | | |
|--|--------------|----------------|
| Principal payment | 605,000 | |
| Net increase in accrued interest payable | <u>5,967</u> | |
| Net increase | | <u>610,967</u> |

Change in net position of governmental funds \$ 2,304,277

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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.

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.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(continued)

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.

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.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

(continued)

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.

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.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(continued)

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, 2020 unrecorded Special Revenue Fund liabilities included approximately \$129,440 vacation pay and \$4,223 compensation time.

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.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(continued)

2. **Cash**

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.

At June 30, 2020, the Authority had \$17,633,088 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$17,383,088 of pledged securities held in a custodial bank 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.

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, 2020 the Authority did not have investments in any debt instruments.

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, 2020 was \$5,000,000.

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.

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 | | |
|----------------------------------|-----------------------|------------------|------------------|
| | <u>2017-2019</u> | <u>2020-2023</u> | <u>2024-2026</u> |
| West Calcasieu Airport Authority | \$300,000 | \$375,000 | \$425,000 |
| DeQuincy Airport Authority | \$200,000 | \$250,000 | \$300,000 |

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(continued)

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.

The total amount paid to the West Calcasieu Airport Authority for the year ending June 30, 2020 was \$327,000. The total amount paid to the DeQuincy Airport Authority for the year ending June 30, 2020 was \$218,000.

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.

4. **Cooperative Endeavor Agreements**

The Chennault International Airport Authority entered into a Cooperative Endeavor Agreement on January 17, 2018, with the City of Lake Charles (City), MC Golf Development, L.L.C. (MC Golf) and Arrozal Investment Part A, LLC and Arrozal Investment Part C, LLC, collectively Arrozal. 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 (Note 6). The funds were 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, which is recorded at a cost of \$6,600,000.

The Chennault International Airport Authority entered into a Cooperative Endeavor Agreement on February 5, 2020, with the City of Lake Charles. Under the terms of the agreement, the Authority shall provide funding for equipment, labor, and materials to improve and widen the entrance road to Chennault in an amount not to exceed \$1,600,000. Chennault and the City agree that the entrance to Chennault, which is a City owned and maintained roadway, has traffic issues due to the ever-increasing volume of traffic from Sowela Technical Community College and other tenants of the Chennault complex. Following the acceptance of the Project as being substantially complete by the City and Chennault, the City shall assume ownership and responsibility for the operation, maintenance, repair, and inspection of the Project and the costs associated with those responsibilities.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(continued)

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, 2020, the Authority levied taxes of 5.45 mills on property with assessed valuation totaling \$2,460,236,789. The taxes were dedicated to maintaining, operating, relocating, constructing, or improving Airpark facilities of the Authority. Total taxes levied were \$13,408,291.

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.

The annual requirements to amortize the indebtedness outstanding as of June 30, 2020 is as follows:

| <u>Year Ending June 30</u> | <u>Interest</u> | <u>Principal</u> |
|----------------------------|------------------|--------------------|
| 2021 | \$164,666 | \$625,000 |
| 2022 | 146,073 | 640,000 |
| 2023 | 127,033 | 660,000 |
| 2024 | 107,398 | 680,000 |
| 2025 and thereafter | <u>221,191</u> | <u>2,930,000</u> |
| | <u>\$766,361</u> | <u>\$5,535,000</u> |

Annual principal and interest payments on the revenue bonds are expected to be less than 7% of annual property tax revenues. Principal and interest paid during the year ending June 30, 2020 totaled \$789,165. The net property tax revenues for the year were \$13,131,547. No interest was capitalized during the year; interest incurred and charged to expense totaled \$178,198.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(continued)

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, 2019:

| | <u>Balance July 1, 2019</u> | <u>Payments</u> | <u>Balance June 30, 2020</u> |
|---------------------------------|---------------------------------|------------------|----------------------------------|
| Certificates of Indebtedness | <u>\$6,140,000</u> | <u>\$605,000</u> | <u>\$5,535,000</u> |

The Certificates will be secured by and payable solely from the irrevocable pledge and dedication of the excess of annual revenues of Chennault, in the fiscal year ending June 30, 2018 and subsequent years, above statutory, necessary and usual charges as well as those funds and monies budgeted, allocated, available, dedicated, set aside or otherwise to be utilized to fund or make debt service payments on the outstanding Certificates. There are various limitations and restrictions contained in the debt agreement. The Authority is in compliance with all significant limitations and restrictions.

8. **Capital Assets Activity**

Capital assets consist of the following:

| | <u>June 30, 2019</u> | <u>Additions</u> | <u>Retirements</u> | <u>June 30, 2020</u> |
|--------------------------------------|----------------------|--------------------|----------------------|----------------------|
| Construction in progress | \$599,848 | \$3,734,498 | (\$2,444,585) | \$1,889,761 |
| Land | 9,893,903 | - | - | 9,893,903 |
| Buildings | 137,303,802 | 1,373,014 | - | 138,676,816 |
| Improvements other than buildings | 56,171,228 | 518,034 | - | 56,689,262 |
| Equipment | <u>15,121,593</u> | <u>688,715</u> | <u>-</u> | <u>15,810,308</u> |
| | 219,090,374 | 6,314,261 | (2,444,585) | 222,960,050 |
| Accumulated depreciation | <u>(82,151,046)</u> | <u>(6,365,499)</u> | <u>-</u> | <u>(88,516,545)</u> |
| | <u>\$136,939,328</u> | <u>(\$51,238)</u> | <u>(\$2,444,585)</u> | <u>\$134,443,505</u> |

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(continued)

During the fiscal year ended June 30, 2020, 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, 2020</u> | <u>Total Project Expenditures</u> |
|----------------------------|--------------------------------------|-------------------------------------|---------------------------------------|
| CIAA Equipment Barn | 301,926 | 67,643 | 369,569 |
| Self – Service Tanks | 55,142 | 55,327 | 110,469 |
| Citadel/Landlocked Parking | 40,043 | 404,407 | 444,450 |
| CIAA Admin Generator | 6,556 | 102,999 | 109,555 |
| ILS Localizer Antennas | 21 | 286,202 | 286,223 |
| AWOS Upgrade | 54 | 119,678 | 119,732 |
| Fire Suppression Upgrade | - | 930,850 | 930,850 |
| Other Projects | - | <u>73,737</u> | <u>73,737</u> |
| | <u>\$403,742</u> | <u>\$2,040,843</u> | <u>\$2,444,585</u> |

Construction in progress as of June 30, 2020, is composed of the following:

| | <u>Budget</u> | <u>Expended to date</u> | <u>Committed</u> |
|--------------------------------------|---------------|-------------------------|------------------|
| Mallard Cove Property Acquisition | 180,000 | \$174,725 | 175,000 |
| Hangar D Foam Bladder | 280,000 | 348,747 | 430,000 |
| Taxiway Delta Realignment | - | 283,469 | 350,000 |
| Chennault Airport Boulevard Entrance | 1,550,000 | 63,494 | 715,827 |
| Hangar B Lighting Upgrade | 700,000 | 762,565 | 800,000 |
| Air Cargo | 1,100,000 | 117,789 | 125,000 |
| Back Flow-Preventers | 150,000 | 44,005 | 197,606 |
| Other projects | 75,000 | <u>94,967</u> | 100,000 |
| | | <u>\$1,889,761</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, 2020 on non-cancelable operating leases for the next five years are as follows:

| <u>Year Ending</u> | <u>Amount</u> |
|--------------------|---------------|
| June 30, 2021 | 1,781,141 |
| June 30, 2022 | 1,699,982 |
| June 30, 2023 | 1,205,482 |
| June 30, 2024 | 1,105,482 |
| June 30, 2025 | 1,105,482 |

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(continued)

The cost of leased building property and improvements is \$138,287,175 and the amount of accumulated depreciation as of June 30, 2020 was \$57,972,283.

Fuel flowage income associated with the Authority’s non-cancelable operating leases was approximately \$97,800 for the year ended June 30, 2020. The Authority’s fuel flowage fee is eight cents per gallon.

10. **Deferred Compensation Plan**

The Authority set up a deferred compensation plan effective 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 employees contributing four percent.

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 \$175,103 for employees covered by the deferred compensation plan for the year ended June 30, 2020. The total amount owed to the plan as of June 30, 2020 was \$0.

11. **Contingencies and Commitments**

The Airport participates in a number of federal financial assistance programs. Although the grant programs have been audited, these programs are still subject to financial and compliance audits by governmental agencies.

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

| | <u>June 30, 2021</u> | <u>June 30, 2022</u> | <u>June 30, 2023-2025</u> |
|------------------|----------------------|----------------------|---------------------------|
| Fire protection | \$ 1,190,160 | \$ - | \$ - |
| Unarmed Security | 162,707 | 183,387 | - |
| Runway equipment | 31,500 | 31,500 | 94,500 |

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(continued)

Fire protection

The term of these services shall be for a period of one year commencing July 1, 2019 and ending June 30, 2020 with the Authority's option to extend the period of service for two additional years, one year at a time (\$1,190,160 for first extension and \$1,217,305 for second extension), via written change order.

Unarmed Security

The term of these services shall be for a period of one year commencing August 1, 2020 and ending June 30, 2021 with the Authority's option to extend the period of service for one additional year for \$183,387.

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's current property tax is renewed by election in 2025, any amounts remaining due to the City shall be paid over the course of twelve months from the renewal of such tax.

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) on the Mallard Cove site 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.

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.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(continued)

Pending claims

The Airport is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Airport maintains commercial insurance coverage covering each of those risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The Airport did not reduce insurance coverage during 2020.

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, 2020.

COVID-19

The United States of America declared a Public Health Emergency on February 3, 2020 due to the coronavirus outbreak (COVID-19). The Authority is deemed as an Essential Critical Infrastructure Workforce. The Authority has followed the guidelines set forth by the Centers for Disease Control and Prevention (CDC), the Louisiana Governor's Proclamations and the Department of Labor.

12. Subsequent Events

Subsequent events were evaluated through December 17, 2020 the date of which the financial statements were available to be issued.

Hurricane Laura

On August 27, 2020, Hurricane Laura made landfall and caused extensive damages to the Authority's property and equipment. The high winds damaged all of the buildings that are owned by the Authority. These buildings were insured under two policies with the total limits of coverage exceeding 88,000,000. Management estimates the total amount of damages and building code compliance upgrades to buildings and equipment will be approximately \$50,000,000 to \$60,000,000. The amount of damages not covered by insurance has yet to be determined. The costs not covered by insurance will include the two percent of insured value deductible per building for damages caused by high winds, the cost of making code compliance upgrades that are in excess of the coverage limits, and the cost of repairing or replacing fences, gates, signage, airfield lighting systems, and other ancillary assets not covered by insurance are that exceed the coverage limits. There is the possibility that some of the cost of repairs and code upgrades will qualify for partial reimbursement from the Federal Management Agency (FEMA).

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, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | Variance with Final Budget Favorable (Unfavorable) |
|--------------------------------------|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$ 12,000,000 | \$ 12,000,000 | \$ 13,131,547 | \$ 1,131,547 |
| Rents | 1,871,582 | 1,871,582 | 1,974,813 | 103,231 |
| Interest | 25,000 | 25,000 | 110,471 | 85,471 |
| Miscellaneous | 10,000 | 10,000 | 123,202 | 113,202 |
| Grant proceeds | - | - | 20,000 | 20,000 |
| Total revenues | <u>13,906,582</u> | <u>13,906,582</u> | <u>15,360,033</u> | <u>1,453,451</u> |
| Expenditures: | | | | |
| Salaries | 2,178,391 | 2,178,391 | 1,982,840 | 195,551 |
| Employee benefits and taxes | 529,651 | 529,651 | 442,461 | 87,190 |
| Travel | 78,500 | 78,500 | 14,505 | 63,995 |
| Advertising | 86,500 | 86,500 | 47,774 | 38,726 |
| Architectural and engineering | 335,000 | 335,000 | 219,863 | 115,137 |
| Control tower | 46,000 | 46,000 | 82,551 | (36,551) |
| Fire protection | 1,388,017 | 1,388,017 | 1,224,301 | 163,716 |
| Insurance | 519,400 | 519,400 | 570,219 | (50,819) |
| Maintenance | 76,260 | 76,260 | 67,752 | 8,508 |
| Rentals | 10,700 | 10,700 | 36,343 | (25,643) |
| Telephone and utilities | 217,000 | 217,000 | 211,953 | 5,047 |
| Miscellaneous Contractual | 728,500 | 728,500 | 538,382 | 190,118 |
| Intergovernmental | 945,500 | 945,500 | 1,018,357 | (72,857) |
| Business development | 25,000 | 25,000 | 15,335 | 9,665 |
| Office Expense | 21,500 | 21,500 | 26,203 | (4,703) |
| Maintenance supplies | 54,000 | 54,000 | 95,557 | (41,557) |
| Vehicles-fuel and repairs | 818,000 | 818,000 | 118,500 | 699,500 |
| Major repairs | 4,537,500 | 4,537,500 | 711,727 | 3,825,773 |
| Capital outlays | 725,000 | 725,000 | 184,291 | 540,709 |
| Debt service | 790,665 | 790,665 | 789,165 | 1,500 |
| Total expenditures | <u>14,111,084</u> | <u>14,111,084</u> | <u>8,398,079</u> | <u>5,713,005</u> |
| Excess of revenues over expenditures | (204,502) | (204,502) | 6,961,954 | 7,166,456 |

(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, 2020
(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 | (204,502) | (204,502) | 6,961,954 | 7,166,456 |
| Other financing sources (uses): | | | | |
| FEMA proceeds | - | - | 478,031 | 478,031 |
| Operating transfers out | <u>(5,000,000)</u> | <u>(5,000,000)</u> | <u>(5,000,000)</u> | <u>-</u> |
| Total Other Sources (Uses) | <u>(5,000,000)</u> | <u>(5,000,000)</u> | <u>(4,521,969)</u> | <u>478,031</u> |
| Net change in fund balance | <u>\$ (5,204,502)</u> | <u>\$ (5,204,502)</u> | 2,439,985 | <u>\$ 7,644,487</u> |
| Fund balance at beginning of year | | | <u>9,410,225</u> | |
| Fund balance at end of year | | | <u>\$ 11,850,210</u> | |

Chennault International Airport Authority
Note to Required Supplementary Information-Budgetary Reporting
For the year ended June 30, 2020

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 COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

Year ended June 30, 2020

**AGENCY HEAD NAME: EXECUTIVE DIRECTOR
W. Kevin Melton**

PURPOSE

| | |
|-------------------|-------------------------|
| Salary | \$137,700 |
| Benefits | |
| Insurance | 14,400 |
| Retirement | 17,231 |
| Uniforms | 234 |
| Car Allowance | 12,000 |
| Reimbursements | 16 |
| Registration Fees | 550 |
| Travel | <u>4,566</u> |
| TOTAL | <u>\$186,697</u> |

**CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
BOARD OF COMMISSIONERS
July 1, 2019 – June 30, 2020**

| | |
|----------------------|---------------------|
| Andrew D. Hankins | President |
| Denise Rau | Vice President |
| Rico Guillory | Secretary/Treasurer |
| Charles K. Dalgleish | Commissioner |
| James G. Gobert | Commissioner |
| Bill Hankins | Commissioner |
| Tad Martin | 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.

| COMMISSIONER | MEETINGS ATTENDED | COMPENSATION |
|----------------------|--------------------------|---------------------|
| Andrew D. Hankins | 9 | -0- |
| Denise Rau | 11 | -0- |
| Rico Guillory | 10 | -0- |
| Charles K. Dalgleish | 12 | -0- |
| James G. Gobert | 12 | -0- |
| Bill Hankins | 10 | -0- |
| Tad Martin | 11 | -0- |

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

Independent Auditors' Report

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, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report dated December 17, 2020.

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) as a basis for designing 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.

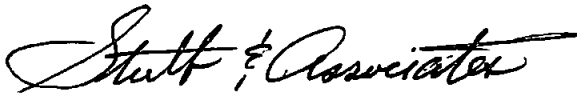
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 17, 2020

Chennault International Airport Authority

SCHEDULE OF FINDINGS AND RESPONSES

Section I – Summary of Auditors’ Results

June 30, 2020

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? Yes No
- Significant deficiencies identified not considered to be material weaknesses Yes None reported
- Noncompliance material to financial statements noted? Yes No

No Separate Management Letter was issued.

Section II – Financial Statement Findings

Current Audit

There were no findings.

Prior Year Audit Findings

There were no findings.