

**WEST CALCASIEU AIRPORT
MANAGING BOARD**
Sulphur, Louisiana

Financial Report
June 30, 2018

TABLE OF CONTENTS

	Page
Management's Discussion and Analysis.....	2-5
Independent Auditors' Report on the Financial Statements.....	6-7
Statement of Net Position.....	8
Statements of Revenues, Expenses, and Changes in Fund Net Position.....	9
Statement of Cash Flows.....	10-11
Notes to Financial Statements.....	12-19
Supplemental Information	
Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer.....	21
Independent Auditors' Report on Internal Control Over Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	22-23
Schedule of Findings	24
Schedule of Prior Year Findings.....	25
Statewide Agreed-Upon Procedures Report.....	26-34

**WEST CALCASIEU AIRPORT MANAGING BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2018**

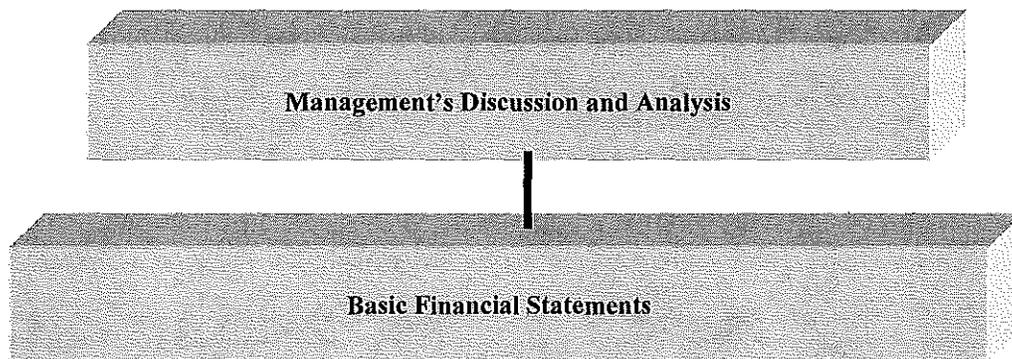
The Management's Discussion and Analysis of the West Calcasieu Airport Managing Board's financial performance presents a narrative overview and analysis of the Airport's financial activities for the year ended June 30, 2018. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the financial statements.

FINANCIAL HIGHLIGHTS

- The Airport's assets exceeded its liabilities at the close of the fiscal year 2018 by \$6,162,037. Of this amount, \$1,844,957 may be used to meet the Airport's ongoing obligations to its users.
- The Airport's operating revenue decreased \$14,568 and the net operating income decreased by \$31,348 from prior year. The operating income decrease was mainly due to increased depreciation. The change in net position decreased by \$195,732 primarily as a result of decreased operating income, intergovernmental revenue and capital contributions.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



These financial statements consist of two sections: Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

**WEST CALCASIEU AIRPORT MANAGING BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2018**

Basic Financial Statements

The basic financial statements present information for the Airport as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Statement of Fund Net Position (page 8) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is Net Position and may provide a useful indicator of whether the financial position of the Airport is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position (page 9) presents information showing how the Airport's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in Net Position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flows (pages 10-11) presents information showing how the Airport's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

	<u>06/18</u>	<u>06/17</u>
Current and Other Assets	\$2,055,865	\$ 1,318,973
Capital Assets	4,317,080	4,364,723
Total Assets	<u>6,372,945</u>	<u>5,683,696</u>
Deferred Outflows Of Resources	<u>-</u>	<u>-</u>
Current Liabilities	201,429	180,643
Long-term Debts Outstanding	9,479	12,979
Total Liabilities	<u>210,908</u>	<u>193,622</u>
Deferred Inflows Of Resources	<u>-</u>	<u>-</u>
Net Position:		
Capital Net of Debt	4,317,080	4,357,298
Restricted		4,336
Unrestricted	1,844,957	1,128,440
Total Net Position	<u>6,162,037</u>	<u>5,490,074</u>

**WEST CALCASIEU AIRPORT MANAGING BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2018**

	<u>06/18</u>	<u>06/17</u>
Operating Revenues Gross Profit	\$ 842,304	\$ 856,872
Operating Expenses	<u><692,647></u>	<u><675,867></u>
Net Operating Income/(Loss)	<u>149,657</u>	<u>181,005</u>
Non-operating Revenues	325,348	415,832
Non-operating (Expenses)	<u><356></u>	<u><1,108></u>
Net Non-Operating Income/(Loss)	<u>324,992</u>	<u>414,724</u>
Income(Loss) Before Contributions	474,649	595,729
Capital Contributions	197,314	271,966
Change In Net Position	<u>\$ 671,963</u>	<u>867,695</u>

The major sources of revenues include the sale of fuels and supplies and leases of hangars, offices and land. The major operating expenses include salaries, depreciation, insurance, repairs, professional fees and utilities expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2018, the Airport had \$4,317,080, net of accumulated depreciation, invested in a broad range of capital assets, including land, right of ways, buildings, roads, terminal improvements, furniture, fixtures, equipment, and construction-in-progress. (See Table Below). This amount represents a decrease (including additions and deductions) of \$47,643 over last year.

	<u>06/18</u>	<u>06/17</u>
Land and Right of Ways	\$ 745,469	\$ 745,469
Building and Terminal Improvements	9,322,087	8,078,480
Furniture, Fixtures, and Equipment	236,312	260,534
Construction-in-Progress	220,748	1,199,901
Less Accumulated Depreciation	<u><6,207,536 ></u>	<u><5,919,661></u>
Totals	<u>\$ 4,317,080</u>	<u>\$ 4,364,723</u>

**WEST CALCASIEU AIRPORT MANAGING BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2018**

ECONOMIC FACTORS AND FUTURE OUTLOOK

The following factors were considered in preparing the District's budget for the coming fiscal year:
Projected sales and rentals were budgeted at a slight increase over current period excluding additional bonus rentals.

Expenses were budgeted at approximately the same as current period.

The change in net position should remain positive.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Airport's finances and to show the Airport's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Darla B. Perry, CPA, West Calcasieu Airport.

McMullen and Mancuso
Certified Public Accountants, L.L.C.

P. O. Box 202

Lisa F. McMullen, C.P.A.

3600 Maplewood Dr.

Telephone (337) 625-5054

Pamela C. Mancuso, C.P.A.

Sulphur, Louisiana 70663

Fax (337) 625-5849

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
West Calcasieu Airport Managing Board
Sulphur, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the West Calcasieu Airport Managing Board, a component unit of the Calcasieu Parish Police Jury, the West Calcasieu Port and the Industrial Development Board of the City of Sulphur, Inc. as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the West Calcasieu Airport Managing Board'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 misstatements, 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 of 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 auditor's 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 business-type activities of the West Calcasieu Airport Managing Board as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years 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 on pages 2 through 5 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 an opinion on the financial statements that collectively comprise the West Calcasieu Airport Managing Board's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 16, 2018, on our consideration of the West Calcasieu Airport Managing Board'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 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 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 West Calcasieu Airport Managing Board's internal control over financial reporting and compliance.

McMullen and Mancuso, CPAs, LLC

McMullen and Mancuso CPAs, LLC

Sulphur, Louisiana
December 16, 2018

WEST CALCASIEU AIRPORT MANAGING BOARD
Statement of Net Position
June 30, 2018
with Comparative Totals for June 30, 2017

Assets

	2018	2017
Current Assets		
Cash and cash equivalents	\$ 365,036	\$ 120,643
Investment	1,017,042	705,732
Accounts receivable	189,832	109,576
Grants receivable	94,201	4,000
Inventory	36,334	21,266
Total Current Assets	1,702,445	961,217
Restricted Asset		
Cash with fiscal agent	-	4,336
Total Restricted Asset	-	4,336
Plant, Property, and Equipment		
Buildings and improvements	9,322,087	8,078,480
Furniture, fixtures, and equipment	236,312	260,534
Construction in progress	220,748	1,199,901
Accumulated depreciation	(6,207,536)	(5,919,661)
Land	745,469	745,469
Total Plant, Property, and Equipment	4,317,080	4,364,723
Other Assets		
Deferred asset - infrastructure	353,120	353,120
Deposits	300	300
Total Other Assets	353,420	353,420
Total Assets	6,372,945	5,683,696
Deferred Outflows of Resources	-	-

Liabilities and Net Position

Current Liabilities		
Accounts payable	46,467	18,478
Accrued liabilities	1,462	1,240
Prepaid revenue	150,000	150,000
Deferred rental revenue	3,500	3,500
Current portion of notes payable	-	7,425
Total Current Liabilities	201,429	180,643
Long Term Liabilities		
Deferred rental revenue	9,479	12,979
Total Long Term Liabilities	9,479	12,979
Total Liabilities	210,908	193,622
Deferred Inflows of Resources	-	-
Net Position		
Invested in capital assets, net of related debt	4,317,080	4,357,298
Restricted for revenue bonds	-	4,336
Unrestricted	1,844,957	1,128,440
Total Net Position	\$ 6,162,037	\$ 5,490,074

The accompanying notes are an integral part of these financial statements.

WEST CALCASIEU AIRPORT MANAGING BOARD
Statement of Revenues, Expenses, and Changes in Fund Net Position
For The Year Ended June 30, 2018
with Comparative Totals for June 30, 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Sales, rentals, and service income	\$ 1,088,445	\$ 1,053,824
Cost of goods sold	<u>246,141</u>	<u>196,952</u>
Gross Profit	842,304	856,872
Total Operating Revenues	<u>842,304</u>	<u>856,872</u>
Operating Expenses		
Advertising and promotional	1,675	3,037
Bad debt	-	-
Bank charges and credit card fees	7,333	5,762
Contract labor	2,525	2,050
Depreciation	314,110	262,243
Dues and subscriptions	796	662
Employee benefits	1,466	1,350
Fuel	833	1,288
Insurance	46,607	46,346
Licenses	80	-
Office expense	1,869	3,312
Payroll taxes	11,676	11,345
Professional fees	41,648	34,699
Repairs and maintenance	78,133	119,348
Salaries	133,309	132,281
Supplies	8,355	8,611
Telephone	8,866	8,694
Travel	-	250
Uniforms	5,771	6,702
Utilities	<u>27,595</u>	<u>27,887</u>
Total Operating Expenses	<u>692,647</u>	<u>675,867</u>
Operating Income (Loss)	149,657	181,005
Non-operating Income (Expenses)		
Intergovernmental revenue	300,000	400,000
Interest expense	(356)	(1,108)
Interest income	11,348	2,874
Miscellaneous income	<u>14,000</u>	<u>12,958</u>
Total Non-operating Income (Expenses)	<u>324,992</u>	<u>414,724</u>
Income (Loss) before Contributions	474,649	595,729
Capital Contributions	<u>197,314</u>	<u>271,966</u>
Change in Net Position	671,963	867,695
Net Position at Beginning of Year	5,490,074	4,622,379
Net Position at End of Year	<u>\$ 6,162,037</u>	<u>\$ 5,490,074</u>

The accompanying notes are an integral part of these financial statements.

WEST CALCASIEU AIRPORT MANAGING BOARD

Statement of Cash Flows

For the Year Ended June 30, 2018

with Comparative Totals for June 30, 2017

Increase (Decrease) In Cash and Cash Equivalents

	2018	2017
Cash Flows From Operating Activities:		
Receipts from customers and others	\$ 1,009,025	\$ 1,046,237
Payments to suppliers and other operating expenses	(466,550)	(485,804)
Payments to employees	(144,985)	(143,626)
Net Cash Provided (Used) by Operating Activities	397,490	416,807
Cash Flows From Non-Capital Financing Activities:		
Receipts under intergovernmental agreement	304,000	496,000
Other	14,000	12,957
Net Cash Provided By Non-Capital Financing Activities	318,000	508,957
Cash Flows From Capital and Related Financing Activities:		
Capital contributions	103,113	271,966
Construction in progress expenditures	(264,453)	(628,388)
Capital expenditures	(2,014)	(239,711)
Deferred asset - infrastructure	-	(353,120)
Principal payments on notes payable	(7,425)	(7,425)
Principal payments on bonds	-	(10,000)
Interest payments on notes and bonds	(356)	(1,108)
Net Cash Provided (Used) by Capital and Related Financing Activities	(171,135)	(967,786)
Cash Flows From Investing Activities:		
LAMP investment	(311,310)	(452,718)
Interest income	11,348	2,874
Net Cash (Used) by Investing Activities	(299,962)	(449,844)
Net Increase (Decrease) in Cash and Cash Equivalents	244,393	(491,866)
Cash and Cash Equivalents at Beginning of Year	120,643	612,509
Cash and Cash Equivalents at End of Year	\$ 365,036	\$ 120,643

The accompanying notes are an integral part of these financial statements.

WEST CALCASIEU AIRPORT MANAGING BOARD
Statement of Cash Flows (continued)
For the Year Ended June 30, 2018
with Comparative Totals for June 30, 2017

Increase (Decrease) in Cash and Cash Equivalents

	2018	2017
Reconciliation of Operating Income (Loss) to Net		
Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 149,657	\$ 181,005
Adjustments To Reconcile Operating Income (Loss) to Net		
Cash Provided by Operating Activities:		
Depreciation	314,110	262,243
(Increase)decrease in restricted cash	4,336	-
(Increase)decrease in accounts receivable	(80,256)	(4,088)
(Increase) decrease in inventory	(15,068)	7,410
Increase (decrease) in accounts payable	27,989	(26,102)
Increase (decrease) in accrued liabilities	222	(161)
Increase (decrease) in deferred revenue	(3,500)	(3,500)
Net Cash Provided (Used) by Operating Activities	\$ 397,490	\$ 416,807

WEST CALCASIEU AIRPORT MANAGING BOARD
Sulphur, Louisiana

Notes to Financial Statements
June 30, 2018

Note 1 – Organization and Summary of Significant Accounting Policies

On February 1, 2000, the Calcasieu Parish Police Jury, the West Calcasieu Port, and the Industrial Development Board of the City of Sulphur, Inc. entered into an amended joint service agreement with the West Calcasieu Airport Managing Board as to the development and operations of the West Calcasieu Airport.

The managing authority of the West Calcasieu Airport shall be vested in a managing board appointed by the above owners. Members would be appointed to the Board on a staggered basis, with each sponsor appointing two members to the Board. Members serve a three-year term and can be reappointed with no limit.

The accompanying financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units. The following is a summary of the more significant policies:

A. Financial Reporting Entity

This report includes all funds that are controlled by or dependent on the Board of Commissioners. Control by or dependence on the Board was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body and other general oversight responsibility. The West Calcasieu Airport Managing Board is a component unit of the West Calcasieu Port, the Industrial Development Board of the City of Sulphur, and the Calcasieu Parish Police Jury.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The accounts of the West Calcasieu Airport Managing Board are organized on the basis of a *proprietary fund*. These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Basis of Accounting

Basis of accounting refers to when revenues or expense are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement focus applied. Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on statements of net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

WEST CALCASIEU AIRPORT MANAGING BOARD
Sulphur, Louisiana

Notes to Financial Statements
June 30, 2018

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

C. Basis of Accounting (continued)

The Board distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the entity's principal ongoing operations. The principal operating revenues of the Board's enterprise fund are charges for the sale of fuel and supplies and leases of hangars and offices. Operating expenses include the cost of salaries, depreciation, insurance and utilities expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Plant, Property and Equipment

All fixed assets of the proprietary fund are recorded at historical costs or, if contributed property, at their estimated fair value at the time of contribution. Donated fixed assets include land valued at \$649,700. Depreciation of all exhaustible fixed assets is charged as an expense against their operations. The costs of normal repairs and maintenance that do not add to the value of the assets or materially extend assets lives are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. The Board has a capitalization policy of \$1,000.

Depreciation has been calculated using the straight-line method. Estimated useful lives for buildings and improvements are 10-40 years and furniture, fixtures and equipment are 5-10 years.

Depreciation expense for the year ending June 30, 2018 totaled \$314,110.

E. Cash and Cash Equivalents

The Board considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents.

F. Receivables

Receivables include amounts due from tenants for the use of airport facilities under rental agreements as well as from the sales of fuel and oil. All receivables are current and therefore due within one year. The Board does not record an allowance for uncollectible amounts due for receivables, as it uses the direct write-off method for any debts that are not collected.

WEST CALCASIEU AIRPORT MANAGING BOARD
Sulphur, Louisiana

Notes to Financial Statements
June 30, 2018

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

G. Use of Estimates

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

H. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market, and consists of fuel, oil and supplies.

I. Restricted Net Position

In the statement of net position, equity is classified as net position and displayed in three components:

1. Investment in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributed to the acquisition, construction, or improvements of those assets.
2. Restricted net position – net position with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or b) law through constitutional provisions or enabling legislation.
3. Unrestricted – all other net position is reported in this category.

The Board typically uses restricted funds first, followed by any unassigned funds when expenditure is incurred for purposes for which amounts in either of these classifications could be used.

J. Risk Management

The Board is exposed to various risks of loss from torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice claims and judgments. Commercial insurance coverage is purchased for claims arising from such matters. The Board has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three years.

WEST CALCASIEU AIRPORT MANAGING BOARD
Sulphur, Louisiana

Notes to Financial Statements
June 30, 2018

Note 1 – Organization and Summary of Significant Accounting Policies (continued)

K. Environmental Matters

The Board is subject to laws and regulations relating to the protection of the environment. The Board's policy is to accrue environmental and clean up related costs of a non-capital nature when it is both probable that a liability has been incurred and when the amount can be reasonably estimated. Although it is not possible to quantify with any degree of certainty the potential financial impact of the Board's continuing compliance efforts, management believes any future remediation or other compliance related costs will not have a material adverse effect on the financial condition or reported results of operations of the Board. At June 30, 2018, management is not aware of any liability resulting from environmental matters.

Note 2 – Deposits and Investments

At June 30, 2018, the Board has deposits with financial institutions (book balances) as follows:

	<u>2018</u>
Cash	
Demand deposits	\$ 364,936
Investments	
Louisiana Asset Management Pool	1,017,042
Other	100
Total Cash and Investments	<u><u>\$ 1,382,078</u></u>

These deposits are stated at cost, which approximates fair value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

These securities are held in the name of the pledging agent banks in holding or custodial banks that are mutually acceptable to both parties. At June 30, 2018, the Board had \$362,667 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance and \$112,667 of pledged securities held by the custodial banks in the name of the fiscal agent banks (GASB category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent bank has failed to pay deposited funds upon demand.

WEST CALCASIEU AIRPORT MANAGING BOARD
Sulphur, Louisiana

Notes to Financial Statements
June 30, 2018

Note 2 – Deposits and Investments (continued)

Under state law, the Board may invest in United States bonds, treasury notes, or certificates. These are classified as investments. 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. The financial statements of the Louisiana Asset Management Pool, Inc. (LAMP) can be obtained by accessing their website.

Investments held at June 30, 2018 consist of \$1,017,042 in the Louisiana Asset Management Pool (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.126 the investment in LAMP at June 30, 2018 is not categorized in the three risk categories provided by GASB Codification Section 150.126 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA – R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U. S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

GASB Statement No.40 Deposit and Investment Risk Disclosure, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest, and foreign currency risk for all public held entity investments.

Lamp is a 2a7-like investment pool. The following facts are relevant for 2a7 like investment pools:

Credit risk: LAMP is rated AAAM by Standard & Poor's.

Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: 2a7-like investment pools are excluded from this disclosure requirement, per paragraph 15 of the GASB 40 statement.
- Foreign currency risk: Not applicable to 2a7-like pools.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA – R.S. 33:2955 (A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivision of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

WEST CALCASIEU AIRPORT MANAGING BOARD
Sulphur, Louisiana

Notes to Financial Statements
June 30, 2018

Note 2 – Deposits and Investments (continued)

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Note 3 - Plant, Property and Equipment

Additions and deletions to property, plant, and equipment for the year ended June 30, 2018 were as follows:

	July 1, 2017	Additions	Deletions	June 30, 2018
Building & Terminal Improvements	\$ 8,078,480	\$ 1,243,607	\$ -	\$ 9,322,087
Furniture, Fixtures, and Equipment	260,534	2,014	26,236	236,312
Accumulated Depreciation	(5,919,661)	(314,110)	(26,235)	(6,207,536)
Land	745,469	-	-	745,469
Construction in Progress	1,199,901	-	979,153	220,748
Total	\$ 4,364,723	\$ 931,511	\$ 979,154	\$ 4,317,080

Note 4 – Intergovernmental Revenue

In February of 2006, the West Calcasieu Airport Managing Board entered into an amendment of the Joint Services Agreement with the Board of Commissioners of the Chenault Industrial Airpark Authority, whereby the Chenault Industrial Airpark Authority agreed to transfer annually, for the tax collection period 2006 through 2017, the amount of two hundred thousand dollars (\$200,000) to the West Calcasieu Airport Managing Board. The joint services agreement also increased the payments beginning with tax year 2005, the last year of the original agreement from one hundred twenty thousand dollars (\$120,000) to two hundred thousand dollars (\$200,000). The funds will be used for the purpose and undertaking of the construction, acquisition, and improvement of public aviation projects or improvements to promote parish wide economic development.

A Memorandum of Understanding was authorized and approved on February 24, 2017 to correct and clarify the language in the Joint Services Agreement entered into October 2012. Beginning in assessment year 2015, Chenault Industrial Airpark Authority will pay the Board two hundred thousand dollars (\$200,000) in January 2017 and one hundred thousand dollars (\$100,000) in July 2017. In assessment years 2017 through 2019, the payments will be three hundred thousand dollars (\$300,000). In assessment years 2020 through 2023, the payments will increase to three hundred seventy-five thousand dollars (\$375,000) payable each year. In assessment years 2024 and 2025, the final year in the agreement, the payments increase to four hundred twenty-five thousand dollars (\$425,000) payable each year.

WEST CALCASIEU AIRPORT MANAGING BOARD
Sulphur, Louisiana

Notes to Financial Statements
June 30, 2018

Note 5 – Board of Commissioners Per Diem

The members of the governing board received no per diem for the periods ended June 30, 2018.

Note 6 – Rental Revenue

The Board agreed to two (2) ten (10) year leases for the rental of hangar space for a lump sum of \$35,000 each. One lease agreement became effective March 1, 2002 and the second agreement on April 1, 2002. Deferred rental revenue is recognized as lease income at a rate of \$3,500 per year until expired. Both leases provide the lessees with an extension term of ten (10) additional years. Additionally, hangars and office spaces are also leased on a month-to-month basis.

The Board entered into a ground lease agreement effective March 4, 2016 with First Flight Holdings, LLC for the development of the employee village. This project includes the modular buildings to house, feed and provide ancillary services for approximately 2,500 to 3,000 individual workers; all other machinery, equipment, furniture, inventory and other personal (movable) property in connection with the operation of the employee village; as well as all permanent improvements. In July 2016, the rent commencement date, the Lessee agreed to pay the Board an annual base rental of \$3,750 per acre in twelve (12) equal installments. The leased premise is approximately one hundred (100) acres. The initial lease term of the ground lease ends on the fifth (5th) anniversary of the rent commencement date. The lessee has the option to extend the lease for four (4) additional periods, each of which shall be for a period of one (1) year.

As additional rental, the lessee will pay to the Board \$1.00 per person, per day, for the first 1,000 residents and \$.50 per person per day for every person over 1,000 residents. The additional rent shall be due quarterly and within thirty (30) days after the end of the preceding quarter provided that with the first payment being due no later than the due date for the fourth (4th) monthly installment of annual rental. In addition, the lessee's obligation to pay additional rental is conditioned on the lessee's collection of amounts due from the client for the project for the relevant periods, it being understood that the lessee shall prorate the additional rentals due by the amount of compensation received by the lessee from the client.

The lessee shall be entitled to a credit toward the additional rental as set forth by the following: Eighty percent (80%) of the amounts paid by the lessee subject to the hangar cap (\$625,000); fifty percent (50%) of the amounts incurred by the lessee in connection with the design, engineering, procurement, fabrication, construction, and installation of the road extension to Highway 27; and eighty percent (80%) of the amounts paid by the lessee for any wetlands mitigation required by any governing authority, if necessary and if the lessee elects to develop the affected areas.

An amendment to the ground lease was signed on December 21, 2017 adding donated property consisting of a sewer system and piping, parking lots, perimeter fencing, roadway, a covered atrium and electrical poles, including wiring and transformers to the leased premises, of which the lessee will continue to be responsible for its maintenance and operation.

Note 7 – Retirement Benefit

The Board does not provide retirement benefits. Employees participate in the Social Security system. The Board is not responsible for any post-employment benefits. The Board has only the usual obligation to make current matching payments to the Social Security system for active employees.

WEST CALCASIEU AIRPORT MANAGING BOARD
Sulphur, Louisiana

Notes to Financial Statements
June 30, 2018

Note 8– Post – Employment Benefits

As a component unit of the Calcasieu Parish Police Jury, the Board was required to implement GASB Statement No. 45 – Financial Reporting for Postemployment Benefit Plans Other Than Pensions. The Board does not offer any of these types of benefits to employees and therefore has no liability in relation to the implementation of the statement.

Note 9– Compensated Absences

Full time employees who complete six (6) months of service will start to accrue vacation time, at the rate of (1/2) one half day per month, to be taken during the second six (6) month period of service. Consequently, vacation days may be accrued at the rate of six (6) days per year. Employees with more than 25 hours per week average will qualify for 50% of the above vacation days.

Employees may earn sick leave at a rate of .0462 hours per pay period, not to exceed one hundred sixty (160) hours. Sick leave days cannot be used in conjunction with annual leave, and in no instance shall an employee be paid for any accumulated sick leave left to an employee's credit at the time of termination from service.

Note 10 – Major Customer

Sales, rentals, and service income from one major customer was approximately 60% of total sales, rentals, and service income for the year ended June 30, 2018. The amount due from this customer, included in trade receivables, was \$167,180, or 88%, for the year ended June 30, 2018.

Note 11 – Construction and Other Significant Commitments

At June 30, 2018, the Board had two (2) uncompleted construction contracts for the rehabilitation of airport layout plan and rehab of the taxiway & apron. The remaining commitment on these construction contracts was approximately \$130,351.

Note 12 – Related Party Transaction

In a prior year, the Board entered into a hangar lease agreement with a company in which a member of the board of commissioners is a partner. The lease agreement specifies a monthly rental amount of \$250. For the year ended June 30, 2018, the Board had received \$3,000 in rental revenues from the company.

Note 13 – Subsequent Events

Subsequent events were evaluated through December 16, 2018, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

WEST CALCASIEU AIRPORT MANAGING BOARD
Sulphur, Louisiana

**Schedule of Compensation, Benefits and Other
Payments to Agency Head or Chief Executive Officer
For the Year Ended June 30, 2018**

Agency Head Name: Timothy J. LaFleur, Executive Director

Purpose	Amount
Salary	\$57,079
Benefits- insurance	\$0
Benefits- retirement	\$0
Benefits- other	\$0
Car allowance	\$0
Vehicle provided by government	\$0
Per Diem	\$0
Reimbursements	\$1,465
Travel	\$0
Registration fees	\$0
Conference travel	\$0
Continuing professional education fess	\$0
Housing	\$0
Unvouchered expenses	\$0
Special meals	\$0

McMullen and Mancuso
Certified Public Accountants, L.L.C.

P. O. Box 202

Lisa F. McMullen, C.P.A.

3600 Maplewood Dr.

Telephone (337) 625-5054

Pamela C. Mancuso, C.P.A.

Sulphur, Louisiana 70663

Fax (337) 625-5849

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

To the Board of Commissioners
West Calcasieu Airport Managing Board
Sulphur, 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 business-type activities of West Calcasieu Airport Managing Board, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise West Calcasieu Airport Managing Board's basic financial statements, and have issued our report thereon dated December 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered West Calcasieu Airport Managing Board'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 West Calcasieu Airport Managing Board's internal control. Accordingly, we do not express an opinion on the effectiveness of West Calcasieu Airport Managing Board'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 West Calcasieu Airport Managing Board'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 statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 purpose.

McMullen and Mancuso, CPAs, LLC

McMullen and Mancuso CPAs, LLC

Sulphur, Louisiana
December 16, 2018

WEST CALCASIEU AIRPORT MANAGING BOARD
Sulphur, Louisiana

Schedule of Findings
For the Year Ended June 30, 2018

We have audited the financial statements of the West Calcasieu Airport Managing Board, a component unit of the Calcasieu Parish Police Jury, the West Calcasieu Port, and the Industrial Development Board of the City of Sulphur, Inc. as of and for the year ended June 30, 2018 and have issued our report thereon dated December 16, 2018. We have 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. Our audit of the financial statements as of June 30, 2018 resulted in an unmodified opinion.

Section I Summary of Auditors' Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes X No Significant Deficiencies Yes X No

Compliance

Compliance Material to Financial Statements Yes X No

b. Management Letter Yes X No

Section II Financial Statement Findings

There were no current year findings.

WEST CALCASIEU AIRPORT MANAGING BOARD
Sulphur, Louisiana

SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2018

Ref No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken
----------------	---	-------------------------------	------------------------------------

Section I - Internal Control and Compliance Material to the Financial Statements:

There were no prior year findings.

Section II - Management Letter:

There were no prior year management letter comments.

WEST CALCASIEU AIRPORT
Sulphur, Louisiana

Statewide Agreed-Upon Procedures Report

June 30, 2018

McMullen and Mancuso
Certified Public Accountants, L.L.C.

P. O. Box 202

Lisa F. McMullen, C.P.A.

3600 Maplewood Dr.

Telephone (337) 625-5054

Pamela C. Mancuso, C.P.A.

Sulphur, Louisiana 70663

Fax (337) 625-5849

INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of the
West Calcasieu Airport and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by West Calcasieu Airport 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 Airport'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 with 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 and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
The Airport adopted policies and procedures to address the budgeting function.
 - 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.
The Airport adopted policies and procedures to address the purchasing function.
 - c) ***Disbursements***, including processing, reviewing, and approving
The Airport adopted policies and procedures to address the disbursements function.
 - d) ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

The Airport adopted policies and procedures to address the receipts function.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

The Airport adopted policies and procedures to address the payroll/personnel function.

- 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

The Airport adopted policies and procedures to address the contracting function.

- 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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

The Airport adopted policies and procedures to address the credit card function.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

The Airport adopted policies and procedures to address the travel and expense reimbursement function.

- 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 entity's ethics policy.

The Airport adopted policies and procedures to address the ethics function.

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

The Airport adopted policies and procedures to address the debt service function.

Board (or Finance Committee, if applicable)

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

The Airport Board of Commissioners met at least monthly throughout the fiscal year.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

The Airport's minutes reference the monthly budget to actual comparison throughout the fiscal year.

- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Observed the Airport's prior year audit and the total net position did not have a negative ending balance.

Bank Reconciliations

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 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

Obtained listing of client bank accounts and management's representation that the listing is complete.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

The bank reconciliations include evidence that they were prepared within 2 months of the related statements closing date.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

The bank reconciliations did include written evidence that a member of management or a board member reviewed each bank reconciliation.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

There were no reconciling items that have been outstanding for more than 12 months as of the end of the fiscal year.

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 5 deposit sites (or all deposit sites if less than 5).

Obtained listing of the cash collection location and management's representation that the listing is complete.

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. 5 collection locations for 5 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:

In the one deposit site and collection location for the Airport, the job duties are properly segregated.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

The employee responsible for cash collections does not share a cash drawer.

- 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.

This function is handled by the outside accounting firm used by the Airport.

- 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.

This function is handled by the outside accounting firm used by the Airport.

- 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.

This function is handled by the outside accounting firm used by the Airport.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Inquired of management that all persons providing services is insured and noted the accountant's professional liability insurance policy held by Perry and Company, CPAs, APC.

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.

As the Airport did not have an exception in this AUP category tested during year 1, this procedure was not tested in year 2.

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).

All payments for the Airport are processed at the offices of Darla Perry, CPA, the Airport's outside accounting firm.

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.

The Airport Director is involved in initiating purchases and the Airport does not use a purchase order system.

- b) At least two employees are involved in processing and approving payments to vendors.

This function is handled by the outside accounting firm used by the Airport.

- 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.

This function is handled by the outside accounting firm used by the Airport.

- 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.

The person with signatory authority signs the check but does not give the checks to the outside accounting firm who processes payments and mails the checks.

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.

No exceptions noted.

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

No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Obtained the listing of all active credit cards and fuel cards, including the card numbers and name of person who maintain possession of cards, and management's representation that the listing is complete was obtained.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

The 2 credit cards used by the Airport were selected. Selected a monthly statement for each card and noted supporting documentation was not approved in writing by someone other than the authorized card holder. Written approval is not required as a matter of Airport policy.

- b) Observe that finance charges and late fees were not assessed on the selected statements.

Finance charges were not assessed on the statements selected for testing.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

The transaction tested were supported by an original itemized receipt that identified precisely what was purchased, did not always have written documentation of the business/public purpose, and no meals were charged on the statements selected for testing.

Travel and Expense Reimbursement

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Obtained the general ledger which listed all travel and expense reimbursements and management's representation that the general ledger is complete.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions noted.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions noted.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure # 1h).

No exceptions noted.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

Obtained the general ledger which listed all contract payments and management's representation that the general ledger is complete.

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

As the Airport did not have an exception in this AUP category tested during year 1, this procedure was not tested in year 2.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

As the Airport did not have an exception in this AUP category tested during year 1, this procedure was not tested in year 2.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

As the Airport did not have an exception in this AUP category tested during year 1, this procedure was not tested in year 2.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

As the Airport did not have an exception in this AUP category tested during year 1, this procedure was not tested 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.

Obtained the listing of employees with their related salaries and management's representation that the listing is complete.

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.)

As the Airport did not have an exception in this AUP category tested during year 1, this procedure was not tested in year 2.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

As the Airport did not have an exception in this AUP category tested during year 1, this procedure was not tested in year 2.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

As the Airport did not have an exception in this AUP category tested during year 1, this procedure was not tested in year 2.

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.

As the Airport did not have an exception in this AUP category tested during year 1, this procedure was not tested in year 2.

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.

As the Airport did not have an exception in this AUP category tested during year 1, this procedure was not tested in year 2.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Observed certificates that the Airport's employees/officials completed ethics training during the fiscal year.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

There was no signature verification that the Airport's employees/officials had read the Airport's ethics policy during the fiscal period.

Debt Service

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.

Not applicable, as no new bonds/notes were issued during the fiscal year.

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 documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Not applicable, as there were no bonds/notes outstanding at the end of the fiscal year.

Other

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.

Management has asserted that the Airport had no misappropriations 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.

The required notice is posted on the Airport's premises but not the website. Subsequent to discussions with management the Airport will post the required notice on its website.

Management has reviewed and noted the exceptions above to the agreed upon procedures and will take steps necessary to implement procedures that are appropriate for the entity.

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 LLA as a public document.

McMullen and Mancuso, CPAs, LLC

McMullen and Mancuso CPAs, LLC

Sulphur, Louisiana
December 16, 2018