

Component Unit Financial Statements and
Report of Independent Auditors'

Airport Authority for Airport District #1
Of Calcasieu Parish
Lake Charles, Louisiana

December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Airport Authority for Airport District #1
of Calcasieu Parish
Lake Charles, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the Airport Authority for Airport District #1 of Calcasieu Parish, a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Airport Authority for Airport District #1 of Calcasieu Parish's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport Authority District #1 of Calcasieu Parish as of December 31, 2017, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10 and the pension liability information on pages 43 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport Authority District #1 of Calcasieu Parish's basic financial statements. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 15, 2018, on my consideration of the Airport Authority District #1 of Calcasieu Parish's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport Authority District #1 of Calcasieu Parish's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport Authority District #1 of Calcasieu Parish's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
June 15, 2018

**AIRPORT AUTHORITY FOR AIRPORT DISTRICT #1 OF
CALCASIEU PARISH - LAKE CHARLES, LOUISIANA**

MANAGEMENT’S DISCUSSION AND ANALYSIS

Using This Annual Report

The basic financial statements focus on the Airport as a whole. These basic statements are designed to emulate corporate presentation models whereby all Airport activities are consolidated into one business-type fund. The focus of the Statements of Net Position is designed to be similar to bottom line results for the Airport. This statement combines current financial resources with capital assets. The Statements of Revenues, Expenses, and Changes in Net Position focus on results of operations and non-operating revenues that support operations of the Airport.

Overview of the year 2017

I am happy to report another successful year of operations for our Airport. To be sure, we continue to inch our way forward financially with new tenants and lean operations.

Revenues have outperformed what was predicted in 2017. While we were expecting a slight drop in 2017 with the loss of Petroleum Helicopters, Inc.’s lease in 2016, we ended up finishing the year about even in lease rental income compared to 2016 – approximately \$74,000 over the amount that we budgeted for 2017. The Airport saw respectable growth in its based aircraft count. These aircraft contribute to our bottom line by paying monthly rental for hangar space and a fuel flowage fee on the fuel that they buy. More importantly, however, is that they increase operations at the airport. General Aviation is the grassroots of aviation.

The Airport also executed a land lease for a second convenience-store on Airport property. These types of projects tend to spawn additional development. We’ve seen a significant uptick in inquiries about Airport property for non-aeronautical development. We hope this will lead to additional tenants. Non-aeronautical development is critical to the Airport’s revenue diversification. When the aviation sector is down (Commercial and Helicopter) the non-aeronautical revenue helps insulate us from extreme cycles. The APB project (development of a temporary housing park), which could have been a game changer insofar as the Airport’s finances are concerned, did not come to fruition, but we still realized a significant amount of revenue for reserving the area. We are now focused on obtaining LED certification (development ready industrial site) on that 130-acre site. This represents an investment in our property that could lead to major development at some point in the future. The Airport is very optimistic about what their future holds for the development of property.

On the expense side, the price of operating an airport continues to rise – not unlike most things today. While we are always looking for ways to save, we continue to invest in our most important asset, which is our people. The economy is strong in Southwest Louisiana and good employees are at a premium. We’re fortunate to be able to offer a wage that our folks can live on, along with great benefits. This result is low turnover. I would like to add several positions and make a couple of our part time employees full time, but unfortunately, we are not able to do so at this time given our disciplined staffing requirements. I am patient, and I expect that our continued progression will ultimately allow us to staff up at a level that will permit us to offer additional services to our stake holders.

On the capital improvement side, we continue to aggressively pursue funding for our capital improvement plan. In 2017, we completed the final phase of the conversion of our airfield lighting system to a new state-of-the-art LED lighting system. This project replaced a very old and inefficient direct burial lighting system. We also are continuing progress on the total replacement of the Airport perimeter fence with Phase III ongoing and Phase IV being bid. By removing wildlife habitat that exists today within the AOA (air operation area), we drastically reduce the chance of wildlife/aircraft interaction which as you know, can have deadly consequences. By shrinking the AOA we will also open up additional property to economic development and the potential for additional non-aeronautical revenue.

In addition, the Airport received ARFF Unit 51 back following a full rehabilitation. At \$530,000 dollars, this represents a fraction of what it would have cost to replace the unit with a new fire truck. This truck now has all the useful life and technology that a new one would, but at a significant savings. We've made investing in safety our first priority and this is one more piece to that puzzle. Lastly, we recently began the Sanitary Sewer Connection project which will connect the Airport to Parish sanitary sewer. This will allow us to decommission the Airport's nearly 60-year old treatment facility. This will also eliminate a wet area on the AOA (wildlife attractant) and help with future economic development.

In closing, I want to say thank you to our board of commissioners, to our consultants and to all who work hard on behalf of the Lake Charles Regional Airport. Last, but certainly not least, thanks to our employees, now 22 strong, for all that they do. When you have a lean staff, every job is that much more critical. We couldn't function and operate the way that we do if it were not for the team. I look forward to working with all of you in 2018 as we continue to work to make LCH the best that it can be.

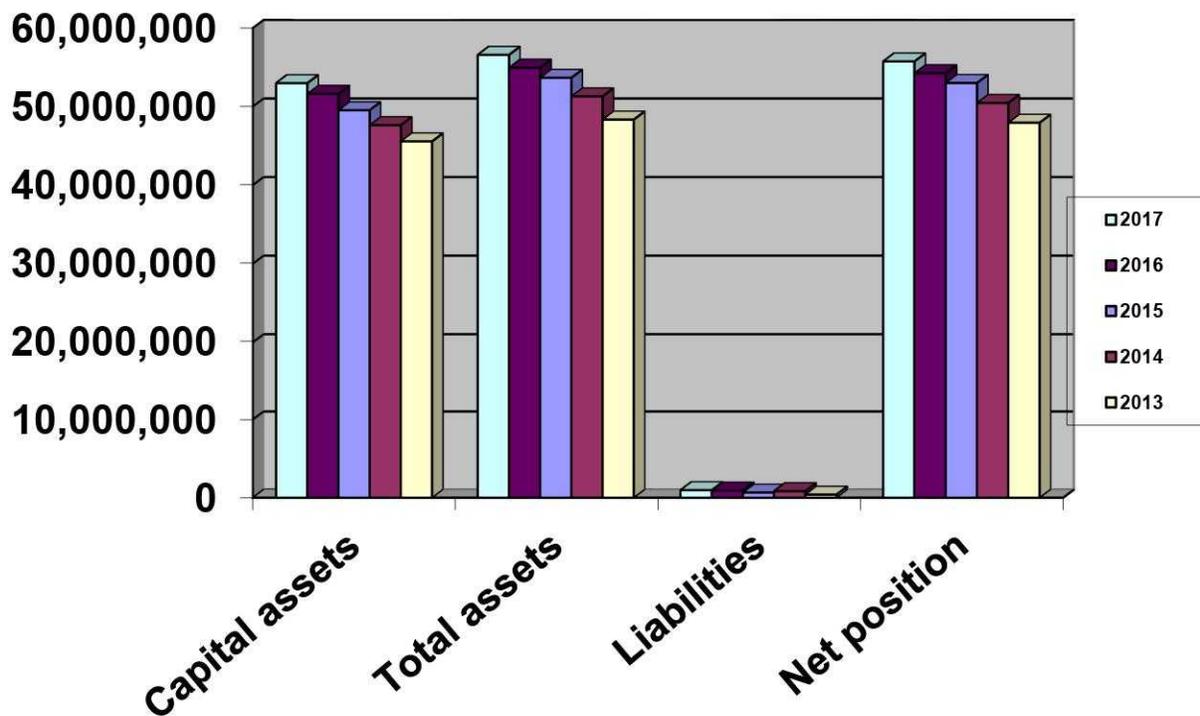
Financial Highlights

As of December 31, 2017, the Airport's net position has increased to \$55.7 million from \$54.2 million at December 31, 2016. This increase is due mostly to capital additions to the airport. This year's significant capital additions were:

- | | |
|-----------------------------------|--------------|
| • PFC Terminal Fence | \$ 390,999 |
| • Phase II Runway Fencing Project | \$ 1,082,963 |
| • ARFF Truck Refurbishment | \$ 536,842 |

Restricted net position amounts represent those assets that are available for specific purposes as a result of an agreement. Conversely, unrestricted net position amounts are those that do not have any limitations for which these amounts may be used.

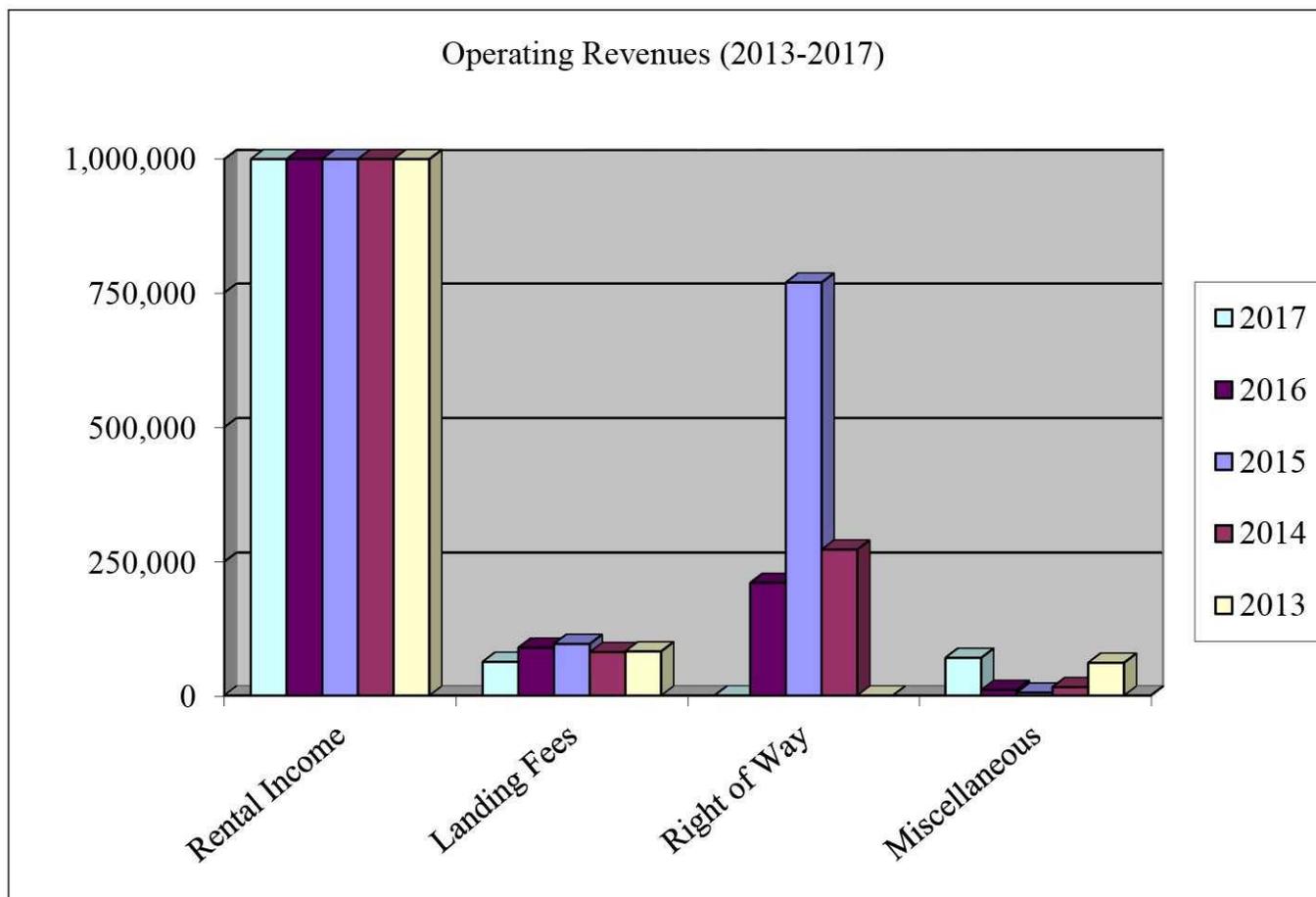
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$3,602,482	\$3,339,150	\$4,123,823
Capital assets	<u>52,978,956</u>	<u>51,619,700</u>	<u>49,536,728</u>
Total assets	56,581,438	54,958,850	53,660,551
Deferred outflows	<u>160,391</u>	<u>249,133</u>	<u>-</u>
Total assets and deferred outflows	56,741,829	55,207,983	53,660,551
Other liabilities	625,574	551,301	578,304
Long-term liabilities	<u>334,344</u>	<u>365,209</u>	<u>79,759</u>
Total liabilities	959,918	916,510	658,063
Deferred inflows	<u>37,719</u>	<u>41,456</u>	<u>-</u>
Net Position:			
Net investment in capital assets	52,519,025	51,247,591	49,161,216
Restricted – Marketing/Capital Equipment	-	-	38,874
Restricted- PFC projects	65,006	63,198	539,927
Restricted- CFC projects	168,959	37,955	328,419
Unrestricted	<u>2,991,202</u>	<u>2,901,273</u>	<u>2,934,051</u>
Total net position	<u>\$55,744,192</u>	<u>\$54,250,017</u>	<u>\$53,002,487</u>



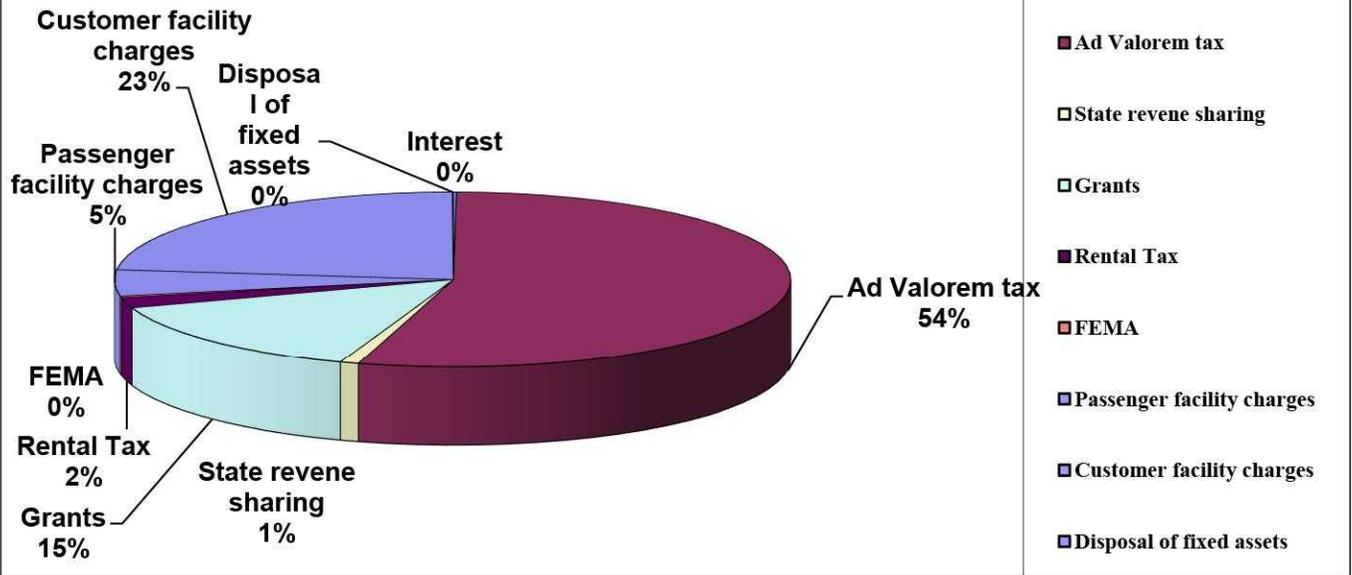
During 2017, Operating revenues decreased approximately \$162,000 from last year due. The majority of this decrease resulted from a large right of way payment received in 2016.

Total expenses (before depreciation) increased by approximately \$181,000 with the majority of the increase coming from payroll, the related employee benefits, and workers compensation insurance.

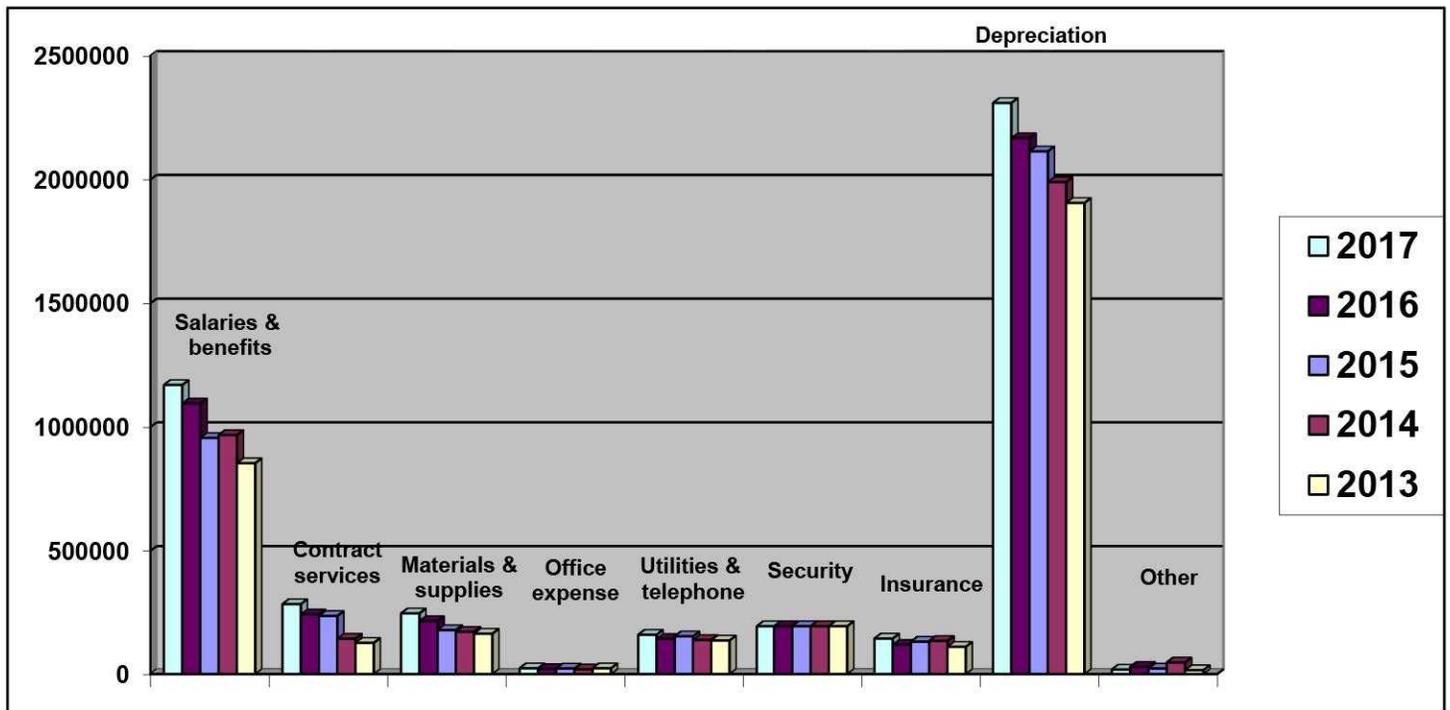
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 1,248,822	\$ 1,411,261	\$ 2,073,511
Operating expenses	<u>4,540,744</u>	<u>4,217,554</u>	<u>4,000,005</u>
Operating (loss)	(3,291,922)	(2,806,293)	(1,926,494)
Non-operating			
Revenues(expenses)	1,239,704	1,438,647	1,486,640
Other revenues	<u>3,546,394</u>	<u>2,642,390</u>	<u>2,974,388</u>
Increase in net position	<u>\$ 1,494,176</u>	<u>\$ 1,274,744</u>	<u>\$ 2,534,534</u>



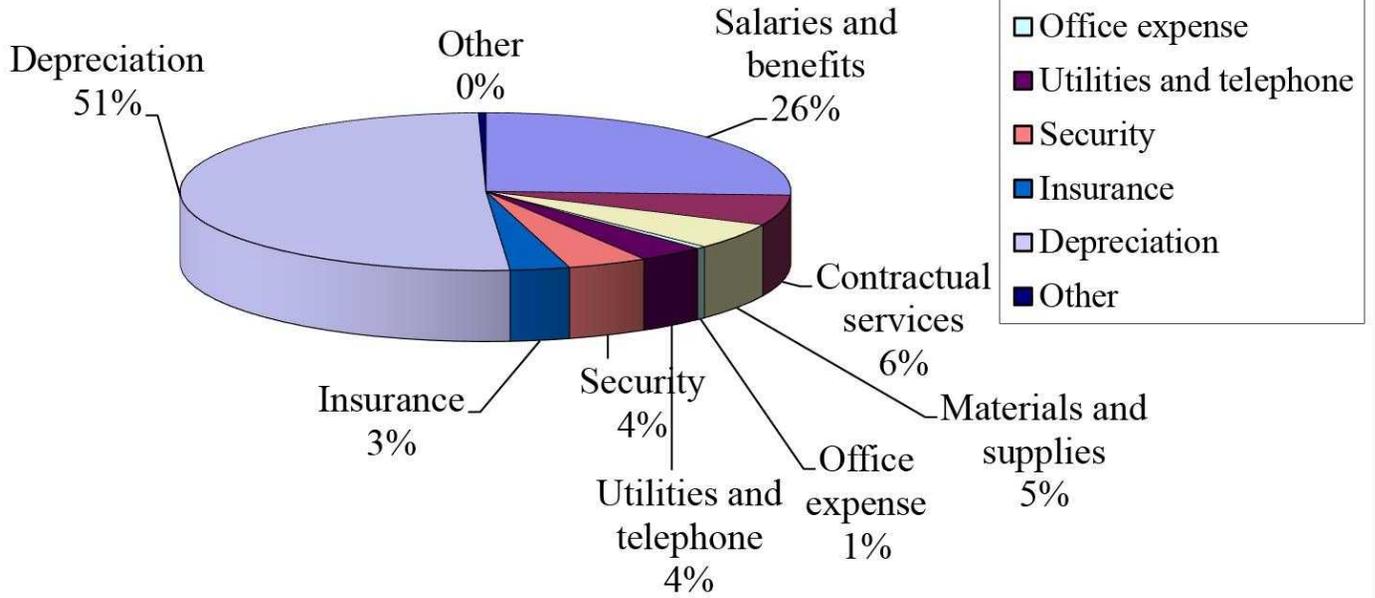
Non-operating Revenues - 2017



Operating expenses – 2013-2017



Operating Expenses - 2017



Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana
STATEMENTS OF NET POSITION
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 1,544,697.77	\$ 1,975,077.60
Accounts receivable		
Trade	149,303.04	149,484.23
Advalorem Taxes	777,851.81	763,671.17
State revenue sharing	8,709.75	8,709.75
Federal grants	110,919.98	33,217.50
State grants	710,219.75	206,002.96
Customer facility charges	57,910.00	23,490.00
Passenger facility charges	447.78	26,599.83
Total accounts receivable	1,815,362.11	1,211,175.44
Prepaid expense	12,470.24	18,337.86
Prepaid insurance	34,344.50	39,098.57
	<hr/>	<hr/>
Total Current Assets	3,406,874.62	3,243,689.47
Noncurrent Assets		
Restricted Cash	195,607.37	95,460.75
Capital assets, net of accumulated depreciation	52,978,956.40	51,619,699.82
	<hr/>	<hr/>
Total Noncurrent Assets	53,174,563.77	51,715,160.57
	<hr/>	<hr/>
TOTAL ASSETS	56,581,438.39	54,958,850.04
<u>DEFERRED OUTFLOWS</u>		
Deferred outflows of resources related to pensions	160,391.00	249,133.00
	<hr/>	<hr/>
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 56,741,829.39	\$ 55,207,983.04
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See notes to the financial statements

Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana
STATEMENTS OF NET POSITION
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	\$ 79,012.65	\$ 71,776.63
Construction contract payable	459,931.23	372,109.04
Payable from restricted assets:		
Passenger facility charges	20,000.00	44,398.06
Payroll taxes and benefits	41,090.88	38,525.35
Deduction from advalorem taxes for retirement system	<u>25,538.92</u>	<u>24,492.22</u>
Total Current Liabilities	625,573.68	551,301.30
Noncurrent Liabilities		
Security deposit	4,000.00	4,000.00
OPEB liability	114,793.00	100,360.00
Net pension liability	<u>215,551.00</u>	<u>260,849.00</u>
Total Noncurrent Liabilities	<u>334,344.00</u>	<u>365,209.00</u>
TOTAL LIABILITIES	959,917.68	916,510.30
<u>DEFERRED INFLOWS</u>		
Deferred inflows of resources related to pensions	37,719.00	41,456.00
<u>NET POSITION</u>		
Net investment in capital assets	52,519,025.17	51,247,590.78
Restricted for PFC projects	65,005.75	63,197.95
Restricted for CFC projects	168,959.40	37,954.57
Unrestricted	<u>2,991,202.39</u>	<u>2,901,273.44</u>
TOTAL NET POSITION	<u>55,744,192.71</u>	<u>54,250,016.74</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u>\$ 56,741,829.39</u>	<u>\$ 55,207,983.04</u>

See notes to the financial statements

Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues		
Rental income	\$ 1,116,332.27	\$ 1,101,125.33
Landing fees	62,496.12	88,806.56
Right of way	-	210,940.00
Miscellaneous	69,993.30	10,388.67
Total operating revenues	<u>1,248,821.69</u>	<u>1,411,260.56</u>
Operating expenses		
Salaries and benefits	1,170,126.50	1,095,592.45
Contractual services	281,734.41	240,161.11
Materials and supplies	244,230.96	213,556.43
Office expense	23,010.18	20,278.43
Utilities and telephone	158,197.57	141,048.54
Security	192,683.04	192,683.04
Insurance	142,967.30	117,890.70
Depreciation	2,309,954.19	2,167,776.97
Other	17,839.45	28,566.36
Total operating expenses	<u>4,540,743.60</u>	<u>4,217,554.03</u>
Operating income (loss)	<u>(3,291,921.91)</u>	<u>(2,806,293.47)</u>
Nonoperating revenues (expenses)		
Interest	2,143.84	7,874.96
Ad Valorem tax	801,945.82	781,013.88
State revenue sharing	13,058.56	12,350.59
Grants		
Maintenance reimbursement	106,663.90	100,000.00
Security reimbursement	105,850.00	104,365.91
Rental tax	28,714.67	15,264.16
Federal Emergency Management Agency	4,044.71	24,669.25
Passenger facility charges	70,675.37	212,295.26
Customer facility charges	341,720.00	341,670.00
Disposal of fixed assets	640.00	-
Engineering and professional fees	(210,214.35)	(136,364.62)
Ad Valorem tax deduction	(25,538.92)	(24,492.22)
Total nonoperating revenues (expenses)	<u>1,239,703.60</u>	<u>1,438,647.17</u>
Other revenues		
Capital grants	<u>3,546,394.28</u>	<u>2,642,390.17</u>
Increase (decrease) in net position	1,494,175.97	1,274,743.87
Net position, beginning of year	<u>54,250,016.74</u>	<u>52,975,272.87</u>
Net position, end of year	<u>\$ 55,744,192.71</u>	<u>\$ 54,250,016.74</u>

See notes to the financial statements

Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF CASH FLOWS

For the Years Ended December 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from charges	\$ 1,249,002.88	\$ 1,449,776.43
Cash received from Ad Valorem taxes	763,272.96	742,244.08
Cash received from grants	212,623.90	195,835.91
Cash payments to suppliers for goods and services	(1,022,805.20)	(941,141.83)
Cash payments to employees for services	<u>(1,113,420.97)</u>	<u>(1,049,721.39)</u>
Net cash provided (used) by operating activities	88,673.57	396,993.20
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(3,625,786.64)	(4,298,102.79)
Funds paid for engineering and professional fees	(210,214.35)	(136,364.62)
Cash received from sale of fixed assets	640.00	-
Cash received from Federal Emergency Management Agency	4,044.71	24,669.25
Cash received from capital grants	2,964,365.01	2,847,971.98
Cash received from customer facility charges	307,300.00	343,685.00
Cash received from passenger facility charges	96,827.42	213,945.87
Rental tax received	28,714.67	15,264.16
State revenue sharing received	<u>13,058.56</u>	<u>16,566.90</u>
Net cash provided (used) by capital and related financing activities	(421,050.62)	(972,364.25)
Cash flows from investing activities:		
Interest on investments	<u>2,143.84</u>	<u>7,874.96</u>
Net cash provided by investing activities	<u>2,143.84</u>	<u>7,874.96</u>
Net increase (decrease) in cash and cash equivalents	(330,233.21)	(567,496.09)
Cash and cash equivalents, beginning of year	<u>2,070,538.35</u>	<u>2,638,034.44</u>
Cash and cash equivalents, end of year - (including restricted cash of \$195,607 and \$95,461 in 2017 and 2016)	<u>\$ 1,740,305.14</u>	<u>\$ 2,070,538.35</u>

See notes to the financial statements

Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF CASH FLOWS

For the Years Ended December 2017 and 2016

Reconciliation of operating income to net
cash provided by operating activities:

	<u>2017</u>	<u>2016</u>
Operating income (loss)	\$ (3,291,921.91)	\$ (2,806,293.47)
Depreciation	2,309,954.19	2,167,776.97
Nonoperating Ad Valorem taxes	763,272.96	742,244.08
Cash received from grants	212,623.90	195,835.91
Changes in assets and liabilities:		
(Increase) decrease in trade accounts receivable	181.19	38,515.87
(Increase) decrease in prepaid expense	5,867.62	(6,621.18)
(Increase) decrease in prepaid insurance	4,754.07	(5,008.30)
Increase (decrease) in accounts payable	27,236.02	24,672.26
Increase (decrease) in taxes and benefits payable	2,565.53	(4,686.94)
Increase (decrease) in accrued OPEB liability	14,433.00	24,601.00
Increase (decrease) in accrued net pension liability	39,707.00	25,957.00
Total adjustments	<u>3,380,595.48</u>	<u>3,203,286.67</u>
Net cash provided (used) by operating activities	<u>\$ 88,673.57</u>	<u>\$ 396,993.20</u>

See notes to the financial statements

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE A. ORGANIZATION

Airport Authority for Airport District #1 of Calcasieu Parish (the Authority) was created by the Calcasieu Parish Police Jury as provided by Revised Statutes 2:602. The Authority is governed by a board of five commissioners who, along with the Airport Manager, establish regulations governing the maintenance and operations of the facilities of the Lake Charles Regional Airport.

The financial statements of the Authority will be included in the Calcasieu Parish Police Jury's financial reporting as a discretely presented component unit. In determining the financial reporting entity, the Authority complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity." As a discretely presented component unit, the Authority is a separate legal entity, but the Police Jury has an oversight relationship with the Authority. The accompanying statements present only the transactions of the Authority and have been prepared in conformity with the Government Accounting Standards Board (GASB) Statement No. 34 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

1. Basis for Accounting

The measurement focus is on the flow of economic resources and the accrual basis of accounting; whereby revenues are recognized when earned and expenses are recorded when incurred.

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

2. Budget Policy

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 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 accrual basis of accounting, covers all Authority activities. At the end of the fiscal year unexpended appropriations automatically lapse.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3. Capital Assets and Depreciation

Property and equipment are stated at actual or estimated historical cost, net of accumulated depreciation. The Authority generally capitalizes assets with a cost of \$2,500 or more. Depreciation is computed on a straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Building and improvements	30-40
Land improvements	10-40
Machinery and equipment	3-10
Furniture and fixtures	5-10

4. Operating Revenues and Expenses

The Authority distinguishes between operating and nonoperating revenues and expenses in its Statement of Revenues, Expenses, and Changes in Net Position. For this purpose, all revenues generated by operations at the airport are reported as operating revenues. Operating expenses include all costs of operating the airport. As a result, nonoperating revenues and expenses include all investing and financing transactions, including passenger and customer facilities charges required to be used to finance the capital structure of the Authority. Ad valorem taxes and certain grants dedicated to airport operation are also reported as nonoperating revenues. However, these revenues are reported as a source of operating cash flows in the Statement of Cash Flows based on GASB Statement 9.

5. Rental Income

The Authority leases its property to commercial airlines, car rental companies, concessionaires, fixed base operators who service the airline industry, the FAA, and others. A significant portion of these leases are non-cancelable operating leases. The car rental companies pay rent of 10% of monthly gross revenue with a \$2,000 minimum monthly lease amount.

The cost of leased building property is \$3,968,206 and the amount of accumulated depreciation as of December 31, 2017 was \$1,664,381. Contingent rentals received for the year ended December 31, 2017 and 2016 were \$304,730 and \$309,549, respectively.

Airport Authority for Airport District #1 of Calcasieu Parish
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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Minimum rentals on non-cancelable operating leases for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$733,387
2019	598,845
2020	341,872
2021	281,305
2022	<u>217,213</u>
	<u>\$2,172,622</u>

6. Accounts Receivable

Accounts receivable represents amounts due from various Federal and State Agencies and customers and is deemed to be fully collectible by management.

7. Statement of Cash Flows

For purposes of reporting cash flows all highly liquid investments (including restricted assets) with a maturity of three months or less are considered to be cash equivalents.

8. Use of Estimates

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

NOTE C. CASH

Under Louisiana Revised Statutes 39:2955, the Authority may deposit funds in demand deposit accounts, interest bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks, organized under Louisiana Law and National Banks having a principal office in Louisiana. Additionally, Louisiana statutes allow the Authority to invest in United States Treasury obligations, obligations issued or guaranteed by the United States government or federal agencies, and mutual or trust funds register with the Securities and Exchange Commission which have underlying investments consisting solely of and limited to the United States government or its agencies.

In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE C. CASH – Continued

At December 31, 2017, the Authority had cash and cash equivalents (book balances) totaling \$1,740,305. Of that balance, \$195,607 is included in Restricted Cash.

At December 31, 2016, the Authority had cash and cash equivalents (book balances) totaling \$2,070,538. Of that balance, \$95,461 is included in Restricted Cash.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held by the pledging financial institution's trust department or agent, in the Authority's name.

Custodial Credit Risk is the risk that in the event of bank failure, the Authority's deposits may not be returned. The Authority deposits its cash with high quality financial institutions, and management believes the Authority is not exposed to significant credit risk.

At December 31, 2017, the Authority has \$1,762,434 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$1,542,682 of pledged securities held in a custodial bank in the Authority's name.

At December 31, 2016, the Authority has \$2,424,657 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$2,218,151 of pledged securities held in a custodial bank in the Authority's name.

Interest Rate Risk is the risk that changes in the in interest rate will adversely affect the fair value of the investment. At December 31, 2017 and 2016, the Authority did not have investments in any debt instruments.

NOTE D. PENSION PLAN
Parochial Employees' Retirement System
Plan Description

The Parochial Employees' Retirement System of Louisiana (System) is the administrator of a cost-sharing multiple-employer defined benefit pension plan. The System was originally established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana.

The System provides retirement benefits to employees of any parish within the State of Louisiana or any governing body or a parish which employs and pays persons serving the parish. Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised the System to create Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date. The Authority is a participating member of Plan A.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE D. PENSION PLAN – Continued

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Eligibility Requirements

All permanent parish government employees (except those employed by Orleans, Lafourche and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

As of January 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join the System.

Retirement Benefits

Any member of Plan A can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

Any member of Plan B can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Age 55 with thirty (30) years of creditable service.
2. Age 60 with a minimum of ten (10) years of creditable service.
3. Age 65 with a minimum of seven (7) years of creditable service.

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE D. PENSION PLAN – Continued

Survivor Benefits

Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes. Plan B members need ten (10) years of service credit to be eligible for survivor benefits. Upon the death of any member of Plan B with twenty (20) or more years of creditable service who is not eligible for normal retirement, the plan provides for an automatic Option 2 benefit for the surviving spouse when he/she reaches age 50 and until remarriage, if the remarriage occurs before age 55.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

Deferred Retirement Option Plan

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for that member who is eligible for normal retirement. In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in the Deferred Retirement Option Plan (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account. Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in the Deferred Retirement Option Plan on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or the System, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE D. PENSION PLAN - Continued

Disability Benefits

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

For Plan B, a member shall be eligible to retire and receive a disability benefit if he/she was hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement, and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of an amount equal to two percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

Cost of Living Increases

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (RS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Employer Contributions

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2016, the actuarially determined contribution rate was 10.52% of member's compensation for Plan A and 7.20% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2016 was 13.00% for Plan A and 8.00% for Plan B. The actual rate for the fiscal year ending December 31, 2017 was 12.50% for Plan A and 8.00% for Plan B.

Airport Authority for Airport District #1 of Calcasieu Parish
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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE D. PENSION PLAN - Continued

According to state statute, the System also receives ¼ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member’s compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

The payroll for the Authority employees covered by the system for the year ended December 31, 2017 and 2016 was \$707,508 and \$668,300; the Authority’s total payroll and accrued benefits for 2017 and 2016 was \$1,170,127 and \$1,095,592, respectively. The Authority contributed \$88,438 and \$86,879 to the system during the years 2017 and 2016. As of December 31, 2017, the total amount owed to the Parochial Retirement System was \$11,830 for December contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the Authority reported a liability of \$215,551 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer’s proportionate share of the pension amounts.

The allocation method used in determining each employer’s proportion was based on the employer’s projected contribution effort to the plan. The employers’ contribution effort was actuarially determined by the System’s actuary.

For the year ended December 31, 2017, the Authority recognized pension expense of \$128,145. At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ -	\$37,719
Net difference between projected and actual earnings on pension plan investments	167,275	-
Differences between Authority contributions and proportionate share of contributions	(95,322)	-
Authority contributions made subsequent to the measurement date	88,438	-
Total	\$160,391	\$37,719

Airport Authority for Airport District #1 of Calcasieu Parish
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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE D. PENSION PLAN - Continued

The Authority's contributions during the year ended December 31, 2017, reported as deferred outflows, of \$88,438 subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$ 63,466
2019	67,692
2020	44,125
2021	(4,517)
Thereafter	(136,532)

Actuarial Methods and Assumptions

The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2016 are as follows:

Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Investment Rate of Return	7.00%, net of investment expense
Projected Salary Increases	5.25% (2.50% Inflation, 2.75% Merit)
Mortality Rates	RP-2000 Employee Table for active members RP-2000 Healthy Annuitant Table for healthy annuitants RP-2000 Disabled Lives Mortality Tables for disabled annuitants
Expected Remaining Service Lives	4 years
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.

Airport Authority for Airport District #1 of Calcasieu Parish
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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE D. PENSION PLAN – Continued

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made at the actuarially determined rates approved by the Public Retirement Systems' Actuarial Committee taking into consideration the recommendation of the System's actuary. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.66% for the year ended December 31, 2016.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Fixed income	35%	1.24%
Equity	52%	3.63%
Alternatives	11%	0.67%
Real assets	2%	0.12%
Totals	100%	5.66%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.66%

Airport Authority for Airport District #1 of Calcasieu Parish
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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE D. PENSION PLAN – Continued

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System’s liabilities. The RP-2000 Healthy Annuitant Mortality Sex Distinct Tables (set forward two years for males and set forward one year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disabled annuitants, the RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females was selected. For active employees, the RP-2000 Employee Sex Distinct Tables set back 4 years for males and 3 years for females was used.

Sensitivity to Changes in Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.00%, as well as what the employers’ net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Net Pension Liability (Asset)	\$644,799	\$215,551	\$(147,392)

Retirement System Audit Report

The Parochial Employees’ Retirement System of Louisiana has issued a stand-alone audit report on their financial statements for the year ended December 31, 2016. Access to the report can be found on the Louisiana Legislative Auditor’s website, www.la.gov.

NOTE E. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In 2014, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). This Statement addresses the fact that certain postemployment benefits other than pensions, which for the Authority consist of healthcare benefits only, are related to employee services and salaries received presently but that will benefit the employee in the future - upon retirement and whose costs will be borne by the Authority in the future. This Statement attempts to quantify the future “retirement” costs that have been earned by the employee during his active years of employment. The Authority will finance the postemployment benefits on a “pay-as-you-go” basis. Accordingly, a liability is recognized in the financial statements for the actuarial determined amount of postemployment benefits that are associated with the normal costs of benefits attributable to service in the current year as well as an amortization of any unfunded actuarial accrued liability for costs of benefits associated with prior years of employment.

Airport Authority for Airport District #1 of Calcasieu Parish
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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

The notes to the financial statements contain other required disclosure information such as the estimated costs today of providing the postemployment benefits to all of your current employees once they retire not just the liability referred to above that is actually recognized in the Statement of Net Position. The Parish contracted with a third party consultant to perform the actuarial valuation required by GASB Statement No. 45 as of January 1, 2008, January 1, 2010, January 1, 2012 and January 1, 2014. Since GASB Statement No. 45 requires valuations every other year for plan memberships exceeding 200, the actuarial valuations prepared will be utilized for the two year periods of 2008 and 2009, 2010 and 2011, 2012 and 2013, 2014 and 2015, and 2016 and 2017 with the inclusion of the appropriate second year adjustments.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Plan Description: The Calcasieu Parish OPEB Plan is a single employer defined benefit “substantive” plan as understood by the employer and its employees. As a component unit, the Authority may at their option participate in the employee’s group health, dental and life insurance programs sponsored and administered by the Parish in conjunction with its third party insurance providers and administrative agents.

In addition to the option to participate in the group health, dental and life plans during employment, at retirement, employees who have twenty (20) years of cumulative service will be eligible for certain retiree benefits if hired after January 1, 2007. Employees hired prior to January 1, 2007 must have ten (10) years of cumulative service to be eligible for any retiree benefits. The Parish currently offers its retirees the option to elect to participate in the health, dental and life plans. While there is no specific written plan or trust for the Parish OPEB plan alone and therefore no separate annual report is issued, the Parish has reported this plan information based on communications to plan members via the written health plan maintained by the Parish. Any amendments to the general health plan as related to types of benefits offered are required to be approved by Parish management before being distributed to Plan members.

Airport Authority for Airport District #1 of Calcasieu Parish
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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

Funding Policy: The contribution requirements of the retirees and the participating employers are established in the annual operating budget and may be amended in subsequent years with the approval of Parish management. As stated previously, the required contribution is based on projected “pay-as-you-go” financing requirements. The employer contribution to the OPEB plan allocated to the Authority for 2017 was \$9,438. There is no retiree contribution to the OPEB plan other than the retiree share of insurance premiums paid monthly which for 2016 consisted of \$502 per month if under age 65, \$375 per month if subject to Medicare Supplement Part A, or \$296 per month if subject to Medicare Supplements Parts A & B. Retiree dental is \$42 per month. The Parish also provides an option to the Retirees to participate in a High Deductible plan with premiums of \$296 per month if under age 65 with the dental coverage the same.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, the actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The projected unit credit actuarial cost method was used for the January 1, 2012, January 1, 2014, and January 1, 2016 actuarial valuations. Because the government currently finances OPEB using a “pay-as-you-go” approach, the discount rate is based on the historical and future investment yields that are expected to be used in financing the payment of benefits. The actuarial assumptions for all three valuations included a 4% investment rate of return, compounded annually. Life expectancies for the 2016 actuarial valuation report were based on the RP 2014 Healthy Male and Female Tables while the 2012 and 2014 actuarial valuation reports were based on the RP 2000 Male and Female Tables. Turnover rates for all valuation reports were based on the Parish’s historical data and modified based on years of employment.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

For the January 1, 2016 actuarial valuation, claim costs were developed for pre-65 and post-65 retirees' costs. Costs were developed based on the current fully insured equivalency rates with costs adjusted for aging since the underlying premium rates are not community rated. This basis was used for the calculation of the present value of total benefits to be paid for retiree coverage. The 2016 actuarial valuation assumed a healthcare cost inflation rate of 10% decreasing to an ultimate rate of 5% in 2023 and beyond. A 1% inflation factor was utilized each year. The 2016 actuarial valuation also assumes that (1) the member's current marital status and whether spousal coverage is elected will remain unchanged at retirement, (2) female spouses are assumed to be three years younger than male employees and male spouses are assumed to be three years older than female employees, (3) employees electing single coverage as active employees are assumed to continue with single coverage at retirement and employees electing family coverage as active employees are assumed to continue family coverage as retirees and (4) 100% of employees will elect Medicare coverage when they are first eligible. The amortization method for the plan is level dollar with a thirty year open amortization period. The remaining amortization period at January 1, 2016 was twenty-one years.

Annual OPEB Cost and Net OPEB Obligation: The Parish's annual OPEB cost (expense) was calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over the actuarial amortization period. Trend information has been disclosed below for 2014, 2015, and 2016. The ARC was calculated as part of the January 1, 2016 actuarial valuations performed by outside actuary consultants. The 2014 and 2015 ARC was obtained from the 2012 and 2014 valuation report respectively and adjusted for another year's activity as required by GASB Statement No. 45.

The following shows the components of the Authority's annual allocation of OPEB costs for the current year:

Annual Required Contribution (ARC)	\$15,284
Interest on Net OPEB Obligation	4,014
Adjustment to ARC	4,572
Annual OPEB Cost (Expense)	23,871
Less: Contributions	(9,438)
Increase in Net OPEB Obligation	14,433
Net OPEB Obligation at Beginning of year	100,360
Net OPEB Obligation at End of year	\$114,793

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NOTES TO FINANCIAL STATEMENTS

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NOTE E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

Trend Information for OPEB Plan:

<u>Fiscal Year Ended</u>	<u>OPEB Plan Total</u>
<u>December 31, 2015:</u>	
Annual OPEB Cost	\$9,721
% of Annual OPEB Cost Contributed	77%
Net OPEB Obligation	\$75,759
<u>December 31, 2016:</u>	
Annual OPEB Cost	\$24,601
% of Annual OPEB Cost Contributed	87%
Net OPEB Obligation	\$100,360
<u>December 31, 2017:</u>	
Annual OPEB Cost	\$23,871
% of Annual OPEB Cost Contributed	40%
Net OPEB Obligation	\$114,793

Funding Status and Funding Process: The following is a Schedule of Funding Progress for the OPEB Plan based on the first three actuarial valuations:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll**	((b-a)/c) UALL as a Percentage of Covered Payroll
01/01/12	\$0	\$15,571,023	\$15,571,023	0.00%	\$31,178,169	50%
01/01/14	\$0	\$23,344,107	\$23,344,107	0.00%	\$37,965,534	62%
01/01/16	\$0	\$30,661,488	\$30,661,488	0.00%	\$40,752,346	75%

** This payroll amount includes not only the Parish payroll but payroll for all of the discretely presented components units that participate in the Parish OPEB Plan.

NOTE F. ANNUAL AND SICK LEAVE

Permanent employees earn one to six weeks of annual leave and two to six weeks of sick leave each year depending on length of service with the Authority. A maximum of fifteen days of annual leave may be accumulated and carried forward without limitation. Upon termination, employees are paid for unused annual leave only.

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NOTES TO FINANCIAL STATEMENTS

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NOTE G. AD VALOREM TAXES

For the year ended December 31, 2017 taxes of .60 mills were levied on property with taxable assessed valuations of \$1,363,746,688 and were dedicated to the operation and maintenance of the Airport.

Property tax millage rates are adopted on a 10 year basis. 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 31. Property taxes not paid by the end of February are subject to lien. A renewal election was held and passed in April 2014 to levy a .63 millage beginning in 2015 and expiring in 2024.

NOTE H. RESTRICTED ASSETS

Assets required to be held and/or used as specified in contractual agreements have been reported as Restricted Assets. Restricted Assets at December 31, 2017, consisted of the following:

	<u>Total</u>
Passenger Facility Charge Funds	\$ 65,006
Customer Facility Charge Funds	<u>168,959</u>
Total Restricted Assets	<u>\$ 233,965</u>

NOTE I. PASSENGER FACILITY CHARGE

Beginning in 2001, Passenger Facility Charges at the rate of \$3 per enplaned passenger had been levied by the Authority under Federal Aviation Administration (FAA) approved applications to use for airport improvements. Beginning in 2005, the passenger rate was approved to be increased to \$4.50 per enplaned passenger. As of December 31, 2017 the total of approved applications is \$3,450,031. Since 2001 a total of \$3,261,714 has been spent in PFC funds for airport improvements.

Total PFC revenues, including interest, remitted to the Authority for the years ended December 31, 2017 and 2016 were \$70,737 and \$213,193 respectively. During the year ended December 31, 2017 a total of \$113,417 was spent on PFC projects, leaving a balance of \$65,006 of PFC funds available and restricted for future PFC projects (Note H).

NOTE J. CUSTOMER FACILITY CHARGE

Beginning in August 2009, in accordance with each rental car concession agreement, a Customer Facility Charge (CFC) of \$3 per day shall be levied on each rental car contract entered into at the Airport by lessee. On June 1, 2015 the CFC of \$3 per day was increased to \$5 per day. Lessee agrees to collect said CFC and remit the collection to the Airport Authority separate and apart from other rents and fees once per month. CFC revenue will be used by the Airport to accomplish improvements that benefit the rental car customers and concessionaries. CFC revenue for the years ending December 31, 2017 and 2016 were \$341,720 and \$341,670, respectively. During the year ended December 31, 2017, \$30,796 was spent on CFC projects, leaving a balance of \$168,959 for future CFC projects (Note H).

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE K. CAPITAL ASSETS

Capital assets consist of the following:

	Balance <u>12/31/16</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/17</u>
Land	\$ 4,028,498	\$ -	\$ -	\$ 4,028,498
Buildings & Improvements	44,513,472	-	-	44,513,472
Land Improvements	24,971,350	1,473,962	-	26,445,312
Machinery & Equipment	3,113,016	628,614	-	3,741,630
Furniture & Fixtures	697,280	-	-	697,280
Software	94,400	-	-	94,400
Construction in progress	<u>1,094,556</u>	<u>3,609,038</u>	<u>(2,042,404)</u>	<u>2,661,190</u>
	78,512,572	5,711,614	(2,042,404)	82,181,782
Less accumulated depreciation:				
Buildings & Improvements	9,018,125	1,016,574	-	10,034,699
Land Improvements	15,354,801	1,043,410	-	16,398,211
Machinery & Equipment	1,978,725	196,570	-	2,175,295
Furniture & Fixtures	446,821	53,400	-	500,221
Software	<u>94,400</u>	<u>-</u>	<u>-</u>	<u>94,400</u>
	<u>26,892,872</u>	<u>2,309,954</u>	<u>-</u>	<u>29,202,826</u>
Net capital assets	<u>\$51,619,700</u>	<u>\$3,401,660</u>	<u>\$(2,042,404)</u>	<u>\$52,978,956</u>

NOTE L. COMMITMENTS AND CONTIGENCIES

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

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 December 31, 2017.

On a continuing basis, the Authority enters into construction contracts for improvements to the airport. At December 31, 2017, work was in progress for the improvements as follows:

	<u>Budget</u>	<u>Expended to date</u>	<u>Committed</u>
Design Airfield Lighting Rehab Phase II	\$1,695,892	\$1,685,325	\$ 10,567
Wildlife Fencing Project – Phase III	1,688,947	604,988	1,083,959
Wildlife Mitigation Sewer Connection	518,202	240,582	277,620

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE L. COMMITMENTS AND CONTIGENCIES – Continued

The Airport is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Airport maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Airport. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The Airport did not reduce insurance coverage during 2017.

NOTE M. LONG-TERM LIABILITIES

	Beginning of Year	Additions	Reductions	End of Year	Amounts Due Within One Year
Net Pension Liability	\$260,849	\$43,140	\$88,438	\$215,551	\$ -
OPEB Liability	\$100,360	\$23,871	\$9,438	\$114,793	\$ -
Security Deposit	\$4,000	\$ -	\$ -	\$4,000	\$ -

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year ended December 31, 2017

Federal Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	Federal <u>Expenditures</u>
U. S. Department of Transportation Federal Aviation Administration Airport Improvement Program	20.106*	\$1,725,433
Federal Emergency Management Agency Passed through the Louisiana Office of Homeland Security and Emergency Preparedness Hurricane Rita Recovery Program	97.036	4,045
US Department of Homeland Security Transportation Security Administration Law Enforcement Personnel Reimbursement Agreement	97.090	<u>105,850</u>
Total expenditures of federal awards		<u>\$1,835,328</u>

* Major Programs

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year ended December 31, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Airport Authority for Airport District #1 of Calcasieu Parish (the Authority) under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) The Authority has elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

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

For the Year ended December 31, 2017

AGENCY HEAD NAME: HEATH ALLEN, EXECUTIVE DIRECTOR

<u>PURPOSE</u>	<u>AMOUNT</u>
Salary	\$132,130
Benefits	
Insurance	12,542
Retirement	16,516
Car Allowance	9,600
Phone Allowance	600
Per Diem	586
Conference Travel	<u>7,823</u>
TOTAL	<u><u>\$179,797</u></u>

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

Board of Commissioners
Airport Authority for Airport District #1
of Calcasieu Parish
Lake Charles, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Airport Authority for Airport District #1 of Calcasieu Parish, a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued my report thereon dated June 15, 2018.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Airport Authority for Airport District #1 of Calcasieu Parish's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority for Airport District #1 of Calcasieu Parish's internal control. Accordingly, I do not express an opinion on the effectiveness of the Airport Authority for Airport District #1 of Calcasieu Parish's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit we did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport Authority for Airport District #1 of Calcasieu Parish's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
June 15, 2018

STEVEN M. DEROUEN & ASSOCIATES

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Airport Authority for Airport District #1
of Calcasieu Parish
Lake Charles, Louisiana

Report on Compliance for Each Major Federal Program

I have audited the Airport Authority for Airport District #1 of Calcasieu Parish's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I 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 I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In my opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of the Airport Authority for Airport District #1 of Calcasieu Parish, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
June 15, 2018

**Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section I – Summary of Auditor’s Results
December 31, 2017**

Financial Statements

Type of auditor’s report issued				Unqualified
Internal control over financial reporting:				
Material weaknesses identified?	___	Yes	_X_	No
Significant deficiencies identified not considered to be material weaknesses?	___	Yes	_X_	None reported
Noncompliance material to financial statements noted?	___	Yes	_X_	No

Federal Awards

Internal control over major programs:				
Material weaknesses identified?	___	Yes	_X_	No
Significant deficiencies identified not considered to be material weaknesses?	___	Yes	_X_	None reported
Type of auditor’s report issued on compliance for major programs:				Unqualified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	___	Yes	_X_	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	US Department of Transportation Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

No Separate Management Letter Issued

**Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section II – Financial Statement Findings**

Current Audit

None

Prior Audit

None

SECTION III – Federal Awards Findings and Questioned Costs

The results of my tests disclosed no instances of non-compliance with the requirements applicable to each major federal program that are required to be reported in accordance with the Uniform Guidance.

AIRPORT AUTHORITY FOR AIRPORT DISTRICT #1
Lake Charles, Louisiana
Parochial Employees' Retirement System of Louisiana
Schedule of the Authority's Proportionate Share of the Net Pension Liability
For The Year Ended December 31, 2017

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Authority's proportion of the net pension liability	0.099540%	0.099096%	0.099096%
Authority's proportionate share of the net pension liability	\$ 27,215	\$ 260,849	\$ 215,551
Authority's covered-employee payroll	\$ 567,821	\$ 668,300	\$ 707,508
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	4.8%	39.03%	30.47%
Plan fiduciary net position as a percentage of the total pension liability	99.14%	92.23%	94.15%

The schedule is intended to report information for 10 years. Additional years will be displayed as they become available. The amounts presented have a measurement date of the previous fiscal year.

The notes to financial statements are an integral part of this statement.

AIRPORT AUTHORITY FOR AIRPORT DISTRICT #1
Lake Charles, Louisiana
Parochial Employees' Retirement System of Louisiana
Schedule of the Authority's Contributions
For The Year Ended December 31, 2017

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 82,334	\$ 86,879	\$ 88,438
Contributions in relation to the contractually required contribution	\$ 82,334	\$ 86,879	\$ 88,438
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$567,821	\$668,300	\$ 707,508
Contributions as a percentage of covered-employee payroll	14.5%	13.0%	12.5%

The schedule is intended to report information for 10 years. Additional years will be displayed as they become available. The amounts presented have a measurement date of the previous fiscal year.

The notes to financial statements are an integral part of this statement.

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AGREED-UPON PROCEDURES REPORT

AIRPORT AUTHORITY FOR AIRPORT DISTRICT #1

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD OF JANUARY 1, 2017 THROUGH DECEMBER 31, 2017

To the Board of Commissioners and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by the Airport Authority for Airport District #1 and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the period January 1, 2017 through December 31, 2017. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving
 - d) **Receipts**, including receiving, recording, and preparing deposits
 - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
 - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
 - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
 - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
 - i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
 - j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Observation: The Purchasing Policy includes all the recommended language except how vendors are added to the vendor list.

Management's response: While the Airport Authority actively monitors the addition of vendors to the vendor list, this process is not written into their policy manual. The Purchasing Policy will be updated to include this procedure.

Observation: The Airport Authority does not have a written "receipts" policy.

Management's response: While the Airport Authority actively employs and monitors their cash receipts policies and procedures, they are not written into their policy manual. The policy manual will be updated to include the Airport Authority's receipts procedures.

Observation: The Airport Authority does not have a written "ethics" policy.

Management's Response: While the Airport Authority actively employs and monitors their ethics policies and procedures, they are not written into their policy manual. The policy manual will be updated to include the Airport Authority's ethics procedures.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

There were no observations noted resulting from the application of these procedures.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.
4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Observation: The bank reconciliation is reviewed and approved by the Executive Director who occasionally initiates transactions associated with the bank account.

Management's Response: The Airport Authority employs compensating controls whereby the contract accounting firm also reviews the monthly bank reconciliations and statements.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.
6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement. For each cash collection location selected:*
 - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
 - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.
7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Observation: *The Airport Authority deposits are made between two to four days after collection for operating receipts. The Airport Authority deposits are made between two to thirty days for sporadic non-operating receipts.*

Management Response: *It is the Airport Authority's policy to allow for a greater than one day collection period prior to depositing the checks in the bank. The Airport Authority employs compensating controls whereby the Accounts Receivable ledger is maintained by a contract accounting firm and the checks collected are maintained and secured by the Office manager. The Airport Authority does not accept cash payments.*

Collections (Continued)

Observation: The Airport Authority does not maintain check collection documentation.

Management Response: After analyzing the cost versus benefit of employing this process and considering the fact the Airport Authority does not accept cash payments, management feels the existing controls over check collections are adequate compensating controls. The Airport Authority employs compensating controls whereby the Accounts Receivable ledger is monitored daily and it is reconciled monthly by their contract accounting firm.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.
9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
 - a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.
11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.
13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Disbursements – General (Continued)

Observation: The Executive Director that approves purchases occasionally also initiates purchases.

Management's Response: Do to the limited amount of administrative staff, the Airport Authority does not believe it is cost effective to separate this function. The Airport Authority employs compensating controls whereby all invoices are reviewed by the Office Manager prior to payment. Also, the Board of Directors reviews the monthly cash disbursement register at the monthly board meetings and the contract accounting firm reviews all cash disbursement transactions posted to the general ledger.

Observation: The Office Manager who processes checks can also add a vendor into the accounting system.

Management's Response: Due to the limited number of administrative staff, the Airport Authority does not believe it is cost effective to separate this function. The Airport Authority employs compensating controls whereby all invoices are reviewed by the Executive Director prior to payment. Also, the Board of Directors reviews the monthly cash disbursement register at the monthly board meetings.

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

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:
 - a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Report whether finance charges and/or late fees were assessed on the selected statements.
16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
 - a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)

Credit Cards/Debit Cards/Fuel Cards/P-Cards (Continued)

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Observation: Although the Office Manager reviews all credit card charges for the Executive Director, no written approval is noted on the credit card invoice.

Management's Response: The Office Manager will begin initialing the credit card invoices to signify approval.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.
18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.
19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
 - b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Travel and Expense Reimbursement (Continued)

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Observation: Although the Office Manager reviews the Executive Director's travel charges, no written approval is noted on the travel invoice.

Management's Response: The Office manager will begin initialing the travel reimbursement to signify approval.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.
21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
 - a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
 - c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
 - d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.
 - e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

There were no observations noted resulting from the application of these procedures.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
 - a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.
23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
 - a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

There were no observations noted resulting from the application of these procedures.

Ethics

26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.
27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

There were no observations noted resulting from the application of these procedures.

Debt Service

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.
29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.
30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

There were no observations noted resulting from the application of these procedures.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
31. If the practitioner observes or otherwise identifies any exceptions regarding management’s representations in the procedures above, report the nature of each exception.

There were no observations noted resulting from the application of these procedures.

I was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Steven M. DeRouen & Associates

June 15, 2018
Lake Charles, Louisiana