

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

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
LAKE CHARLES, LOUISIANA

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CHENNAULT INTERNATIONAL AIRPORT AUTHORITY

Lake Charles, Louisiana

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June 30, 2011

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CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
LAKE CHARLES, LOUISIANA

ANNUAL FINANCIAL REPORT
Year Ended June 30, 2011

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Chennault International Airport Authority
Lake Charles, Louisiana

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, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 remaining fund information of Chennault International Airport Authority as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 19, 2011, 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 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* and should be considered in assessing the results of our audit.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chennault International Airport Authority's financial statements as a whole. The schedule of reimbursements for Chennault/Northrop Grumman KC-10 Program Cooperative Endeavor Agreement is presented for purposes of additional analysis and is not part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 financial statements. The 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 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 basic financial statements taken as a whole.



December 19, 2011

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, 2011.

Financial Highlights

- Chennault International Airport Authority continued its infrastructure growth and expansion during this reporting period. The Authority authorized \$8,995,231 of capital expenditures during the fiscal year to enhance facilities and to support existing tenants: Northrop Grumman Aerospace, Aeorframe Services, LLC, Million Air and Louisiana Millwork. The resulting job growth at Chennault led to a regional economic impact in excess of \$232,000,000.
- The Authority entered into a Cooperative Endeavor Agreement with the State of Louisiana and Louisiana Department of Economic Development and Northrop Grumman Technical Services, Inc. dated November 1, 2009. The Cooperative Endeavor Agreement included a grant totaling \$6,500,000 to Chennault from the Louisiana Department of Economic Development for the KC-10 Program for Infrastructure and Equipment. The Authority also entered into a Cooperative Endeavor Agreement with the Louisiana Department of Economic Development for the construction of a blast deflector fence in the amount of \$500,000. The Authority recorded revenue of \$4,830,318 from the KC-10 Program and \$500,000 for the construction of a blast deflector fence for the fiscal year ended June 30, 2010. For the fiscal year ended June 30, 2011 the Authority recorded revenue of \$1,669,682 for a total reimbursement to date of \$7,000,000.
- The Authority entered into a grant agreement with the Department of Commerce's Economic Development Administration (EDA) on June 26, 2008 to assist in construction of an Aviation Center for Excellence Building (known as the Aeroframe Administration Building) in the amount of \$1,500,000. For the fiscal year ended June 30, 2011 the Authority received \$1,139,054 from EDA and \$1,000,000 from local funds. The total estimated budget for construction is \$3,000,000.
- The Authority entered into a Cooperative Endeavor Agreement with the State of Louisiana dated December 19, 2010. The Authority requested assistance from the State of Louisiana in funding the Multi-Purpose Building, Planning and Construction at the airport through the Capital Outlay Program in the amount of \$225,000.
- The Authority entered into grant agreements with the Federal Aviation Administration (FAA) in the amount of \$674,371 and with the Louisiana Department of Transportation and Development (DOTD) in the amount of \$35,493 with the funds from the grants to be used to Rehabilitate Runway 15/33, Design-Phase I, Acquire New Class 5 6X6 3,000 Gallon Water/Foam Aircraft Rescue and Fire Fighting (ARFF) Vehicle, and Conduct Wildlife Hazard Assessment. For the fiscal year ended June 30, 2011 the Authority reported revenue from the FAA grant of \$592,939 and from the DOTD grant of \$4,100. The Authority also received two additional grants from DOTD for the

Control Tower Beacon and installation and Fire Fighting Rescue Equipment in the amount of \$47,107.

Financial Analysis

The assets of the Chennault International Airport Authority exceeded its liabilities at the close of the fiscal year ended June 30, 2011 by \$107,429,534. Table 1 on page 5 compares the calculation of net assets for the last three years.

The net assets of the Chennault International Airport Authority increased by \$4,437,141 during the fiscal year ended June 30, 2011. The changes in net assets are detailed in Table 2 on page 6.

The net accumulated depreciation for the year ended June 30, 2011 increased by \$4,050,589.

Long-Term Debt

The Authority owes a total of \$2,875,000 plus accrued interest on the \$10,000,000 that was borrowed under a contract entered into on May 2, 2006 for the issuance of Excess Revenue Certificates of Indebtedness. The total accrued interest on all debt as of June 30, 2011 is \$20,229.

Budgetary Highlights

Property tax collections of \$7,552,733 from the 5.16 mill tax levied in 2010 exceeded the \$7,450,000 that was budgeted by \$102,733. There are five years remaining on the ten-year authorization to levy the property tax. The property tax levy approved for the year ending December 31, 2011 is 5.16 mills.

Rent income collected amounted to \$1,358,600, which is \$31,400 more than was budgeted for the year ending June 30, 2011.

Table 1
Chennault International Airport Authority
Net Assets

	June 30, 2011	June 30, 2010	June 30, 2009
Assets other than property, plant and equipment:			
Cash and certificates of deposit	\$ 8,200,982	\$ 7,348,295	\$ 9,826,634
Receivables	1,210,038	4,261,985	2,169,474
Prepaid Insurance	239,474	254,387	305,761
Total	<u>9,650,494</u>	<u>11,864,667</u>	<u>12,301,869</u>
Property, plant and equipment:			
Hangars	65,948,048	64,899,258	64,157,025
Offices, warehouses and shops	27,309,196	26,265,444	24,890,353
Airport operations buildings	4,894,169	4,894,642	4,894,642
Airfield pavement improvements	3,796,590	3,796,590	3,685,259
Roads and parking lots	3,121,791	3,067,823	3,067,823
Utility systems	6,411,503	5,985,004	5,756,184
Waste treatment plant	1,880,786	1,880,786	1,880,786
Firewater plant and lines	2,304,046	2,087,881	2,087,881
Fences and gates	2,622,567	2,537,683	1,840,820
Other improvements	7,833,982	7,600,473	7,283,520
Equipment	11,259,440	6,916,130	4,161,344
Subtotal	<u>137,382,118</u>	<u>129,931,714</u>	<u>123,705,637</u>
Less accumulated depreciation	<u>(42,395,842)</u>	<u>(38,345,253)</u>	<u>(35,023,605)</u>
Capital Assets, net of depreciation	94,986,276	91,586,461	88,682,032
Land	2,539,369	2,539,369	2,539,369
Construction in progress	4,351,177	2,568,419	1,104,662
Total property, plant and equipment	<u>101,876,822</u>	<u>96,694,250</u>	<u>92,326,063</u>
Total Assets	<u>111,527,316</u>	<u>108,558,917</u>	<u>104,627,932</u>
Liabilities:			
Other liabilities	1,222,782	1,351,524	944,344
Bonds payable	2,875,000	4,215,000	5,485,000
Total liabilities	<u>4,097,782</u>	<u>5,566,524</u>	<u>6,429,344</u>
Net Assets:			
Invested in capital assets	98,038,762	92,449,637	86,802,086
Restricted for capital projects	328,935	1,549,918	1,794,460
Unrestricted	9,061,837	8,992,838	9,602,042
Total Net Assets	<u>\$ 107,429,534</u>	<u>\$ 102,992,393</u>	<u>\$ 98,198,588</u>

Note - The net assets listed above do 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 Assets

	June 30, 2011	June 30, 2010	June 30, 2009
Revenues:			
Property tax	\$ 7,552,733	\$ 7,225,847	\$ 6,614,182
Rent income	1,358,600	1,167,035	1,140,966
Miscellaneous income	181,930	137,721	211,645
Interest income	34,336	34,519	162,587
Grants	4,484,280	5,692,574	851,902
Subtotal	<u>13,611,879</u>	<u>14,257,696</u>	<u>8,981,282</u>
Other Financing Sources:			
Impairment gain	1,415,563	997,229	1,216,041
Total revenues and other financing sources	<u>15,027,442</u>	<u>15,254,925</u>	<u>10,197,323</u>
Expenses:			
Operate, maintain and repair airport and facilities	5,735,558	5,774,220	5,010,556
Intergovernmental	592,801	585,672	592,714
Transfer of land to Sowela	-	-	(3,759)
Interest paid on debt	176,115	225,033	316,928
Depreciation	4,085,827	3,876,195	3,583,628
Total	<u>10,590,301</u>	<u>10,461,120</u>	<u>9,500,067</u>
Increase in Net Assets	4,437,141	4,793,805	697,256
Beginning Net Assets	102,992,393	98,198,588	97,501,332
Ending Net Assets	<u>\$ 107,429,534</u>	<u>\$ 102,992,393</u>	<u>\$ 98,198,588</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2011

ASSETS	Governmental Fund Types	
	Special Revenue	Capital Projects
Cash	\$ 2,038,583	\$ 154,403
Certificates of Deposit	6,007,996	-
Receivables:		
Taxes	9,845	-
Interest	5,540	-
Federal/State Grants	954,136	213,097
Refundable Insurance Assessment	13,224	-
Other	14,196	-
Land	-	-
Other Capital Assets, net of accumulated depreciation	-	-
Prepaid insurance	239,474	-
Due from other funds	643,560	-
 Total assets	 \$ 9,926,554	 \$ 367,500
 LIABILITIES		
Liabilities:		
Accounts payable	\$ 132,779	\$ 38,565
Accrued expenses	1,899	-
Contracts payable	70,604	582,914
Due to other funds	-	643,560
Deferred revenues	375,792	-
Certificates of indebtedness		
Due within one year	-	-
Due after one year	-	-
Total liabilities	581,074	1,265,039
Fund Balances/ Net Assets		
Fund Balances		
Reserved for construction and repairs	-	(897,539)
Designated for debt service	-	-
Undesignated	9,345,480	-
	9,345,480	(897,539)
Total liabilities and fund balance	\$ 9,926,554	\$ 367,500
Net Assets		
Invested in capital assets, net of related debt		
Restricted for construction and repairs		
Unrestricted		
Total net assets		

Total Government Funds	Adjustments	Statement of Net Assets
\$ 2,192,986	\$ -	\$ 2,192,986
6,007,996	-	6,007,996
9,845	-	9,845
5,540	-	5,540
1,167,233	-	1,167,233
13,224	-	13,224
14,196	-	14,196
-	2,539,369	2,539,369
-	99,337,453	99,337,453
239,474	-	239,474
643,560	(643,560)	-
<u>\$ 10,294,054</u>	<u>\$ 101,233,262</u>	<u>\$ 111,527,316</u>
171,344	\$ -	\$ 171,344
1,899	20,229	22,128
653,518	-	653,518
643,560	(643,560)	-
375,792	-	375,792
-	1,400,000	1,400,000
-	1,475,000	1,475,000
<u>1,846,113</u>	<u>2,251,669</u>	<u>4,097,782</u>
(897,539)	897,539	-
-	-	-
<u>9,345,480</u>	<u>(9,345,480)</u>	<u>-</u>
<u>8,447,941</u>	<u>(8,447,941)</u>	<u>-</u>
<u>\$ 10,294,054</u>	<u>(6,196,272)</u>	
	98,348,304	98,348,304
	328,935	328,935
	8,752,295	8,752,295
	<u>\$ 107,429,534</u>	<u>\$ 107,429,534</u>

See Accompanying Notes to Financial Statements

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO NET ASSETS
June 30, 2011

Total Governmental Fund Balances \$ 8,447,941

Amounts reported for governmental activities in the statement of net assets 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	2,539,369
Buildings	98,151,413
Airfield Pavement Improvement	3,796,590
Roads and Parking	3,121,791
Utility and Fire Protection Systems	8,715,549
Waste Treatment Plant	1,880,786
Fences and Gates	2,622,567
Other Improvements	7,833,982
Equipment	11,259,440
Construction in progress	4,351,177
Accumulated depreciation	<u>(42,395,842)</u>
Other capital assets, net of accumulated depreciation	99,337,453

Interfund receivables are eliminated in reporting total assets (643,560)

Total asset adjustments \$ 101,233,262

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	2,875,000
Accrued interest	20,229
Deferred Revenue	-

Interfund payables are eliminated in reporting total assets (643,560)

Total liability adjustments \$ 2,251,669

Net assets of governmental activities \$ 107,429,534

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2011

	Special Revenue	Governmental Funds Capital Projects
Revenues:		
Taxes	\$ 7,552,733	\$ -
Rents	1,358,600	-
Interest	32,580	1,756
Miscellaneous	181,930	-
Grant proceeds	27,107	3,957,173
Total revenues	9,152,950	3,958,929
Expenditures:		
Current operating:		
Personal services	1,739,676	-
Travel	58,917	-
Contractual services	2,096,032	-
Intergovernmental	592,801	-
Supplies and materials	212,305	-
Repairs and maintenance	1,842,347	-
Depreciation	-	-
Capital outlays	148,294	8,906,386
Debt service:		
Interest and fiscal charges	1,525,499	-
Total expenditures	8,215,871	8,906,386
Excess (deficiency) of revenues over expenditures	937,079	(4,947,457)
Other financing sources (uses):		
FEMA proceeds	1,415,563	-
Insurance-CIAA Policy	-	-
Impairment gain	-	-
Operating transfers in	-	2,000,000
Operating transfers (out)	(2,000,000)	-
Total other financing sources (uses)	(584,437)	2,000,000
Excess (deficiency) of revenues and other sources over expenditures and other uses	352,642	(2,947,457)
Fund balance/net assets		
Beginning of year	8,992,838	2,049,918
End of year	\$ 9,345,480	\$ (897,539)

See Accompanying Notes to Financial Statements

Total Government Funds	Adjustments	Statement of Activities
\$ 7,552,733	\$ -	\$ 7,552,733
1,358,600	-	1,358,600
34,336	-	34,336
181,930	-	181,930
<u>3,984,280</u>	<u>500,000</u>	<u>4,484,280</u>
<u>13,111,879</u>	<u>500,000</u>	<u>13,611,879</u>
1,739,676	-	1,739,676
58,917	-	58,917
2,096,032	-	2,096,032
592,801	-	592,801
212,305	60,904	273,209
1,842,347	(274,623)	1,567,724
-	4,085,827	4,085,827
9,054,680	(9,054,680)	-
<u>1,525,499</u>	<u>(1,349,384)</u>	<u>176,115</u>
<u>17,122,257</u>	<u>(6,531,956)</u>	<u>10,590,301</u>
<u>(4,010,378)</u>	<u>7,031,956</u>	<u>3,021,578</u>
1,415,563	(1,415,563)	-
-	-	-
-	1,415,563	1,415,563
2,000,000	-	2,000,000
<u>(2,000,000)</u>	<u>-</u>	<u>(2,000,000)</u>
<u>1,415,563</u>	<u>-</u>	<u>1,415,563</u>
(2,594,815)	7,031,956	4,437,141
<u>11,042,756</u>	<u>91,949,637</u>	<u>102,992,393</u>
<u>\$ 8,447,941</u>	<u>\$ 98,981,593</u>	<u>\$ 107,429,534</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, 2011

Net change in fund balances - total governmental funds \$ (2,594,815)
Amounts reported for governmental activities in the statement of activities
are different because:

Local grants that were received but restricted for future use have
now been released from restriction 500,000

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	9,054,680	
Repairs	274,623	
Reclassification from capital outlay to supplies and materials	(60,904)	
Depreciation expense	<u>(4,085,827)</u>	
Excess of capital outlay over depreciation expense		5,182,572

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
assets. In the current year, these amounts consisted of:

Principal retirement - \$10M debt, Series 2006	1,340,000	
Net decrease in accrued interest payable	<u>9,384</u>	
Net decrease		<u>1,349,384</u>

Insurance and FEMA proceeds are reported as other financing sources in
governmental funds, but in the statement of net activities offset the cost of the
applicable assets and is reported as an impairment gain(loss). For the
current period, these amounts are:

FEMA proceeds	(1,415,563)	
Insurance Proceeds	-	
Impairment gain	<u>1,415,563</u>	
		<u>-</u>

Change in net assets of governmental funds \$ 4,437,141

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criteria used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, it was determined that no other agency should be included in this reporting entity.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(continued)

Basic Financial Statements – Fund Financial Statements

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into two broad funds categories as follows:

GOVERNMENTAL FUNDS

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

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

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.

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 Assets, 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 assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

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

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(continued)

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

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

All 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. Revenues that are accrued include rent, property taxes, and interest. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred.

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.

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, 2011 unrecorded Special Revenue Fund liabilities included approximately \$94,539 vacation pay and \$3,910 compensation time.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(continued)

Use of Estimates

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

2. Cash and Certificates of Deposit

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

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

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

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

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

Cash and certificates of deposit as of June 30, 2011 were all classified as category 1. The balance as of June 30, 2011 consisted of the following:

	<u>Bank Balance</u>	<u>Carrying Value</u>
Cash	<u>\$ 2,807,623</u>	<u>\$ 2,192,986</u>
Certificates of deposit	<u>\$6,007,996</u>	<u>\$6,007,996</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(continued)

3. 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.

4. Joint Services Agreement

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

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

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. For the year ended June 30, 2011, the Authority levied taxes of 5.16 mills on property with assessed valuation totaling \$1,478,624,782. The taxes were

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(continued)

dedicated to maintaining, operating, relocating, constructing, or improving Airpark facilities of the Authority. Total taxes levied were \$7,629,704.

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

6. Excess Revenue Certificates of Indebtedness

On March 16, 2006 the Louisiana State Bond Commission granted approval to the Authority for the issuance, sale and delivery of Excess Revenue Certificates of Indebtedness (Facilities Enhancement Project), Series 2006. On May 2, 2006, an issue in the original principal amount of \$10,000,000 was sold to Capital One, National Association. The contract provides for payments to reimburse the state for bonds issued to finance construction, improving and refurbishment of the existing facilities many of which were damaged by Hurricane Rita on September 24, 2005, as well as acquisition of other facilities necessary for the Authority's operations, and paying costs associated with issuance of the Certificates.

The certificates of indebtedness, dated May 2, 2006, provide that the Authority shall repay the paying agent semi-annual interest payments at a rate ranging from 4.06% to 4.29% and annual principal payments with the final payment due May 1, 2014. The Authority made an extra principal payment on May 1, 2009 of \$1,215,000 that was initially due on May 1, 2010. The annual requirements to amortize the indebtedness outstanding as of June 30, 2011 are as follows:

<u>Year Ending June 30</u>	<u>Interest</u>	<u>Principal</u>
2013	123,057	1,400,000
2014	<u>63,278</u>	<u>1,475,000</u>
	<u>\$ 186,335</u>	<u>\$2,875,000</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(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, 2011:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>
Certificates of Indebtedness	<u>4,215,000</u>	<u>-</u>	<u>1,340,000</u>	<u>2,875,000</u>

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

8. Change in Capital Assets

A summary of capital assets for the year ended June 30, 2011 is as follows:

	June 30, 2010	Additions	Retirements	June 30, 2011
Construction in progress	\$ 2,568,419	8,995,231	7,212,473	4,351,177
Land	2,539,369	-	-	2,539,369
Buildings	96,059,344	2,092,069	-	98,151,413
Improvement other than building	26,956,241	1,015,024		27,971,265
Equipment	<u>6,916,130</u>	<u>4,378,554</u>	<u>35,244</u>	<u>11,259,440</u>
	135,039,503	16,480,878	7,247,717	144,272,664
Accumulated depreciation	<u>(38,345,253)</u>	<u>(4,085,833)</u>	<u>(35,244)</u>	<u>(42,395,842)</u>
	\$ <u>96,694,250</u>	<u>\$12,395,045</u>	\$ <u>7,212,473</u>	<u>\$101,876,822</u>

Certain equipment has been acquired with FAA and DOTD grant funds. Under the terms of the agreements, the equipment reverts to the grantor if it is no longer used by the Authority. During the year ended June 30, 2011, ARFF equipment with a carrying value of \$820,634 was acquired with FAA and DOTD grant funds.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(continued)

During the fiscal year ended June 30, 2011, the Authority completed construction on several capital projects. Listed below is a summary of the completed projects.

	Prior Period Expenditures	Year Ended June 30, 2011	Total Project Expenditures
Hangar B Tool Control	\$ 1,495,979	\$ 140,785	\$ 1,636,764
Relocation of Electrical	90,740	11,039	101,779
KC-10 Prog-Equipment	364,082	1,007,283	1,371,365
110,000 Gallon Jet Fuel	124,502	170,756	295,258
Hangar B West Draft	-	44,898	44,898
Aeroframe Engine Stand	-	45,613	45,613
Bldg 3009 Renovations	-	148,318	148,318
3000 Gallon ARFF	74	814,524	814,598
Bldg 3101 Compressor	-	46,151	46,151
Hangar C Floor Recoat	450	390,962	391,412
Hangar C NW Bay Draft	-	37,711	37,711
Aeroframe Incentive	-	581,589	581,589
Flight Modular Bldgs	-	297,850	297,850
Bldg 3006 Renovations	-	121,480	121,480
Install C.Tower Beacon	-	22,634	22,634
Supply Forward Bldg	-	23,411	23,411
Install Large Fans	-	442,867	442,867
Upgrade FBO Bldg	-	500,000	500,000
Northrop Parking Area	-	53,968	53,968
Paint FWPH Tanks	-	216,165	216,165
Underground Air Lines	-	324,720	324,720
Other Projects	57,154	265,045	322,199
Total	<u>\$ 2,132,981</u>	<u>\$ 5,707,769</u>	<u>\$ 7,840,750</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(continued)

Construction in progress as of June 30, 2011, is composed of the following:

	<u>Expended to June 30, 2011</u>
Rehabilitate Runway & Taxiway	185,422
Hangar C 2010 Upgrades	62,431
Hangar B Tail Door	160,013
Aeroframe Office Bldg	2,356,491
Hangar C Underwing Foam	195,239
Aeroframe-8,000 Shop Bldg	804,167
Multi-Purpose Warehouse Bldg	313,420
Bldg 3002 Air Compressor	51,523
Taxiway A Widening	67,059
Taxiway Concrete Repairs	88,844
Other Projects	<u>66,568</u>
Total	<u>\$ 4,351,177</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, 2011 on non-cancelable operating leases for the next five years are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2012	\$1,440,860
June 30, 2013	\$1,533,360
June 30, 2014	\$1,416,860
June 30, 2015	\$1,109,360
June 30, 2016	\$294,780

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(continued)

10. Deferred Revenue

In accordance with an amendment to the sublease and agreement between the Authority and Freeman Holdings of Louisiana, LLC (FBO) dated March 15, 2010, the FBO was allowed to offset a maximum of \$500,000 of its expenses for the renovation to the current FBO facility against the rent and fuel flowage fees it would otherwise owe to the Authority. During the year ended June 30, 2011, the Authority recorded the expenditures of \$500,000 as an increase in fixed assets and recognized rental income and fuel flowage fees of \$190,458 with the balance as deferred revenue. The total of deferred revenues as of June 30, 2011 was as follows:

Remaining FBO rent offset	\$309,542
Northrop Grumman rent collected in advance	<u>66,250</u>
	<u>\$375,792</u>

11. Defined Benefit Plan

Plan Description:

The Authority contributes to the Louisiana State Employees' Retirement System (System), a cost-sharing multiple-employer public employee retirement system (PERS). As a result of state legislation passed Chennault employees with 10 years of service credit on June 30, 2004 participate in the system.

Employees are eligible for retirement if they have: a) thirty years or more of service, at any age; b) twenty-five years or more of service, at age fifty-five or thereafter; or c) ten years or more of service, at the age of sixty or thereafter.

Retirees shall receive a maximum retirement allowance equal to two and one-half percent of average compensation for every year of creditable service plus three hundred dollars. The retirement benefits provided shall not exceed one hundred percent of retiree's average compensation. The System also provides death and disability benefits. Benefits are established by Louisiana state statute.

The Authority's payroll for employees covered by the System for the year ended June 30, 2011 was \$274,073. The Authority's total payroll and taxable benefits was \$1,408,502.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(continued)

Contribution requirements:

Covered employees are required by Louisiana state statute to contribute 7.5 percent of their salary to the plan. The Authority is required by the same statute to contribute 22 percent of eligible salaries. The contribution requirement for the year ended June 30, 2011, was \$80,852 (29.50% of current year covered payroll), which consisted of \$60,296 (22% of current year covered payroll) from the Authority and \$20,556 (7.5% of current year covered payroll) from employees.

Fund status and progress:

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

The PBO was computed as part of an actuarial valuation performed as of June 30, 2010; however, the System does not make separate measurements of assets and pension benefit obligations of individual employers. The pension benefit obligation at June 30, 2010, for the System as a whole was approximately \$14.764 billion.

The system's net assets available for benefits on that date (valued at market) were approximately \$8.512 billion, leaving an unfunded pension benefit obligation of approximately \$6.215 billion.

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

12. Deferred Compensation Plan

The Authority set up a deferred compensation plan effective as July 1, 2004 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.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011
(continued)

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 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. The Authority contributed \$85,117 for employees covered by the deferred compensation plan for the year ended June 30, 2011.

13. Contingencies and commitments

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

<u>Year ending June 30</u>	<u>Fire Protection</u>	<u>Runway Equipment</u>
2012	1,095,731	28,500
2013	1,115,145	28,500
2014	1,132,023	28,500
2015	-	19,000

Pending claims

The Authority is subject to pending claims and litigation which arise primarily in the ordinary course of business. The Authority does not anticipate any losses with respect to such pending claims and litigation as of June 30, 2011.

Uncollected rent

In accordance with a lease agreement between the Authority and Aeroframe Services, LLC, in addition to the monthly base rent of \$10,000, Aeroframe was to pay 1.5% of monthly gross revenues in excess of \$1,300,000. As of June 30, 2011, \$337,315 was owed to the Authority in unpaid rent. Due to the uncertainty of the collectability, the unpaid rent was not recorded as a receivable as of June 30, 2011. On June 8, 2011, the Authority renegotiated its lease with Aeroframe, increasing the base rent to \$15,000 plus 1.5% of monthly gross revenues in excess of \$1,600,000, and contingent on meeting certain employment levels, credits of \$2,000 per employee that meet certain criteria, will be issued against the unpaid rent.

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 7,200,000	\$ 7,450,000	\$ 7,552,733	\$ 102,733
Rents	1,707,200	1,327,200	1,358,600	31,400
Interest	35,000	24,000	32,580	8,580
Miscellaneous	145,500	145,500	181,930	36,430
Grant proceeds	-	27,107	27,107	-
Total revenues	<u>9,087,700</u>	<u>8,973,807</u>	<u>9,152,950</u>	<u>179,143</u>
Expenditures:				
Personal services	1,369,166	1,369,166	1,369,621	(455)
Employee benefits and taxes	393,511	393,511	370,055	23,456
Travel	48,000	58,000	58,917	(917)
Rentals	24,000	24,000	19,747	4,253
Insurance	476,100	476,100	456,013	20,087
Telephone and utilities	179,750	207,750	122,314	85,436
Maintenance	85,200	85,200	62,132	23,068
Control tower	31,000	31,000	30,397	603
Fire protection	961,609	1,057,394	1,057,394	-
Advertising	35,000	35,000	47,229	(12,229)
Architectural and engineering	15,000	15,000	24,037	(9,037)
Miscellaneous Contractual	180,000	152,000	276,769	(124,769)
Intergovernmental	620,500	620,500	592,801	27,699
Business development	23,000	23,000	15,121	7,879
Maintenance supplies	55,000	45,000	43,804	1,196
Office Expense	20,000	20,000	19,450	550
Vehicles-fuel and repairs	129,600	139,600	133,930	5,670
Major repairs	2,200,000	2,200,000	1,842,347	357,653
Capital outlays	221,500	221,500	148,294	73,206
Debt service	<u>1,520,742</u>	<u>1,520,742</u>	<u>1,525,499</u>	<u>(4,757)</u>
Total expenditures	<u>8,588,678</u>	<u>8,694,463</u>	<u>8,215,871</u>	<u>478,592</u>
Excess of revenues over expenditures	499,022	279,344	937,079	657,735

(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, 2011

(continued)

	Original	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)
		Final	Actual	
Excess of revenues over expenditures	499,022	279,344	937,079	657,735
Other financing sources (uses):				
Insurance proceeds	-	-	-	-
FEMA proceeds	1,000,000	1,000,000	1,415,563	415,563
Certificates of indebtedness	-	-	-	-
Operating transfers in	-	-	-	-
Operating transfers out	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>	-
Total Other Sources (Uses)	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(584,437)</u>	<u>415,563</u>
Excess (deficiency) of revenues over expenditures and other uses	(500,978)	(720,656)	352,642	1,073,298
Fund balance at beginning of year	<u>8,156,786</u>	<u>8,992,838</u>	<u>8,992,838</u>	-
Fund balance at end of year	<u>\$ 7,655,808</u>	<u>\$ 8,272,182</u>	<u>\$ 9,345,480</u>	<u>\$ 1,073,298</u>

See Note to Required Supplementary Information

Chennault International Airport Authority
Note to Required Supplementary Information-Budgetary Reporting
For the year ended June 30, 2011

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. 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. The capital budget ordinances which authorize the Capital Projects Fund present cumulative as opposed to annual budget amounts.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2011

Federal Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	Federal <u>Expenditures</u>
Federal Emergency Management Agency Passed through the Louisiana office of Homeland Security and Emergency Preparedness Hurricane Rita recovery program	97.036	\$1,415,563
U. S. Department of Transportation Airport Improvement Program	20.106	592,939
Department of Commerce Economic Development Administration Public Works and Economic Development	11.300	<u>1,139,054</u>
		<u>\$3,147,556</u>

See accompanying notes to schedule of expenditures of federal awards

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2011

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Chennault International Airport Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
 SCHEDULE OF REIMBURSEMENTS FOR CHENNAULT/NORTHROP GRUMMAN
 KC-10 PROGRAM COOPERATIVE ENDEAVOR AGREEMENT
 FOR THE GRANT PERIOD ENDING 6/30/2011

Cost Category	Grant Amount	Reimbursement				Reimbursement		Total Expenditures	Remaining Balance
		5/13/2010	6/23/2010	8/5/2010	1/20/2011	8/5/2010	1/20/2011		
Tool Control	1,636,628.00	469,900.00	878,182.00	147,762.00	140,784.00		1,636,628.00	-	
Hangars and Buildings	1,146,867.00	521,283.00	72,166.00	80,383.00	473,035.00		1,146,867.00	-	
Docks, Stands, and Equipment	2,873,352.00	691,322.00	991,792.00	499,105.00	691,133.00		2,873,352.00	-	
Infrastructure	843,153.00	-	-	478,423.00	364,730.00		843,153.00	-	
Total	6,500,000.00	1,682,505.00	1,942,140.00	1,205,673.00	1,669,682.00		6,500,000.00	-	

The accompany schedule of Reimbursements for Chennault/Northrop Grumman KC-10 Program Cooperative Endeavor Agreement is presented on the accrual basis of accounting as supplemental information for the period from the inception of the agreement (November 1, 2009) through June 30, 2011.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY

SCHEDULE OF PER DIEM PAID COMMISSIONERS

June 30, 2011

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

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

<u>Commissioner</u>	<u>Meetings</u>	<u>Compensation</u>
Jane Dufrene	16	-
James G. Gobert	16	-
Larry Avery	14	-
Louis H. Haxthausen	15	-
Kenneth W. Nabours	14	-
Russell T. Tritico, Sr.	12	-
Jonald J. Walker, III	12	-

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

Board of Commissioners
Chennault International Airport Authority
Lake Charles, Louisiana

We have audited the accompanying financial statements of the governmental activities, major funds, and remaining fund information, which collectively comprise the basic financial statements, of Chennault International Airport Authority as of and for the year then ended June 30, 2011 and have issued our report dated December 19, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chennault International Airport Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Chennault International Airport Authority's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chennault International Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the entity, the Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

December 19, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

Board of Commissioners
Chennault International Airport Authority
Lake Charles, Louisiana

Compliance

We have audited Chennault International Airport Authority's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2011. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of the Chennault International Airport Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Chennault International Airport Authority's internal control over compliance.

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

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

This report is intended solely for the information and use of the Board of Commissioners, management, others within the entity, the Louisiana Legislative Auditor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



December 19, 2011

Chennault International Airport Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditors’ Results

June 30, 2011

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? yes no
- Significant deficiency identified? yes no
- Noncompliance required to be reported in accordance with Governmental Audit Standards? yes no

Federal Awards

Internal control over major programs:

- Material weakness identified? yes no
- Significant Deficiency (ies) identified that are not considered to be material weaknesses? yes no

Type of auditors’ report issued on compliance major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

yes no

Identification of major programs:

CFDA Number

Federal Emergency Management Agency
Passed through the Louisiana Office of
Homeland Security and Emergency Preparedness
Hurricane Rita recovery program 97.036

U.S. Department of Transportation
Airport Improvement Program 20.106

Department of Commerce
Economic Development Administration
Public Works and Economic Development 11.300

Dollar threshold used to distinguish
Between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

Chennault International Airport Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section II – Financial Statement Findings

June 30, 2011

Current Audit

There were no findings or questioned costs

Prior Audit

There were no findings or questioned costs

Section III – Federal Awards Findings

Current Audit

There were no findings or questioned costs

Prior Audit

There were no findings or questioned costs