

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

ANNUAL FINANCIAL REPORT

JUNE 30, 2007

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Release Date 3/12/08

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY

Lake Charles, Louisiana

BOARD OF COMMISSIONERS

June 30, 2007

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(Retired June 30, 2007)

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
LAKE CHARLES, LOUISIANA

ANNUAL FINANCIAL REPORT
Year Ended June 30, 2007

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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 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, 2007, 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities, major funds, and remaining fund information of Chennault International Airport Authority as of June 30, 2007, and the 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 January 17, 2008 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with laws, regulations, contracts and grants. 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 read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 to 7 and pages 25 to 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was performed for the purpose of forming an opinion on the basic financial statements of Chennault International Airport Authority, taken as a whole. 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 of Chennault International Airport Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Stulb & Associates

January 17, 2008

Management's Discussion and Analysis

As management of the Chennault International Airport Authority, we offer 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, 2007.

Financial Highlights

- The Authority was granted approval by the Louisiana State Bond Commission 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 amount of \$10,000,000 was sold to Capital One, National Association. The proceeds are to be used to finance construction, improving and refurbishment of the existing facilities, as well as acquisition of other facilities necessary for the Authority's operations. The Authority shall repay the indebtedness in semi-annual payments at a rate of interest ranging from 4.06% to 4.29% with the final payment due May 1, 2014. The Authority has made interest payments as due and a principal payment of \$1,045,000 on May 1, 2007 to reduce the amount of the debt to \$8,955,000.
- The Authority is eligible for funding from Federal Emergency Management Agency (FEMA) through the Hurricane Rita recovery program. The Authority received \$3,181,037 from FEMA for the fiscal year ending June 30, 2007 and \$601,817 for the fiscal year ending June 30, 2006. The Authority anticipates additional funding for the fiscal year ending June 30, 2008 as several large construction projects for hangar repairs and structural upgrades are scheduled to be completed. The additional FEMA reimbursements are expected to be approximately \$6,000,000 with the actual amount depending on what the final construction contract amounts are and on the successful completion of an audit by FEMA.
- The Authority reached final settlement on June 4, 2007 with the insurance companies that provided property insurance on the premises at the time of Hurricane Rita. The total paid to Chennault for insurance claims for Hurricane Rita was \$33,159,378 with \$26,816,582 reported for the fiscal year ending June 30, 2006 and \$6,342,796 reported for the fiscal year ending June 30, 2007.
- The Authority is nearing completion of more than \$46,500,000 of construction and repair projects for either storm damage repairs and replacement or structural upgrades and other upgrades to bring them into compliance with current building codes. The Authority anticipates completing this work with approximately \$43,000,000 funded from a combination of property insurance proceeds and FEMA reimbursements and the remaining less than \$4,000,000 from Authority funds.
- The Authority entered into sublease with a term of 10 years in July 2005 with Freeman Holdings of Louisiana for property to be used for fixed base operations. The Authority completed construction of an expansion of the FBO building in June 2007 for a cost of \$1,645,142. The monthly rent paid by Freeman Holdings increased upon completion from \$3,000 per month to \$10,000 per month. In addition, Freeman Holding collected \$102,134 for fuel flowage fees for the airport from its activities during the year. These fees are expected to increase as business activities at the FBO increase.

- The Authority has a \$1,500,000 grant from the Louisiana Economic Development Award Program (“EDAP”) that will be matched by \$1,500,000 of local funds to construct improvements to hangars and support buildings and to acquire tooling and tail docks for maintenance of large aircraft. These improvements and equipment will be used to expand business activities at Chennault. The EDAP reimbursement for fiscal year ended June 30, 2007 was \$420,283. In previous years the Authority received \$692,834 from the EDAP program. There remains \$386,883 of potential EDAP reimbursements under the program and the Authority entered into an amendment to the EDAP agreement to give it until December 31, 2008 to complete the construction of an additional tail maintenance dock that would result in Chennault being reimbursed the remaining funds in the EDAP agreement.
- The Authority has entered into a Cooperative Endeavor Agreement with the Division of Administration of the State of Louisiana for a \$1,600,000 cash line of credit. The reimbursement for the fiscal years ended June 30, 2006 and 2005 were \$74,456 and \$684,782, respectively. Total reimbursements received to date are \$759,238. The Authority plans to use the remaining funds under this agreement to construct a 11,475 square foot office/shop annex to Hangar C. The opening of bids for the construction of the new annex project was delayed until late in 2007 to allow for the Hangar C storm damage repairs and structural upgrade projects to be completed.

Financial Analysis

The assets of the Chennault International Airport Authority exceeded its liabilities at the close of the fiscal year ended June 30, 2007, by \$90,207,716. Table 1 on page 6 compares the calculation of net assets for the last two years.

The net assets of the Chennault International Airport Authority increased by \$8,644,849 during the fiscal year ended June 30, 2007. The changes in net assets are detailed in Table 2 on page 7.

Long-Term Debt

The Authority owes a total of \$11,015,000 plus accrued interest. There remains \$8,955,000 owed of 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. \$2,060,000 is owed under three reimbursement contracts entered into in 1993, 1994, and 1996. The total accrued interest on all debt as of June 30, 2007 is \$165,656.

Budgetary Highlights

Property tax collections of \$5,680,285 from the 5.45 mill tax levied for 2006 exceeded the \$5,250,000 that was budgeted by \$430,285. There are nine years remaining on the ten-year authorization to levy the property tax. The property tax levy approved for the year ending December 31, 2007 is 5.45 mills.

Rent income collected amounted to \$782,957, which is \$311,994 less than was budgeted for the year ending June 30, 2007. The largest part of not meeting the budget for rent income was the result of the use of airport premises by the General Services Administration for storm damage relief ended earlier than was expected, which resulted in \$181,692 less rent being collected than was budgeted. The second largest reason was that rent income collected from Aeroframe was \$150,000 less than was budgeted as the delay in the storm damage repair projects at Hangars D, E, F, and G resulted in a renegotiation of the Aeroframe sublease to factor in the delay, the fact of the significant employment growth at Aeroframe since the storm, the need for additional facilities, and a lease payment structure to allow a stepped increase in the rent over the five year term of the lease.

The \$154,760 total for miscellaneous income exceeded the budget by \$2,760. The largest component of miscellaneous income is the \$102,134 of fuel flowage fee.

Table 1
Chennault International Airport Authority
Net Assets

	June 30, 2007	June 30, 2006
Assets other than property, plant and equipment:		
Cash and certificates of deposit	\$ 16,258,482	\$ 16,912,981
Receivables	1,007,683	14,678,467
Reimbursement reserve account	50,625	413,607
Prepaid Insurance	370,598	-
Total	<u>17,687,388</u>	<u>32,005,055</u>
Property, plant and equipment:		
Hangars	48,042,181	25,110,775
Offices, warehouses and shops	24,163,128	17,529,054
Airport operations buildings	1,268,091	1,803,755
Airfield pavement improvements	3,432,870	3,432,870
Roads and parking lots	2,863,868	2,863,868
Utility systems	5,682,624	5,682,624
Waste treatment plant	1,880,786	1,880,786
Firewater plant and lines	2,028,743	2,028,743
Fences and gates	1,840,820	1,840,820
Other improvements	5,856,089	5,838,668
Equipment	4,021,084	3,689,108
Subtotal	<u>101,080,284</u>	<u>71,701,071</u>
Less accumulated depreciation	<u>(28,161,158)</u>	<u>(25,195,178)</u>
Capital Assets, net of depreciation	72,919,126	46,505,893
Land	2,584,369	2,340,997
Construction in progress	10,724,560	14,335,182
Total property, plant and equipment	<u>86,228,055</u>	<u>63,182,072</u>
Total Assets	<u>103,915,443</u>	<u>95,187,127</u>
Liabilities:		
Other liabilities	2,692,727	1,354,260
Bonds payable	11,015,000	12,270,000
Total liabilities	<u>13,707,727</u>	<u>13,624,260</u>
Net Assets:		
Invested in capital assets	75,047,399	50,672,214
Restricted for capital projects	3,688,312	3,445,056
Restricted for debt service	67,158	445,531
Unrestricted	11,404,847	27,000,066
Total Net Assets	<u>\$ 90,207,716</u>	<u>\$ 81,562,867</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, 2007	June 30, 2006
Revenues:		
Property tax	5,680,285	5,254,061
Rent income	782,957	1,069,466
Miscellaneous income	154,760	145,561
Interest income	696,235	374,104
Grants	552,671	88,971
Subtotal	<u>7,866,908</u>	<u>6,932,163</u>
Other Financing Sources:		
Impairment gain	9,756,112	15,762,570
FEMA proceeds, net of cost of assets	-	269,718
Total revenues and other financing sources	<u>17,623,020</u>	<u>22,964,451</u>
Expenses:		
Operate, maintain and repair airport and facilities	4,857,578	4,617,258
Intergovernmental	548,726	532,873
Transfer of land to Sowcla in exchange for long-term lease on property	62,500	-
Interest paid on debt	543,386	205,108
Depreciation	2,965,981	2,145,093
Total	<u>8,978,171</u>	<u>7,500,332</u>
Increase in Net Assets	8,644,849	15,464,119
Beginning Net Assets	81,562,867	66,098,748
Ending Net Assets	<u>\$ 90,207,716</u>	<u>\$ 81,562,867</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2007

	Governmental Fund Types		
	Special Revenue	Debt Service	Capital Projects
ASSETS			
Cash	\$ 440,612	\$ -	\$ 217,870
Certificates of Deposit	12,445,000	20,000	3,135,000
Receivables:			
Taxes	49,986	-	-
Interest	8,130	58	8,110
Federal/State Grants	296,054	-	464,857
Refundable Insurance Assessment	118,393	-	-
Other	62,095	-	-
Land	-	-	-
Other Capital Assets, net of accumulated depreciation	-	-	-
Prepaid insurance	370,598	-	-
Reimbursement reserve account	-	50,625	-
Due from other funds	4,288	-	-
	<u>\$ 13,795,156</u>	<u>\$ 70,683</u>	<u>\$ 3,825,837</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 168,357	\$ -	\$ 1,313
Accrued expenses	747	-	-
Contracts payable	2,221,205	-	135,449
Due to other funds	-	3,525	763
Certificates of indebtedness			
Due within one year	-	-	-
Due after one year	-	-	-
Reimbursement contracts, State of Louisiana	-	-	-
Due within one year	-	-	-
	<u>2,390,309</u>	<u>3,525</u>	<u>137,525</u>
Fund Balances/ Net Assets			
Fund Balances			
Reserved for construction and repairs	-	-	3,688,312
Designated for debt service	-	67,158	-
Undesignated	11,404,847	-	-
	<u>11,404,847</u>	<u>67,158</u>	<u>3,688,312</u>
Total liabilities and fund balance	<u>\$ 13,795,156</u>	<u>\$ 70,683</u>	<u>\$ 3,825,837</u>
Net Assets			
Invested in capital assets, net of related debt			
Restricted for construction and repairs			
Restricted for debt service			
Unrestricted			
Total net assets			

See Accompanying Notes to Financial Statements

Total Government Funds	Adjustments	Statement of Net Assets
\$ 658,482		\$ 658,482
15,600,000		15,600,000
		-
49,986		49,986
16,298		16,298
464,857		464,857
-		-
476,542		476,542
-	2,584,369	2,584,369
-	83,643,686	83,643,686
370,598		370,598
50,625		50,625
4,288	(4,288)	-
<u>\$ 17,691,676</u>	<u>\$ 86,223,767</u>	<u>\$ 103,915,443</u>
\$ 169,670		\$ 169,670
747	165,856	166,403
2,356,654		2,356,654
4,288	(4,288)	-
-	1,100,000	1,100,000
-	7,855,000	7,855,000
-		-
-	2,060,000	2,060,000
<u>2,531,359</u>	<u>11,176,368</u>	<u>13,707,727</u>
3,688,312	(3,688,312)	-
67,158	(67,158)	-
11,404,847	(11,404,847)	-
<u>15,160,317</u>	<u>(15,160,317)</u>	
<u>\$ 17,691,676</u>	<u>(3,983,949)</u>	
	75,047,399	75,047,399
	3,688,312	3,688,312
	67,158	67,158
	11,404,847	11,404,847
	<u>\$ 90,207,716</u>	<u>\$ 90,207,716</u>

See Accompanying Notes to Financial Statements

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO NET ASSETS
June 30, 2007

Total Governmental Fund Balances **\$ 15,160,317**

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	2,584,369
Buildings	73,473,400
Airfield Pavement Improvement	3,275,467
Roads and Parking	3,021,271
Utility and Fire Protection Systems	7,711,367
Waste Treatment Plant	1,880,786
Fences and Gates	1,840,820
Other Improvements	5,856,089
Equipment	4,021,084
Construction in progress	10,724,560
Accumulated depreciation	<u>(28,161,158)</u>
Other capital assets, net of accumulated depreciation	83,643,686

Interfund receivables are eliminated in reporting total assets (4,288)

Total asset adjustments **\$ 86,223,767**

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	8,955,000
Reimbursement contracts, State of Louisiana	2,060,000
Accrued interest	165,656

Interfund payables are eliminated in reporting total assets (4,288)

Total liability adjustments **\$ 11,176,368**

Net assets of governmental activities **\$ 90,207,716**

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Fiscal Year Ended June 30, 2007

	Governmental Funds		
	Special Revenue	Debt Service	Capital Projects
Revenues:			
Taxes	\$ 5,680,285	\$ -	\$ -
Rents	782,957	-	-
Interest	539,882	29,627	126,726
Miscellaneous	154,760	-	-
Grant proceeds	-	-	552,671
Total revenues	<u>7,157,884</u>	<u>29,627</u>	<u>679,397</u>
Expenditures:			
Current operating:			
Personal services	1,359,997	-	-
Travel	28,412	-	-
Contractual services	1,344,794	-	-
Intergovernmental	548,726	-	-
Supplies and materials	209,374	-	-
Repairs and maintenance	1,260,180	-	-
Hurricane repairs	24,182,955	-	-
Depreciation	-	-	-
Capital outlays	110,188	-	2,436,142
Debt service:			
Interest and fiscal charges	1,464,588	408,000	-
Total expenditures	<u>30,509,214</u>	<u>408,000</u>	<u>2,436,142</u>
Excess (deficiency) of revenues over expenditures	<u>(23,351,330)</u>	<u>(378,373)</u>	<u>(1,756,745)</u>
Other financing sources (uses):			
Insurance proceeds	6,342,796	-	-
FEMA proceeds	3,181,037	-	-
DOTD proceeds	232,279	-	-
Sale of property to Sowela	-	-	-
Impairment gain	-	-	-
Operating transfers in	-	-	2,000,000
Operating transfers (out)	(2,000,000)	-	-
Total other financing sources (uses)	<u>7,756,112</u>	<u>-</u>	<u>2,000,000</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(15,595,219)</u>	<u>(378,373)</u>	<u>243,255</u>
Fund balance/net assets			
Beginning of year	<u>27,000,066</u>	<u>445,531</u>	<u>3,445,056</u>
End of year	<u>\$ 11,404,847</u>	<u>\$ 67,158</u>	<u>\$ 3,688,312</u>

See Accompanying Notes to Financial Statements

Total Government Funds	Adjustments	Statement of Activities
\$ 5,680,285	\$ -	\$ 5,680,285
782,957	-	782,957
696,235	-	696,235
154,760	-	154,760
552,671	-	552,671
<u>7,866,908</u>	<u>-</u>	<u>7,866,908</u>
1,359,997	-	1,359,997
28,412	-	28,412
1,344,794	-	1,344,794
548,726	-	548,726
209,374	36,510	245,884
1,260,180	-	1,260,180
24,182,955	(23,564,644)	618,311
-	2,965,981	2,965,981
2,546,330	(2,546,330)	-
<u>1,872,588</u>	<u>(1,329,202)</u>	<u>543,386</u>
<u>33,353,356</u>	<u>(24,437,685)</u>	<u>8,915,671</u>
<u>(25,486,448)</u>	<u>(24,437,685)</u>	<u>(1,048,763)</u>
6,342,796	(6,342,796)	-
3,181,037	(3,181,037)	-
232,279	(232,279)	-
-	(62,500)	(62,500)
-	9,756,112	9,756,112
2,000,000	-	2,000,000
(2,000,000)	-	(2,000,000)
<u>9,756,112</u>	<u>(62,500)</u>	<u>9,693,612</u>
(15,730,336)	24,375,185	8,644,849
<u>30,890,653</u>	<u>50,672,214</u>	<u>81,562,867</u>
<u>\$ 15,160,317</u>	<u>\$ 75,047,399</u>	<u>\$ 90,207,716</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, 2007**

Net change in fund balances - total governmental funds \$ (15,730,336)

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

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

Hurricane repairs	23,564,644	
Capital outlay	2,546,330	
Disposal of equipment acquired costing less than \$10K	(36,510)	
Transfer of land to Sowela in exchange for long-term lease on property	(62,500)	
Depreciation expense	<u>(2,965,981)</u>	
Excess of capital outlay over depreciation expense		23,045,983

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 - Reimbursement contracts	210,000	
Principal retirement - \$10M debt, Series 2006	1,045,000	
Net decrease in accrued interest payable	<u>74,202</u>	
Net decrease		<u>1,329,202</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:

Insurance proceeds	(6,342,796)	
FEMA proceeds	(3,181,037)	
DOTD proceeds	(232,279)	
Impairment gain	<u>9,756,112</u>	

Change in net assets of governmental funds \$ 8,644,849

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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, 2007
(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 three generic fund types and 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 legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition, 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.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(continued)

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

This government-wide focus is more on the sustainability of the Authority as an entity and the change in the Authority's 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, 2007 unrecorded Special Revenue Fund liabilities included approximately \$59,234 vacation pay and \$2,440 compensation time.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007
 (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, 2007 were all classified as category 1. The balance as of June 30, 2007 consisted of the following:

	<u>Bank Balance</u>	<u>Carrying Value</u>
Cash	<u>\$ 951,738</u>	<u>\$ 658,482</u>
Certificates of deposit	<u>\$15,600,000</u>	<u>\$15,600,000</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(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, 2007, the Authority levied taxes of 5.45 mills on property with assessed valuation totaling \$1,062,414,142 the taxes were dedicated to maintaining, operating, relocating, constructing, or improving Airpark facilities of the Authority. Total taxes levied were \$5,790,157.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(continued)

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. Reimbursement Contract

The Authority and the State Bond Commission have entered into three separate reimbursement contracts including a \$3,000,000 contract amended August 19, 1993, a \$600,000 contract dated November 17, 1994, and a \$300,000 contract dated July 18, 1996. The contracts provide for payments to reimburse the state for bonds issued for renovations to Chennault facilities as well as providing for the establishment of a reserve account.

The reimbursement contracts provide that the Authority shall repay into the State of Louisiana Bond Security and Redemption Fund designated revenues in an amount sufficient to reimburse the amount of the contract, together with interest at the rate of 6% over a period of twenty years.

In July 2005 there was a proposed agreement between the Authority, the State of Louisiana, and the Board of Supervisors of Community and Technical Colleges to transfer land and property of the Authority in exchange for forgiving debt of \$2,270,000, the balance of the Reimbursement Contracts as of June 30, 2005. Prior to finalizing the agreement, a portion of the property to be exchanged was destroyed by Hurricane Rita. As a result, there was a delay in the transaction and plans for a new agreement are being developed. During the fiscal year ended June 30, 2007 the State applied funds from the Reserve Accounts to cover principal and interest installments due through November 15, 2006. The balance of the contracts as of June 30, 2007 is as follows:

	Principal	Accrued Interest	Reserve
1993 Contract	\$1,495,000	\$ 78,452	\$ 45,943
1995 Contract	355,000	14,398	2,048
1997 Contract	<u>210,000</u>	<u>9,524</u>	<u>2,634</u>
	\$2,060,000	\$102,374	\$ 50,625

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(continued)

7. 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 annual requirements to amortize the indebtedness outstanding as of June 30, 2007 is as follows:

<u>Year Ending June 30</u>	<u>Interest</u>	<u>Principal</u>
2008	378,029	1,100,000
2009	332,819	1,155,000
2010	284,771	1,215,000
2011	233,862	1,270,000
2012	180,142	1,340,000
2013 and after	<u>186,335</u>	<u>2,875,000</u>
	<u>\$1,595,958</u>	<u>\$8,955,000</u>

8. 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, 2007:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2007</u>
Reimbursement				
Contracts	\$ 2,270,000	\$ -	\$ 210,000	\$ 2,060,000
Certificates of Indebtedness	<u>10,000,000</u>	<u>-</u>	<u>1,045,000</u>	<u>8,955,000</u>
Total	<u>\$12,270,000</u>	<u>\$ -</u>	<u>\$ 1,255,000</u>	<u>\$11,015,000</u>

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

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(continued)

8. Change in Capital Assets

A summary of capital assets for the year ended June 30, 2007 is as follows:

	June 30, 2006	Additions	Retirements	June 30, 2007
Construction in progress	\$ 14,335,182	\$26,000,786	\$ 29,611,408	\$10,724,560
Land	2,340,997	305,872	62,500	2,584,369
Buildings	44,443,584	29,029,817	-	73,473,401
Improvement other than building	23,568,379	17,421	-	23,585,800
Equipment	<u>3,689,108</u>	<u>368,486</u>	<u>36,510</u>	<u>4,021,084</u>
	88,377,250	55,722,382	29,710,418	114,389,214
Accumulated depreciation	<u>(25,195,178)</u>	<u>(2,965,981)</u>	<u>-</u>	<u>(28,161,159)</u>
	\$ <u>63,182,072</u>	\$ <u>52,756,401</u>	\$ <u>29,710,418</u>	\$ <u>86,228,055</u>

During the fiscal year ended June 30, 2007, the Authority completed construction on several capital projects. Listed below is a summary of the completed projects.

Project	Prior Period Expenditures	Year Ended June 30, 2007	Total Project Expenditures
FBO Building Expansion	\$ 337,414	\$ 1,307,728	\$ 1,645,142
Portable Building(Ops)	-	48,536	48,536
Hangar 1	249,002	1,456,685	1,705,687
Hangar A	5,061,766	4,733,847	9,795,613
Hangar C	3,838,146	2,945,550	6,783,696
Hangar E	1,852,988	2,094,781	3,947,769
Hangar F	1,347,949	1,104,159	2,452,108
Building 1350	-	50,950	50,950
Building 3001	117,766	747,190	864,956
Building 3002	-	62,997	62,997
Building 3006	155,856	255	156,111
Building 3007	-	112,881	112,881
Building 3009	722,547	624,683	1,347,230
Other Projects	-	73,562	73,562
Total	<u>\$ 13,683,434</u>	<u>\$ 15,363,804</u>	<u>\$ 29,047,238</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(continued)

Construction in progress as of June 30, 2007, is composed of the following:

	<u>Expended to</u> <u>June 30, 2007</u>
Hangar B	\$ 7,747,445
Hangar D	2,243,490
Building 1020	124,426
Fuel Farm Expansion	175,531
Hangar C Annex	18,951
Technology Transfer Building	165,736
New Air Traffic Control Tower	243,652
Other Projects	<u>5,329</u>
Total	<u>\$10,724,560</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, 2007 on non-cancelable operating leases for the next five years are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2008	\$ 901,742
June 30, 2009	\$ 1,312,250
June 30, 2010	\$ 1,626,762
June 30, 2011	\$ 1,521,254
June 30, 2012	\$ 1,790,762

10. Defined Benefit Plan

Plan Description:

The Authority contributes to the Louisiana State Employees' Retirement System (System), a cost-sharing multiple-employer public employee retirement system (PERS). As a result of

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(continued)

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, 2007 was \$366,255. The Authority's total payroll and taxable benefits was \$1,085,782.

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 19.1 percent of eligible salaries. The contribution requirement for the year ended June 30, 2007, was \$97,424 (26.6% of current year covered payroll), which consisted of \$69,955 (19.1% of current year covered payroll) from the Authority and \$27,469 (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 assess the funding status of the plan on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among other public employee retirement systems. The measure is called the "actuarial present value of credited projected benefits" and is independent of the funding method used to determine contributions to the plan.

The PBO was computed as part of an actuarial valuation performed as of June 30, 2006; however, the System does not make separate measurements of assets and pension benefit

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007
(continued)

obligations of individual employers. The pension benefit obligation at June 30, 2006, for the System as a whole was approximately \$11.548 billion.

The system's net assets available for benefits on that date (valued at market) were approximately \$7.430 billion, leaving an unfunded pension benefit obligation of approximately \$4.117 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.

11. 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>
2008	\$ 456,492	\$ 28,500
2009	-	28,500
2010	-	<u>19,000</u>
	\$ <u>456,492</u>	\$ <u>76,000</u>

On September 24, 2005, Hurricane Rita made landfall and caused extensive damages to the Authority's property and equipment. The high winds damaged many of the buildings that are owned by the Authority. Insurance and FEMA recovery net of carrying value of damaged property resulted in a net impairment gain of \$25,518,682. The replacement cost, including code upgrades, of damaged property is estimated to be in excess of \$46,000,000. The costs not covered by insurance will include the two percent of insured value deductible per building for damages caused by high winds, the cost of making code compliance upgrades that are in excess of the coverage limits, and the cost of repairing or replacing fences, gates, signage, airfield lighting systems, and other ancillary assets not covered by insurance. Management continues to work with insurance adjusters and FEMA representatives and feels that the Authority will incur costs not to exceed \$4,000,000 to replace and upgrade damaged property and equipment.

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, 2007.

**CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
SPECIAL REVENUE FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 5,250,000	\$ 5,250,000	\$ 5,680,285	\$ 430,285
Rents	1,094,951	1,094,951	782,957	(311,994)
Interest	175,000	175,000	539,882	364,882
Miscellaneous	152,000	152,000	154,760	2,760
Grant proceeds	-	-	-	-
Total revenues	<u>6,671,951</u>	<u>6,671,951</u>	<u>7,157,884</u>	<u>485,933</u>
Expenditures:				
Salaries	1,162,530	1,162,530	1,059,232	103,298
Employee benefits and taxes	327,659	327,659	300,765	26,894
Travel	40,000	40,000	28,412	11,588
Rentals	18,710	18,710	17,554	1,156
Insurance	257,431	257,431	281,977	(24,546)
Telephone and utilities	177,420	177,420	195,255	(17,835)
Maintenance	101,837	101,837	93,400	8,437
Control tower	23,300	23,300	16,124	7,176
Fire protection	492,000	492,000	500,458	(8,458)
Advertising	26,300	26,300	20,731	5,569
Architectural and engineering	42,500	42,500	35,895	6,605
Miscellaneous Contractual	144,400	144,400	183,400	(39,000)
Intergovernmental	537,500	537,500	548,726	(11,226)
Business development	14,000	14,000	17,068	(3,068)
Maintenance supplies	65,600	65,600	50,545	15,055
Office Expense	16,950	16,950	14,262	2,688
Vehicles-fuel and repairs	183,000	183,000	127,499	55,501
Major repairs	1,154,185	1,154,185	1,260,180	(105,995)
Hurricane repairs	24,195,372	24,195,372	24,182,955	12,417
Capital outlays	100,000	100,000	110,188	(10,188)
Debt service	1,462,615	1,462,615	1,484,588	(1,973)
Total expenditures	<u>30,543,309</u>	<u>30,543,309</u>	<u>30,509,214</u>	<u>34,095</u>
 Excess of revenues over expenditures	 (23,871,358)	 (23,871,358)	 (23,351,330)	 520,028

(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, 2007
(continued)**

	Original	Budgeted Amounts		Variance with Final Budget Favorable (Unfavorable)
		Final	Actual	
Excess of revenues over expenditures	(23,871,358)	(23,871,358)	(23,351,330)	520,028
Other financing sources (uses):				
Insurance proceeds	15,808,461	15,808,461	6,575,075	(9,233,386)
FEMA proceeds	6,244,374	6,244,374	3,181,037	(3,063,338)
Certificates of indebtedness	-	-	-	-
Operating transfers in	99,148	99,148	-	(99,148)
Operating transfers out	(2,000,000)	(2,000,000)	(2,000,000)	-
Total Other Sources (Uses)	<u>20,151,983</u>	<u>20,151,983</u>	<u>7,756,112</u>	<u>(12,395,872)</u>
Excess (deficiency) of revenues over expenditures and other uses	(3,719,375)	(3,719,375)	(15,595,219)	(11,875,844)
Fund balance at beginning of year	<u>13,329,705</u>	<u>13,329,705</u>	<u>27,000,066</u>	<u>13,670,361</u>
Fund balance at end of year	<u>\$ 9,610,330</u>	<u>\$ 9,610,330</u>	<u>\$ 11,404,847</u>	<u>\$ 1,794,517</u>

See Note to Required Supplementary Information

Chennault International Airport Authority
Note to Required Supplementary Information-Budgetary Reporting
For the year ended June 30, 2007

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. Formal budgetary integration, although employed by the Debt Service Funds, is alternatively achieved through certificate of indebtedness and reimbursement contract provisions. The capital budget ordinances which authorize the Capital Projects Fund present cumulative as opposed to annual budget amounts.

SUPPLEMENTAL INFORMATION

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2007

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Federal Emergency Management Agency Passed through the Louisiana office of Homeland Security and Emergency Preparedness Hurricane Rita recovery program	97.036	\$ 3,181,037
U. S. Department of Transportation - Airport Improvement Program	20.106	125,769

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, 2007

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 PER DIEM PAID COMMISSIONERS

June 30, 2007

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>
George H. Vincent	12	-
Jonald J. Walker, III	12	-
Jane Dufrene	14	-
James G. Gobert	14	-
Louis H. Haxthausen	14	-
Glen A. James	14	-
Russell T. Tritico, Sr.	12	-

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL
CONTROL OVER FINANCIAL REPORTING 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, 2007, and have issued our report thereon dated January 17, 2008. 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 the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material

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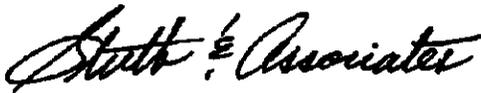
weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether the 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2007-1.

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Board of Commissioners, management, the Federal Aviation Administration and the Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



January 17, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND 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 the compliance of Chennault International Airport Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. 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 the 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 are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control over Compliance

The 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 requirements that

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could have a direct material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in the Authority's internal control that might be 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 for the information of the Board of Commissioners, management, the Federal Aviation Administration and the Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Stult & Associates

January 17, 2008

Chennault International Airport Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section I - Summary of Auditors' Results

June 30, 2007

Financial Statements

Type of auditor's 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 identified? yes no

Type of auditor's report issued on compliance for
major programs:

Unqualified

- Audit findings disclosed that are required
to be reported in accordance with OMB
Circular A-133 yes no

Identification of major programs:

Federal Grantor/Pass-through

Grantor/Program Title

Federal Emergency Management Agency

Passed through the Louisiana office of
Homeland Security and Emergency Preparedness
Hurricane Rita recovery program

Federal
CFDA
Number

97.036

Dollar threshold to distinguish between
Type A and Type B programs:

\$500,000

Auditee qualified as low-risk auditee

yes no

Chennault International Airport Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section II – Findings – Financial Statement Audit

2007- 1

Criteria: Under Louisiana Statue, the Authority is required to have an annual audit of its financial statements prepared in accordance with generally accepted accounting principles and to complete the audit and file it with the Legislative Auditor of the State of Louisiana by December 31st of each year.

Condition: The District did not meet the deadline for reporting to the State of Louisiana.

Effect: The District did not comply with state statute.

Recommendation: The necessary procedures should be taken to have all the necessary information available to begin the audit process as soon after year end as possible.

Management Response: Although the audit was submitted subsequent to December 31st, the Authority was granted a one month extension of time to submit the report. In the future, the Authority plans to have the necessary accounting complete as soon after year end as possible.