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CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
LAKE CHARLES, LOUISIANA

ANNUAL FINANCIAL REPORT

JUNE 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the Louisiana State Auditor, reviewed, certified, and made available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date DEC 22 1999

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY

Lake Charles, Louisiana

BOARD OF COMMISSIONERS

June 30, 1999

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CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
LAKE CHARLES, LOUISIANA

ANNUAL FINANCIAL REPORT
Year Ended June 30, 1999

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AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS.

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Chennault International Airport Authority
Lake Charles, Louisiana

We have audited the accompanying general-purpose financial statements of the Chennault International Airport Authority and the combining and individual fund financial statements of Chennault International Airport Authority as of and for the year then ended June 30, 1999, 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 generally accepted auditing standards and *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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose 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 general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Chennault International Airport Authority as of June 30, 1999, and the results of its operations of the individual funds for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the Chennault International Airport Authority as of June 30, 1999, and the results of its operations of such funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 20, 1999 on our consideration of the Authority's internal control and on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole and on the combining and individual fund financial statements. The supporting schedule listed in the table of contents is presented for the purposes of additional analysis and is not a required part of the financial statements of the Chennault International Airport Authority. Such information has been subjected to the auditing procedures applied in the audit of the general purpose, combining and individual fund financial statements and, in our opinion, the information is fairly stated in all material respects in relation to such financial statements taken as a whole.

Stutt & Associates
October 20, 1999

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 1999
With Comparative Totals for June 30, 1998

	Governmental Fund Types		
	Special Revenue	Debt Service	Capital Projects
ASSETS			
Cash	\$ 814,037	\$ -	\$ -
Certificates of Deposit	179,000	404,000	5,517,000
Receivables:			
Taxes	37,123	-	-
Interest	3,081	1,177	16,207
Other	392	-	-
Deposits	2,413	-	-
Reimbursement reserve account	-	182,897	-
Due from other funds	25,579	-	786
Due from the State of Louisiana	-	-	-
General fixed assets	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Amount available in debt service fund	-	-	-
Total assets	<u>\$ 1,061,625</u>	<u>\$ 588,074</u>	<u>\$ 5,533,993</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 46,236	\$ -	\$ 57,719
Accrued expenses	1,810	-	-
Contracts payable	7,390	-	15,540
Due to other funds	786	2,824	22,755
Reimbursement contracts, State of Louisiana	-	-	-
Total liabilities	<u>56,222</u>	<u>2,824</u>	<u>96,014</u>
Fund equity:			
Investment in general fixed assets	-	-	-
Fund balances:			
Reserved for construction and repairs	-	-	5,437,979
Unreserved:			
Designated for debt service	-	585,250	-
Undesignated	1,005,403	-	-
Total fund equity	<u>1,005,403</u>	<u>585,250</u>	<u>5,437,979</u>
Total liabilities and fund equity	<u>\$ 1,061,625</u>	<u>\$ 588,074</u>	<u>\$ 5,533,993</u>

See accompanying notes to financial statements

Account Groups		Totals (Memorandum Only)	
General Long-Term Debt	General Fixed Asset	1999	1998
\$ -	\$ -	\$ 814,037	\$ 748,879
-	-	6,100,000	5,149,500
-	-	37,123	22,863
-	-	20,465	15,429
-	-	392	225
-	-	2,413	1,118
-	-	182,897	148,898
-	-	26,365	5,422
-	-	-	695,023
-	71,460,910	71,460,910	68,859,228
2,714,750	-	2,714,750	2,830,623
585,250	-	585,250	614,377
<u>\$ 3,300,000</u>	<u>\$ 71,460,910</u>	<u>\$ 81,944,602</u>	<u>\$ 79,091,585</u>
\$ -	\$ -	\$ 103,955	\$ 93,529
-	-	1,810	444
-	-	22,930	486,055
-	-	26,365	5,422
3,300,000	-	3,300,000	3,445,000
<u>3,300,000</u>	<u>-</u>	<u>3,455,060</u>	<u>4,030,450</u>
-	71,460,910	71,460,910	68,859,228
-	-	5,437,979	2,728,351
-	-	585,250	614,377
-	-	1,005,403	2,859,179
-	71,460,910	78,489,542	75,061,135
<u>\$ 3,300,000</u>	<u>\$ 71,460,910</u>	<u>\$ 81,944,602</u>	<u>\$ 79,091,585</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE-ALL GOVERNMENTAL FUND TYPES

Fiscal Year Ended June 30, 1999

With Comparative Totals for Fiscal Year Ended June 30, 1998

	Governmental Fund Types		
	Special Revenue	Debt Service	Capital Projects
Revenues:			
Taxes	\$ 4,210,434	\$ -	\$ -
Rents	2,357,523	-	-
Interest	152,472	22,573	133,295
Miscellaneous	95,872	-	-
Grant proceeds	20,000	-	120,717
Total revenues	<u>6,836,301</u>	<u>22,573</u>	<u>254,012</u>
Expenditures:			
Current operating:			
Personal services	885,207	-	-
Travel	27,950	-	-
Contractual services	1,555,855	-	-
Supplies and materials	91,735	-	-
Repairs and maintenance	162,578	-	-
Capital outlays	546,330	-	2,664,806
Debt service:			
Principal retirement	-	145,000	-
Interest and fiscal charges	-	206,700	-
Total expenditures	<u>3,269,655</u>	<u>351,700</u>	<u>2,664,806</u>
Excess (deficiency) of revenues over expenditures	<u>3,566,646</u>	<u>(329,127)</u>	<u>(2,410,794)</u>
Other financing sources (uses):			
State Reimbursement Contract	-	-	-
Operating transfers in	-	300,000	5,120,422
Operating transfers (out)	<u>(5,420,422)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(5,420,422)</u>	<u>300,000</u>	<u>5,120,422</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,853,776)	(29,127)	2,709,628
Fund balance at beginning of year	<u>2,859,179</u>	<u>614,377</u>	<u>2,728,351</u>
Fund balance at end of year	<u>\$ 1,005,403</u>	<u>\$ 585,250</u>	<u>\$ 5,437,979</u>

See accompanying notes to financial statements

Totals (Memorandum Only)

	<u>1999</u>	<u>1998</u>	
\$	4,210,434	\$ 4,108,905	
	2,357,523	2,083,689	
	308,340	239,638	
	95,872	65,289	
	140,717	1,927,383	
	<u>7,112,886</u>	<u>8,424,904</u>	
	885,207	681,340	
	27,950	11,678	
	1,555,855	1,372,836	
	91,735	77,266	
	162,578	310,613	
	3,211,136	3,985,668	
	-	-	
	145,000	130,000	
	206,700	216,000	
	<u>6,286,161</u>	<u>6,785,401</u>	
	<u>826,725</u>	<u>1,639,503</u>	
	-	300,000	
	5,420,422	3,546,851	
	<u>(5,420,422)</u>	<u>(3,546,851)</u>	
	<u>-</u>	<u>300,000</u>	
	826,725	1,939,503	
	<u>6,201,907</u>	<u>4,262,404</u>	
\$	<u>7,028,632</u>	<u>\$ 6,201,907</u>	

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL

Fiscal Year Ended June 30, 1999

With Comparative Actual Amounts for Fiscal Year Ended June 30, 1998

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
Revenues:				
Taxes	\$ 4,075,000	\$ 4,210,434	135,434	\$ 4,108,905
Rents	2,348,048	2,357,523	9,475	2,083,689
Interest	140,000	152,472	12,472	154,639
Miscellaneous	80,000	95,872	15,872	65,289
Grant proceeds	-	20,000	20,000	-
Total revenues	<u>6,643,048</u>	<u>6,836,301</u>	<u>193,253</u>	<u>6,412,522</u>
Expenditures:				
Salaries	760,259	725,249	35,010	548,138
Employee benefits and taxes	168,419	159,958	8,461	133,202
Travel	34,000	27,950	6,050	11,678
Rentals	13,150	16,015	(2,865)	11,598
Insurance	126,072	111,210	14,862	83,598
Telephone and utilities	80,995	62,094	18,901	58,128
Maintenance	54,028	43,441	10,587	38,537
Control tower	249,800	246,099	3,701	217,901
Fire protection	537,100	537,105	(5)	537,108
Legal and professional services	67,500	58,670	8,830	58,059
Advertising	37,200	42,105	(4,905)	1,854
Architectural and engineering	88,000	65,724	22,276	12,158
Miscellaneous Contractual	61,050	58,094	2,956	43,106
Intergovernmental	180,000	180,000	-	180,000
State Required Tax Payment	135,000	135,298	(298)	130,788
Business development	5,750	12,130	(6,380)	9,851
Maintenance supplies	27,250	21,366	5,884	21,694
Office Expense	13,650	18,930	(5,280)	17,201
Vehicles-fuel and repairs	49,750	39,309	10,441	28,521
Major repairs	858,000	162,578	695,422	310,613
Capital outlays	761,123	546,330	214,793	185,499
Total expenditures	<u>4,308,096</u>	<u>3,269,655</u>	<u>1,038,441</u>	<u>2,639,232</u>
Excess of revenues over expenditures	2,334,952	3,566,646	1,231,694	3,773,290

(continued on next page)

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
SPECIAL REVENUE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
Fiscal Year Ended June 30, 1999
With Comparative Actual Amounts for Fiscal Year Ended June 30, 1998
(continued)

	1999		Variance Favorable (Unfavorable)	1998
	Budget	Actual		Actual
Excess of revenues over expenditures	2,334,952	3,566,646	1,231,694	3,773,290
Other financing sources (uses):				
Operating transfers out	(4,725,000)	(5,420,422)	(695,422)	(3,542,387)
Excess (deficiency) of revenues over expenditures and other uses	(2,390,048)	(1,853,776)	536,272	230,903
Fund balance at beginning of year	2,859,179	2,859,179	-	2,628,276
Fund balance at end of year	<u>\$ 469,131</u>	<u>\$ 1,005,403</u>	<u>\$ 536,272</u>	<u>\$ 2,859,179</u>

See accompanying notes to financial statements

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

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 accounting and reporting policies of the Authority conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the AICPA industry audit guide, *Audits of State and Local Governmental Units*.

A. Fund Accounting

The accounts of the Authority are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses as appropriate. 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:

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

GOVERNMENTAL FUNDS

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.

GENERAL FIXED ASSETS AND GENERAL LONG-TERM DEBT
ACCOUNT GROUP

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets. Fixed assets are valued at historical cost. The Authority has elected to capitalize infrastructure fixed assets including paving, parking lots, and runway improvements.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in governmental funds.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with the measurement or results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities of the General Long-Term Debt Group.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

The combined financial statements include total columns that aggregate the financial statements of the various fund types and account groups. The columns are designated "memorandum only" because the totals are not comparable to a consolidation in that interfund transactions are not eliminated.

B. 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.

C. 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.

All governmental funds are accounted for using 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.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

D. Budget Policy and Budgetary Accounting

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.

The budget adoption resolution for the fiscal year ending June 30, 1999, included a Capital Projects Fund-Major Repair and Renovation to provide funds for future period major repair and renovation projects. The resolution specified that, on the last day of the fiscal year, the unexpended portion of the Special Revenue Fund budget for major repairs shall be transferred to the Capital Projects Fund-Major Repair and Renovation. The amount of the transfer on June 30, 1999, was \$695,422.

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 Funds present cumulative as opposed to annual budget amounts and thus budget and actual comparisons are not reported in the accompanying financial report for these funds. The budget and actual comparison presented in the accompanying financial report includes the Special Revenue Fund.

E. 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.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

F. 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, 1999 unrecorded Special Revenue Fund liabilities included approximately \$26,021 vacation pay and \$2,657 compensation time.

G. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position and operations.

2. Cash and Certificates of Deposit

Cash and investments stated at cost consisted of the following:

Cash	\$ 814,037
Certificates of deposit	\$ 6,100,000

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.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

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, 1999 were all classified as Category 1.

3. Joint Services Agreement

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

Under the terms of the agreements, the Authority agreed to annually grant or transfer \$120,000 to the West-Calcasieu Airport Authority Managing Board and \$60,000 to the DeQuincy Airport Authority. The transfers are scheduled to take place annually for a ten year period with the last payment to be made in the year 2006. The transfer for the current fiscal year was made on January 20, 1999.

4. Property Taxes

On January 21, 1995, an election was held and the proposition passed authorizing the Authority to levy and collect a 5.82 mill property tax for a period of ten years beginning with the year 1996. For the year ended June 30, 1999, the Authority levied taxes of 5.70 mills on property with assessed valuation totaling \$746,985,130, the taxes were dedicated to maintaining, operating, relocating, constructing, or improving Airpark facilities of the Authority. Total taxes levied were \$ 4,210,434.

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

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

become delinquent after December 31st. Property taxes not paid by February 28th are subject to property lien.

5. State Capital Outlay Appropriation of \$3,000,000

The State of Louisiana appropriated \$3,000,000 to finance Administration and Hangar Facilities, Parking, Infrastructure for Expanding the J-STARS Program, Planning and Construction. The funds were administered through the Louisiana Department of Transportation and Development ("DOTD"). The Authority and DOTD entered into a Cooperative Endeavor Agreement ("CEA") on October 24, 1996. The CEA was subsequently amended on May 16, 1997, and September 3, 1997, to incorporate actions of the State Bond Commission in approving lines of credit to be used in constructing the project.

The \$3,000,000 capital outlay appropriation from the state was used to construct a 25,000 square foot addition to Hangar A and a 23,616 square foot addition to Hangar B. The total cost of adding the additions to the hangars was \$3,075,683. The Authority paid for the \$ 75,683 cost of the project above the \$ 3,000,000 paid for by the state program.

The addition to Hangar A was completed in September 1997 and the addition to Hangar B was completed in August 1998. Northrop Grumman assumed occupancy of the two additions in October 1997 and September 1998.

6. State Capital Outlay Appropriation of \$300,000

The State of Louisiana Capital Outlay Act of 1996 appropriated \$300,000 for Renovations, Planning, and Construction to Chennault Facilities. The appropriation contained the requirement that the \$300,000 be reimbursed by the Authority to the state with six percent annual interest over a term of twenty years.

7. 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. (see note 6)

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

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.

The indebtedness will be repaid as follows:

1993 Contract		1994 Contract																			
Date	Principal	Date	Principal																		
3/15/00	120,000	5/15/00	20,000																		
3/15/01	125,000	5/15/01	20,000																		
3/15/02	130,000	5/15/02	25,000																		
3/15/03	145,000	5/15/03	25,000																		
3/15/04	150,000	5/15/04	25,000																		
3/15/05-13	1,815,000	5/15/05-15	415,000																		
	\$ 2,485,000		\$ 530,000																		
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center; border-bottom: 1px solid black;">1996 Contract</th> </tr> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Date</th> <th style="text-align: center; border-bottom: 1px solid black;">Principal</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">4/15/00</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td style="text-align: center;">4/15/01</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td style="text-align: center;">4/15/02</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td style="text-align: center;">4/15/03</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td style="text-align: center;">4/15/04</td> <td style="text-align: right;">10,000</td> </tr> <tr> <td style="text-align: center;">4/15/05-17</td> <td style="text-align: right;">235,000</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 285,000</td> </tr> </tbody> </table>				1996 Contract		Date	Principal	4/15/00	10,000	4/15/01	10,000	4/15/02	10,000	4/15/03	10,000	4/15/04	10,000	4/15/05-17	235,000		\$ 285,000
1996 Contract																					
Date	Principal																				
4/15/00	10,000																				
4/15/01	10,000																				
4/15/02	10,000																				
4/15/03	10,000																				
4/15/04	10,000																				
4/15/05-17	235,000																				
	\$ 285,000																				

The Authority shall, in addition to making annual principal and interest payments, transfer and make available to the State of Louisiana an amount equal to a minimum of one-tenth of the average annual debt service on the reimbursement contract. The amount so deposited shall be used, if necessary, solely to remedy or prevent a default in making the reimbursement payments required by this contract. When the reimbursement contract has been paid in full, any amount of funds remaining in the reserve fund shall be transferred by the State to the Authority. As of June 30, 1999 the Authority had \$182,897 in the reserve fund.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

The reimbursement contract reserve payment schedule is as follows:

1993 Contract		1994 Contract	
Date	Principal	Date	Principal
3/15/00	26,084	5/15/00	5,282
3/15/01	26,084	5/15/01	5,282
3/15/02	26,084	5/15/02	5,282
3/15/03	26,084	5/15/03	5,282
3/15/04	-0-	5/15/04	5,282
3/15/05	-0-	5/15/05	5,282
	\$ 104,336		\$ 31,692

1996 Contract	
Date	Principal
4/15/00	2,634
4/15/01	2,634
4/15/02	2,634
4/15/03	2,634
4/15/04	2,634
4/15/05-07	7,902
	\$ 21,072

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, 1999:

	Reimbursement Contract
Balance – July 1, 1998	\$ 3,445,000
Additions	0
Retirements	(145,000)
Balance – June 30, 1999	\$ 3,300,000

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

The annual requirements to amortize all general obligation debt outstanding as of June 30, 1999, including interest of \$1,755,900, are as follows:

Year Ending June 30	Principal and Interest
2000	348,000
2001	344,000
2002	344,700
2003	349,800
2004	344,000
2005 and thereafter	3,325,400
	\$ 5,055,900

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

9. Change in General Fixed Assets

A summary of general fixed assets for the year ended June 30, 1999 is as follows:

	Beginning of Year	Additions	Retirements	End of Year
Construction in progress	\$ 2,062,021	\$ 2,664,806	\$ 4,395,323	\$ 331,504
Land	578,643	834,230	0	1,412,873
Buildings	46,584,542	2,417,377	0	49,001,919
Improvements other than building	15,318,719	1,143,716	0	16,462,435
Equipment	4,315,303	546,330	609,454	4,252,179
Total	\$ 68,859,228	\$ 7,606,459	\$ 5,004,777	\$ 71,460,910

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

During the fiscal year ended June 30, 1999, 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, 1999	Total Project Expenditures
Building 3009 HVAC	\$ 41,171	\$ 547,356	\$ 588,527
Hangar B Annex	1,307,882	126,449	1,434,331
Approach Lights (MALSR)	188,788	266,806	455,594
Pavement & Drainage	467,492	220,630	688,122
Hangar 1 Fire Alarm System	11,780	29,274	41,054
CIAA Maintenance Building	2,300	334,644	336,944
Purchase 330 Acres	0	834,230	834,230
Other Projects	0	16,521	16,521
Total	<u>\$ 2,019,413</u>	<u>\$ 2,375,910</u>	<u>\$ 4,395,323</u>

Construction in progress as of June 30, 1999, is composed of the following:

Project	Project Authorization	Expended to June 30, 1999	Committed
Control Tower Renovations	\$ 411,876	\$ 111,876	\$ 111,876
Building 1020 Renovations	207,367	7,367	7,367
Airport Drainage-Phase 1	779,189	79,189	100,000
East Chennault Improvements	300,000	31,536	35,110
T-Hangar Project	300,000	2,349	10,000
Building 1340 Demolition	75,486	50,486	50,486
Other Projects	158,701	48,701	48,701
Total	<u>\$ 2,232,619</u>	<u>\$ 331,504</u>	<u>\$ 363,540</u>

10. Property Acquisition

The Authority purchased 330 acres of land located near the south end of the runway. The unimproved property was purchased from Amoco Production Company on December 21, 1998 at a cost of \$ 2,500 per acre for a total purchase price of \$ 826,003. The property is recorded in fixed assets at a cost of \$ 834,230, which includes \$ 8,227 for surveying, appraisal, and legal services expenditures. The property will be marketed as sites for commercial and industrial development and expansion.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

11. Leases

On November 5, 1991, the Authority, as lessor, entered into a five-year lease agreement with Grumman Louisiana Corporation that commenced May 1, 1992. Grumman Louisiana Corporation is owned by Northrop Grumman Corporation. The lease contains four consecutive renewal options for five year periods. On April 19, 1996, Northrop Grumman exercised its option to extend the term of the lease through April 30, 2002.

The Authority amended the sublease with Northrop Grumman Corporation on January 10, 1997, to provide additional building space within the leased premises. The State of Louisiana appropriated \$3,000,000 that was used in constructing the additional improvements that were agreed to in the amended lease.

Under the terms of the amended sublease, the Authority constructed the additions to Hangars A and B that added 48,616 square feet of additional building space within the leased premises. As a result of the amendment to the sublease, the lease payment received by the Authority from Northrop Grumman increased by \$ 27,571 per month. The additional compensation will continue through the end of the current sublease term on April 30, 2002.

Northrop Grumman pays scheduled monthly rent to the Authority, as well as an additional amount representing the amortization of improvements made by the Authority. The amount of rent is reduced by an amount due from the Authority for fire protection provided by Northrop Grumman. During the fiscal year ended June 30, 1999, the Authority received payments under the terms of the lease as follows:

Gross Rent	Fire Protection	Net Rent
\$ 2,246,762	(\$ 537,105)	\$ 1,709,657

The minimum future rentals for the year ending June 30, 2000, are as follows:

Gross Rent	Fire Protection	Net Rent
\$ 2,311,656	(\$ 537,100)	\$ 1,774,556

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

The Authority, as lessor, has leased properties to other tenants. The following is a description of the leases.

Chennault Jet Center, Inc. - The lease is for the FBO Building, FBO Hangar, Fuel Farm, and ramp area for parking equipment and is for a five year term, commencing June 1, 1999, with the tenant having the option to renew the lease for one additional five year period. The monthly rent is \$ 2,500. The monthly rent increases to \$ 2,750 for the final three years of the initial lease term and to \$ 3,000 for the renewal term.

Turbo Storage Services Company, Inc. - The lease is for Shop 1 and is for a term of one year, commencing June 1, 1999, with the tenant having the option to renew the lease for one additional year. The monthly rent is \$ 3,695.

Omnitron International, Inc. - The lease is for the land and building located at 3551 Avenue C and is for a term of one year, commencing July 15, 1998, with the tenant having the option to renew the lease for four additional years. The monthly rent is \$ 1,500. The tenant let the lease expire on July 15, 1999 and the property is currently available for rent.

ABX Air, Inc. - The lease is for a building and ramp area located near the FBO Building and is for a term of two years, commencing September 1, 1998. The monthly rent is \$ 250 for the building and \$ 664 for the ramp area.

Air Cargo Delivery, Inc. - The lease is for the building located at 4530 Chennault Parkway and is for a term of one year, commencing October 1, 1998. The monthly rent for the building is \$ 845. A new lease was signed on October 5, 1999 for the one year period commencing October 1, 1999 at a monthly rent of \$ 875.

12. Lease of Additional Property from Calcasieu Parish Police Jury

On March 12, 1999, the Authority, as lessee, entered into a lease with the Calcasieu Parish Police Jury for 25 acres of property located east of and adjacent to the airport. The term of the lease is to run until June 16, 2085. The compensation will be an annual lease payment to the Calcasieu Parish Police Jury of \$ 5,000 plus 20% of the gross revenues exceeding \$ 5,000 per year from the property. The Authority further agreed to construct ten T-hangars within the first two year term of the lease. (see Note 14)

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

13. 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). All full-time employees, as defined, are eligible to participate in the System. Benefits vest after ten years of participation.

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, 1999 was \$711,891. The Authority's total payroll and taxable benefits was \$734,599.

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 12.4 percent of eligible salaries. The contribution requirement for the year ended June 30, 1999, was \$141,666 (19.9% of current year covered payroll), which consisted of \$88,275 (12.4% of current year covered payroll) from the Authority and \$53,391 (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, assets progress made in accumulating sufficient assets to pay benefits when due, and make comparisons

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

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, 1998; however, the System does not make separate measurements of assets and pension benefit obligations of individual employers. The pension benefit obligation at June 30, 1998, for the System as a whole was approximately \$6.953 billion. The system's net assets available for benefits on that date (valued at market) were approximately \$5.067 billion, leaving an unfunded pension benefit obligation of approximately \$1.886 billion. The Authority's 1999 contribution represented .04 percent of the total contributions required of all participating entities.

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.

14. Commitments

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

<u>Year Ending June 30</u>	<u>Control Tower</u>	<u>Runway Equipment</u>
2000	-	15,200
2001 and thereafter	-	-
	<u>\$ -</u>	<u>\$ 15,200</u>

There were four capital projects in either the design or bidding stage on June 30, 1999. Listed below is a brief description of each of the four projects.

Waterproofing, Lead Abatement, Repairs & A/C Upgrade to Aircraft Control Tower - Bids were opened on June 10, 1999 for this project. A construction contract in the amount of \$ 293,900 was signed on July 20, 1999 with a notice to proceed date of August 9, 1999. The construction period is 120 days.

Building 1020 Renovations – Advertising for bids for this project commenced on June 30, 1999 and bids were opened on August 12, 1999. A construction contract in the amount of \$ 130,000 was signed on August 19, 1999 with a notice to proceed date of September 13, 1999. The construction period is 75 days.

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999
(continued)

Airport Drainage System Improvements Project - Preparation of plans and specifications for Phase 1 of the project was in progress on June 30, 1999. Bids were opened on September 28, 1999 for Phase 1 of the project. The Authority awarded a construction contract in the amount of \$ 577,194. The estimated cost of the project including engineering, surveying, construction contract, and construction contingency is \$ 733,489. The proposed funding is a grant of \$ 592,396 from the Federal Aviation Administration, a grant of \$ 65,821 from the Louisiana Department of Transportation and Development, and Authority funds in the amount of \$ 75,272.

T-Hangar and Ramp Improvement at General Aviation Facility Project – An engineering services contract was signed on June 30, 1999 for this project. The contract identified a budget of \$ 650,000 for construction of the project. The project is still in the design stage.

15. Contingent Liabilities

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, 1999.

16. Disclosures About Year 2000 Issues

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Authority's operations.

The Authority has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conduct operations. The Authority is in the process of testing and validating the systems. Results of the testing thus far, indicate compliance. The Authority does not anticipate material expenditures as a result of the remaining testing.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Authority is or will be Year 2000 ready, that the Authority's remediation efforts will be successful in whole or in part, or that parties with whom the Authority does business will be year 2000 ready.

COMBINING STATEMENTS

DEBT SERVICE FUNDS

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
DEBT SERVICE FUNDS

COMBINING BALANCE SHEET
June 30, 1999
With Comparative Totals for June 30, 1998

	Certificates of Indebtedness Series 1992	State Reimbursement Contract	Totals (Memorandum Only)	
			1999	1998
ASSETS				
Certificates of deposit	\$ -	\$ 404,000	\$ 404,000	\$ 455,000
Reimbursement reserve account	-	182,897	182,897	148,898
Interest receivable	-	1,177	1,177	8,863
Due from other funds	-	-	-	1,616
Total assets	\$ -	\$ 588,074	\$ 588,074	\$ 614,377
LIABILITIES AND FUND BALANCE				
Liabilities:				
Due to other funds	\$ -	\$ 2,824	\$ 2,824	\$ -
Fund balance:				
Designated for debt service	-	585,250	585,250	614,377
Total liabilities and fund balance	\$ -	\$ 588,074	\$ 588,074	\$ 614,377

See accompanying notes to financial statements

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 1999
With Comparative Totals for Year Ended June 30, 1998

	Certificates of Indebtedness Series 1992	State Reimbursement Contract	Totals (Memorandum Only)	
			1999	1998
Revenues:				
Interest	\$ -	\$ 22,573	\$ 22,573	\$ 28,021
Expenditures:				
Debt Service:				
Principal retirement	-	145,000	145,000	130,000
Interest and fiscal change	-	206,700	206,700	216,000
Total expenditures	-	351,700	351,700	346,000
Excess (deficiency) of revenues over expenditures	-	(329,127)	(329,127)	(317,979)
Other financing sources (uses):				
Operating transfers in	-	300,000	300,000	304,464
Operating transfers out	-	-	-	(4,464)
Total other financing sources (uses)	-	300,000	300,000	300,000
Excess (deficiency) of revenues and other sources over expenditures	-	(29,127)	(29,127)	(17,979)
Fund balance at beginning of year	-	614,377	614,377	632,356
Fund balance at end of year	\$ -	\$ 585,250	\$ 585,250	\$ 614,377

See accompanying notes to financial statements

CAPITAL PROJECTS FUNDS

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
CAPITAL PROJECTS FUNDS

COMBINING BALANCE SHEET
June 30, 1999
With Comparative Totals for June 30, 1998

	Northrop Grumman Projects	Economic Development Program	Major Repair and Renovation
ASSETS			
Certificates of deposit	\$ 281,000	\$ 2,494,000	\$ 2,742,000
Interest receivable	185	6,810	9,212
Due from other funds	786	-	-
Due from the State of Louisiana	-	-	-
	<u>\$ 281,971</u>	<u>\$ 2,500,810</u>	<u>\$ 2,751,212</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 6,885	\$ 50,834	\$ -
Contracts payable	-	15,540	-
Due to other funds	-	662	22,093
Total Liabilities	<u>6,885</u>	<u>67,036</u>	<u>22,093</u>
Fund balance (deficit):			
Reserved for construction and repairs	<u>275,086</u>	<u>2,433,774</u>	<u>2,729,119</u>
Total liabilities and fund balance	<u>\$ 281,971</u>	<u>\$ 2,500,810</u>	<u>\$ 2,751,212</u>

See accompanying notes to financial statements

Totals
(Memorandum Only)

1999	1998
\$ 5,517,000	\$ 2,575,000
16,207	-
786	3,806
-	695,023
<u>\$ 5,533,993</u>	<u>\$ 3,273,829</u>

\$ 57,719	\$ 61,464
15,540	482,360
22,755	1,654
96,014	545,478

5,437,979	2,728,351
<u>\$ 5,533,993</u>	<u>\$ 3,273,829</u>

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY
 CAPITAL PROJECTS FUNDS
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 June 30, 1999
 With Comparative Totals for June 30, 1998

	<u>Northrop Grumman Projects</u>	<u>Economic Development Program</u>	<u>Major Repair and Renovation</u>
Revenues:			
Interest	\$ 9,005	\$ 42,042	\$ 82,248
Grant proceeds- State	<u>120,717</u>	<u>-</u>	<u>-</u>
Total Revenues	129,722	42,042	82,248
Expenditures:			
Capital Outlay	<u>920,536</u>	<u>1,744,270</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(790,814)</u>	<u>(1,702,228)</u>	<u>82,248</u>
Other financing sources (uses):			
State reimbursement contract	-	-	-
Operating transfers in	600,000	3,225,000	1,295,422
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>600,000</u>	<u>3,225,000</u>	<u>1,295,422</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(190,814)	1,522,772	1,377,670
Fund balance at beginning of year	<u>465,900</u>	<u>911,002</u>	<u>1,351,449</u>
Fund balance at end of year	<u>\$ 275,086</u>	<u>\$ 2,433,774</u>	<u>\$ 2,729,119</u>

See accompanying notes to financial statements

Totals
(Memorandum Only)

1999	1998
\$ 133,295	\$ 56,978
120,717	1,927,383
<u>254,012</u>	<u>1,984,361</u>
<u>2,664,806</u>	<u>3,800,169</u>
<u>(2,410,794)</u>	<u>(1,815,808)</u>
-	300,000
5,120,422	3,242,387
<u>-</u>	<u>-</u>
<u>5,120,422</u>	<u>3,542,387</u>
2,709,628	1,726,579
<u>2,728,351</u>	<u>1,001,772</u>
<u>\$ 5,437,979</u>	<u>\$ 2,728,351</u>

SUPPLEMENTAL INFORMATION

CHENNAULT INTERNATIONAL AIRPORT AUTHORITY

SCHEDULE OF PER DIEM PAID COMMISSIONERS

June 30, 1999

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>Meeting</u>	<u>Compensation</u>
Willie S. King, Jr.	12	\$ -
Glen A. James	13	-
George A. Swift	14	-
Leonard C. Breda, III	12	-
Richard Gregory	12	-
Louis Haxthausen	11	-
Russell T. Tritico, Jr.	4	-
Russell T. Tritico, Sr.	7	-

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING 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 general-purpose financial statements of the Chennault International Airport Authority as of and for the year ended June 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Chennault International Airport Authority is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect of 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chennault International Airport Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended for the information of the Board of Commissioners, management, and other state and federal audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



October 20, 1999

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