Component Unit Financial Statements and
Report of Independent Auditors'

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

December 31, 2016 and 2015

TABLE OF CONTENTS

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

4827 IHLES ROAD
P. O. BOX 4265
LAKE CHARLES, LA 70606
(337) 513-4915 OFFICE/ (337) 205-6927 FAX
steve@sderouencpa.com

Member American Institute of Certified Public Accountants

Member Louisiana Society of Certified Public Accountants

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, 2016, 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 opinion.

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, 2016, 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 6 through 12 and the pension liability information on pages 46 through 47 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, 2017, 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 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, 2017

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 2016

I began my 2015 year end report with the following statement "I'm not sure we can continue to outpace previous year's results by such significant margins". This quote followed several years where enplanements kept growing, the number of tenants kept growing and as a result, we kept exceeding our year end projections by pretty significant margins. While we did exceed our projections financially, once again in 2016, the picture does have a couple of blemishes, including the loss of PHI and a drop in enplanements for the first time in nearly 15 years. Like so many things in our industry, the causes behind these issues are well beyond the control of the people sitting in this room today. To be sure, none of us have control of the price of oil. Nor can we control what's taking place with the airline industry in cities all across America just like Lake Charles – some driven by airlines and some driven by misguided Federal legislation. We can't control it, so we do our best to anticipate and deal with it. As you know, we've been talking about changes coming to the airline industry for several years. Some of those issues are now coming home to roost, so to speak. In regards to the price of oil, we do what everyone else does in oil centric economies; we tighten our belts and hope that the down turn will not be prolonged. In regards to the airline industry, we've stepped up our outreach to our congressional delegation as well as airline planning departments significantly, to be sure that they understand our needs and concerns as they relate to maintaining our critical link to the Nation's transportation system.

This is a challenging environment that we're currently operating in. Despite this however, I remain optimistic about 2017 – certainly with regards to the operation of the Airport. We are seeing continued growth in our Regional economy, albeit slightly slower than expected. We know that our management strategies are proven effective, we continue to build upon the strong foundation that we have created and we continue to get better as an organization.

While for years the Airport focused on hiring full time custodians and outside maintenance and cross-trained them to be part-time firefighters, we have transitioned our workforce to place an emphasis on safety by making the public safety positions full-time. The duties relating to janitorial and outside maintenance remain very important, but we've been able to meet our needs in those areas with a combination of part-time and full-time employees. We also continue our practice of cross-training our outside maintenance personnel to help supplement our ARFF requirements. Our staff is small and there is much to do, but we have great employees that get the job done.

We've made great strides in increasing the level of safety and professionalism in our public safety department, but we cannot forget about service initiatives. As you know, it's costly to run a commercial airport. Every year, we're dealing with increased Federal Government regulations that typically end up being unfunded mandates. This puts pressure on our lean budget. Services end up taking the brunt of reductions in order to fund required parts of our operation, but we continually work against that happening. This is an area that we could use additional revenue in the future. Nonetheless, we'll continue working to help ourselves with new lease opportunities and other initiatives that allow us to improve the services that we offer.

We continue to be concerned with regards to commercial air service. For several years now we've spoken about the looming pilot shortage and the up-gauging of aircraft as a result of the retirement of 5-seat regional jets. We are now seeing the results first hand, and frankly, it's not pretty. LCH, along with smaller non-hub markets across the Country are seeing service and frequency cuts. Too often, the flights that remain are not at convenient times and result in long layovers at the hubs that we service. Add to this the fact that the reduced frequency puts upward pressure on air fares. All of this combined creates significant pressure on air service in smaller markets. Unfortunately, there is no quick fix. Congress has not been interested in addressing the pilot shortage in any significant manner. All of this has resulted in double percentage drops in enplanements at LCH in 2016, following what was a 15 – year high in 2015.

Unfortunately, it may get worse before it gets better. We're in danger of losing a generation of pilots simply because individuals are not choosing the pilot career path given the additional regulatory and financial burdens that congress placed on becoming a commercial pilot. The net effect is that this is a long term issue that we'll be dealing with for some time. We'll continue to work with our colleagues at Airports around the Country to help educate and fine new alternatives to salvaging the National Air Transportation system that we know today because make no mistake, it is under threat. While large metropolitan areas will always have air service, the same cannot be said for hundreds of markets across the US moving forward. Regional Airlines are working to attract pilots, like never before with increased starting pay and bonuses. Airports are working in concert as well. In addition to our professional organizations, such as AAAE and ACI-NA, a new coalition of smaller airports from across America, called the Regional Air Service Alliance (RASA), was recently formed and is being led by industry expert Bill Swelbar. He's built a solid coalition of over 70 smaller airports from around the country to try and tackle issues like the pilot shortage, the reduction in 50 seat regional jets, the PFC cap, etc. We are proud to be the first airport in Louisiana to join this new industry led partnership and hopefully we won't be the last. While we ultimately have no control over these industry changes, we do have a lot of new faces in Washington, and I believe that represents an opportunity to make a difference; and we'll do so by working in concert with our colleagues across the nation in the RASA. Know that we're going to keep fighting to ensure that a Regional Airline/Airport industry continues to exist and hopefully thrive once again.

Financially, the Airport continues to progress. We now have a stable reserve fund that sits at about $2,000.000. While revenues have remained stable, a slight drop in 2017 is expected due to the loss of Petroleum Helicopters, Inc.'s lease and a dip in rental car revenues. The 2017 budget assumes that none of the lost revenue will be replaced; however, it would be reasonable to expect that at least a portion of the revenue will be made up by leasing the now vacant facilities and other opportunities that may arise. The Airport will realize a couple of new small revenue sources in 2017 including a new rental car tax imposed by the State and reimbursements by the customer facility charge program to pay for the Airport's personnel cost relating to maintaining the new rental car maintenance facility. These two new revenue sources are expected to generate approximately $47,000 combined on an annual basis.

While the Airport is actively engaged in negotiations for several additional leases, those potential revenues are not represented in our 2017 budget. As you know, the potential APB project could be a game changer insofar as the Airport's finances are concerned. At a minimum, the Airport will realize at least some revenue from the option. Should the project move forward, there is a realistic potential of several million dollars being added to our coffers over a relatively short period. Not to count our chickens before they hatch, but this revenue could then be reinvested into the Airport for various improvements, including hangars and other infrastructure. Put simply, we may have an opportunity to take this finite income and make investments that produce recurring revenue that carries forward. This would represent a victory for the taxpayers as it builds the opportunities for the Airport to help itself and further reduces the tax burden. It's not a save all, but it is certainly a step in the right direction.

While operating expenditures have risen slowly over the past several years, we are projecting the total 2017 expenses to decrease. The decrease can be attributed to the reduction of planned capital equipment acquisition expenditures.

The Airport made great strides in 2016 on the Capital Improvement front with several significant projects. We installed a new state-of-the-art LED lighting system on Runway 5-23 and its associated taxiways. This project replaced a very old and inefficient direct burial lighting system. For example, each of the 300 new light fixtures consumes 11 watts each vs. 30-45 watts with the old incandescent fixtures. The new fixtures will last significantly longer that the old ones and, as a result, we will see savings in energy costs, the cost of bulbs and labor costs associated with changing inoperative bulbs. It also increases safety because the "can and conduit system" is much more reliable and safer to work on and will require fewer man hours with employees in the aircraft movement areas. Most importantly, it's better for pilots as the system emits a very uniform light that is highly visible making our airfield movement areas easily discernable. The second phase will begin in short order and will address the taxiways that service the primary runway 15-33. Both phases together will cost approximately $3.3 million.

We are continuing progress on the total replacement of the Airport perimeter fence with Phase II ongoing and Phase III being bid shortly. This represents a significant step forward in terms of safety and a tremendous upgrade of the fence design compared to what exist today. By shrinking the Airport operations area (AOA), we're effectively creating an area that is much easier to protect and keep sterile if you will. By removing wildlife habitat that exists today within the AOA, we drastically reduce the chance of wildlife/aircraft interaction which as you know, can have deadly consequences. This project will ultimately be completed in four phases costing upwards of $6 million.

Finally, in 2016 we also finished or began the following projects:

Runway Protection Zone Land Acquisition - $250K
ARFF Unit 51 rehabilitation - $500K
Rental Car Maintenance Facility - $2M
Terminal Fencing and Security upgrades - $300K
Fixed Based Operator Remodel - $590K
Obstruction and Tree Removal - $200K

Collectively, the 2016 projects completed, on-going or beginning total is approximately $10.3 Million.

Despite a few surprises in 2016, the “take away” is that LCH continues to progress both operationally and financially. To be sure, a significant threat looms relating to air service, but we’re going to work with our colleagues and anyone else who will listen to ensure that the voice of “Small city America” is heard. We’re not alone in this flight, and I believe we are gaining momentum. I look forward to working with our team in 2017 as we continue to work to make LCH the best that it can be.

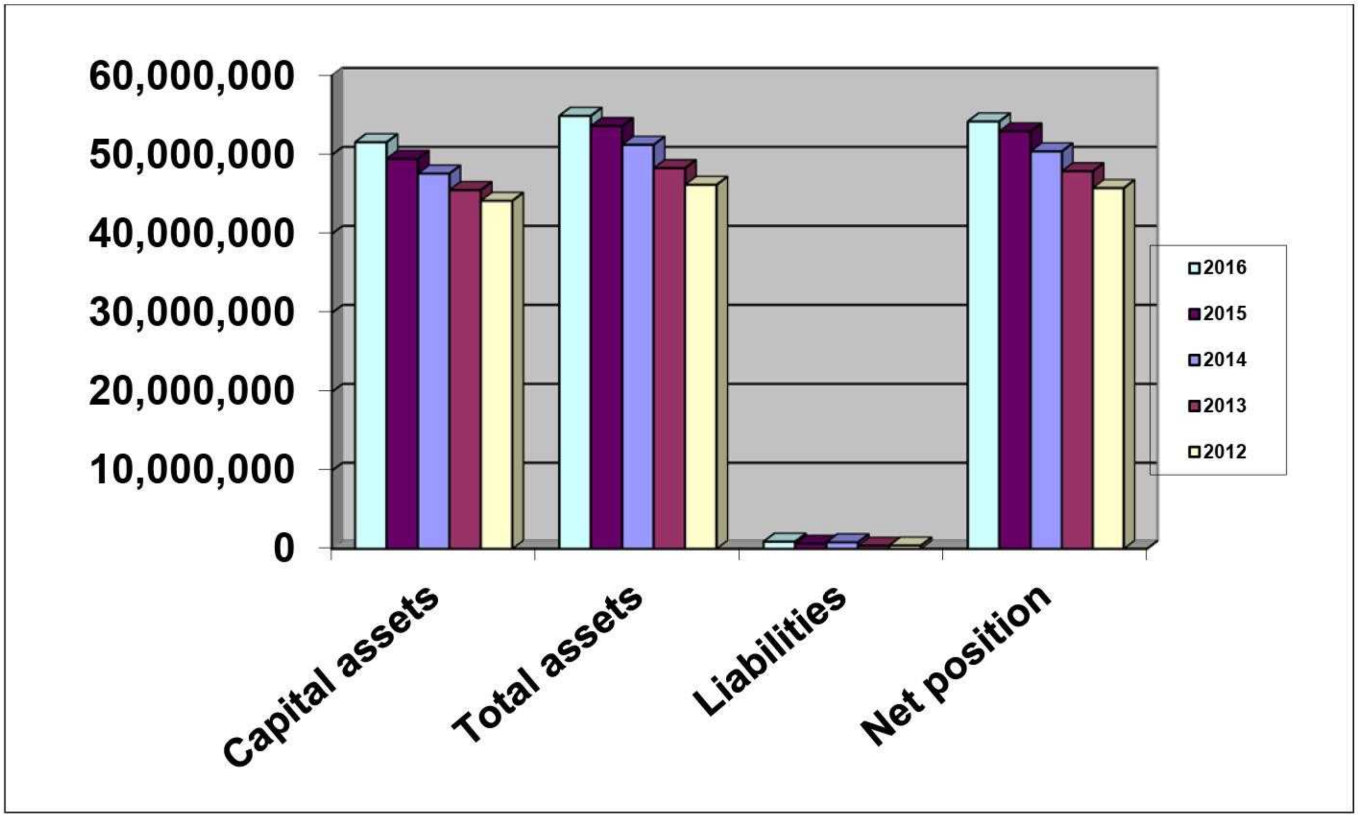
Financial Highlights

As of December 31, 2016, the Airport’s net position has increased to $54.2 million from $53.0 million at December 31, 2015. This increase is due mostly to capital additions to the airport. This year’s significant capital additions were:

- Land Acquisition $ 409,831
- Rental Car Facility $ 1,857,037
- Runway Lighting Improvements $ 1,358,159

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.

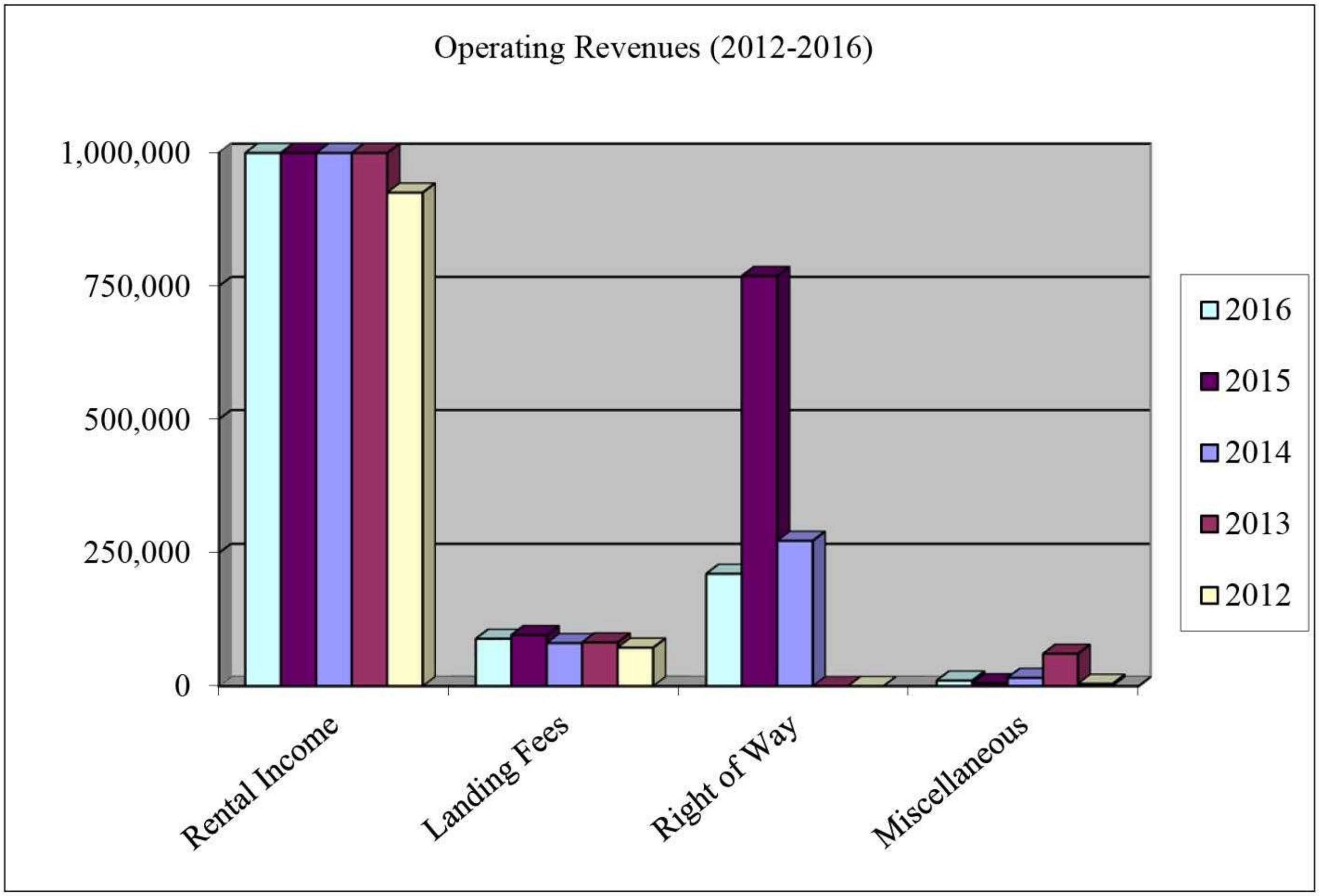
	2016	2015	2014
Current and other assets	$3,339,150	$4,123,823	$3,656,069
Capital assets	51,619,700	49,536,728	47,644,086
Total assets	54,958,850	53,660,551	51,300,155
Deferred outflows	249,133	-	-
Total assets and deferred outflows	55,207,983	53,660,551	51,300,155
Other liabilities	551,301	578,304	762,163
Long-term liabilities	365,209	79,759	70,038
Total liabilities	916,510	658,063	832,201
Deferred inflows	41,456	-	-
Net Position:			
Net investment in capital assets	51,247,591	49,161,216	47,006,226
Restricted – Marketing/Capital Equipment	-	38,874	198,668
Restricted- PFC projects	63,198	539,927	304,138
Restricted- CFC projects	37,955	328,419	950,601
Unrestricted	2,901,273	2,934,051	2,008,321
Total net position	$54,250,017	$53,002,487	$50,467,954



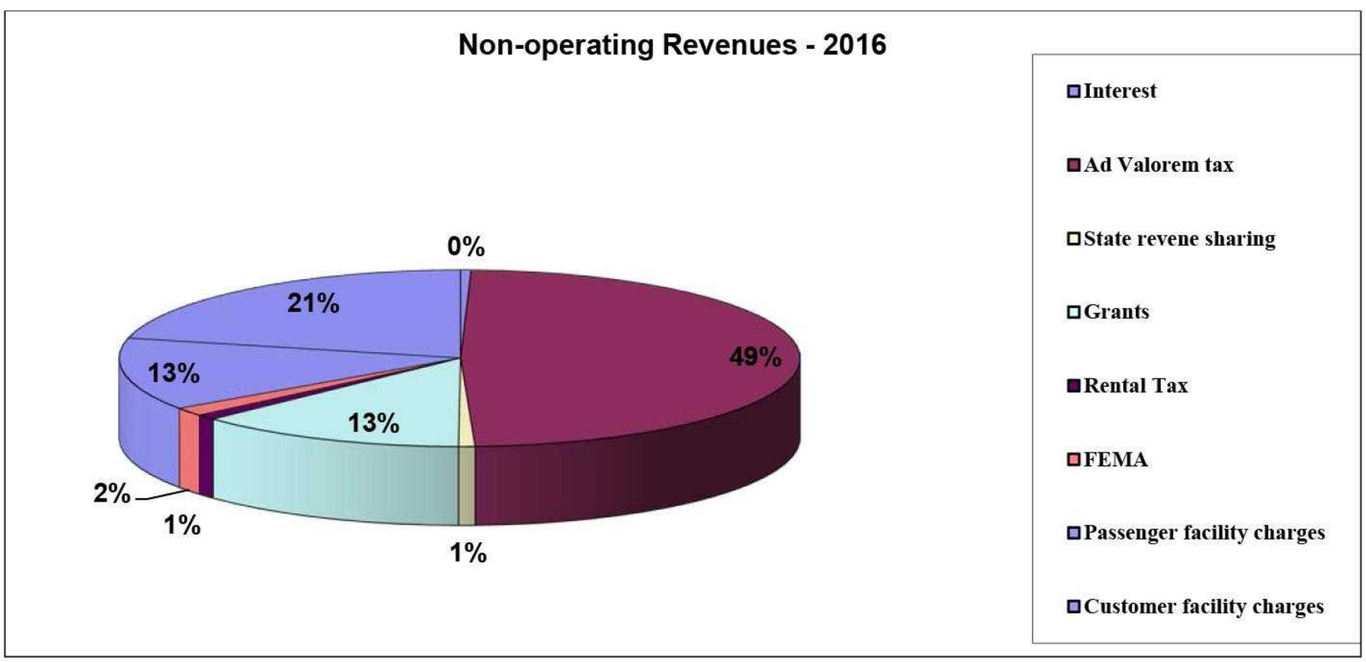
During 2016, Operating revenues decreased approximately $660,000 from last year due. The majority of this decrease resulted from a large right of way payment received in 2015. Approximately $109,000 of the decrease was a due to the loss of PHI and a drop in enplanements.

Total expenses (before depreciation) increased by approximately $138,000 with the majority of the increase coming from payroll and the related employee benefits.

	2016	2015	2014
Operating revenues	$ 1,411,261	$ 2,073,511	$ 1,581,686
Operating expenses	4,217,554	4,000,005	3,798,057
Operating (loss)	(2,806,293)	(1,926,494)	(2,216,371)
Non-operating			
Revenues(expenses)	1,438,647	1,486,640	1,041,532
Other revenues	2,642,390	2,974,388	3,696,733
Increase in net position	$ 1,274,744	$ 2,534,534	$ 2,521,894

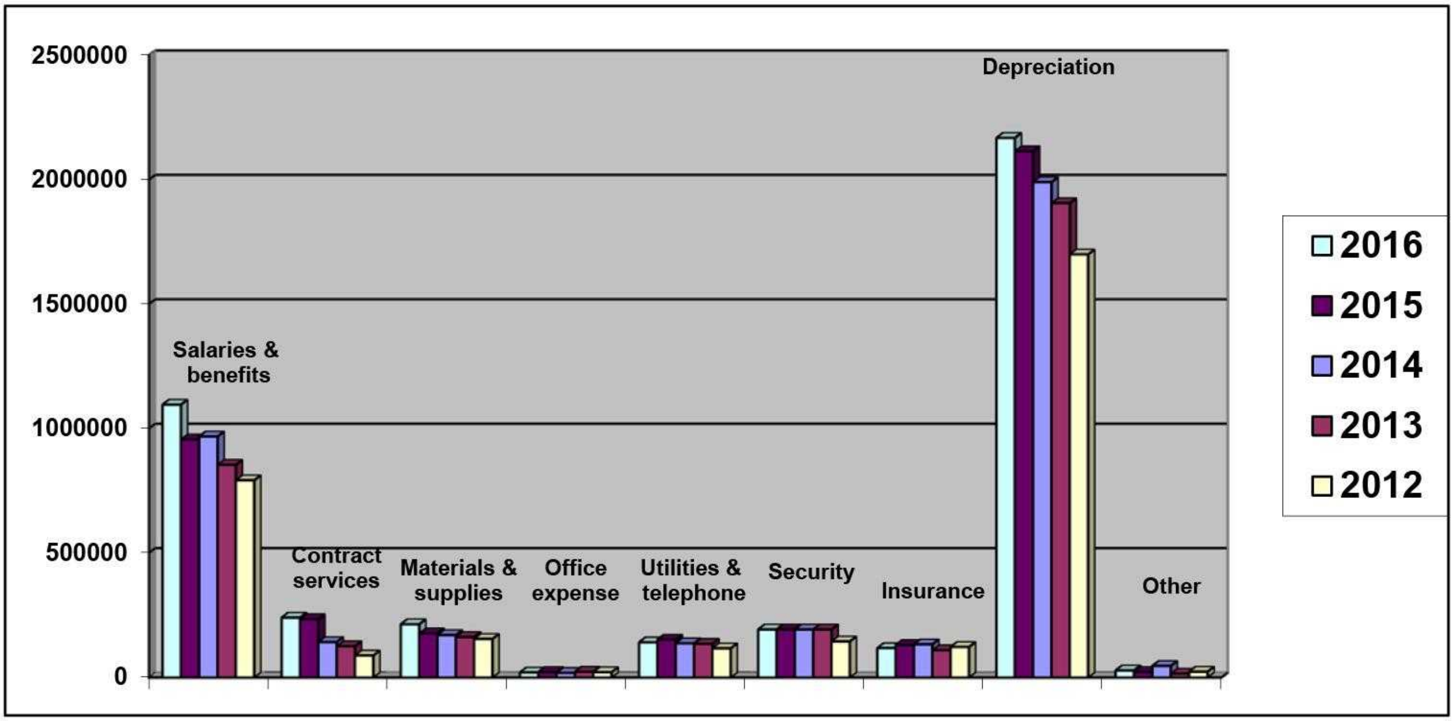


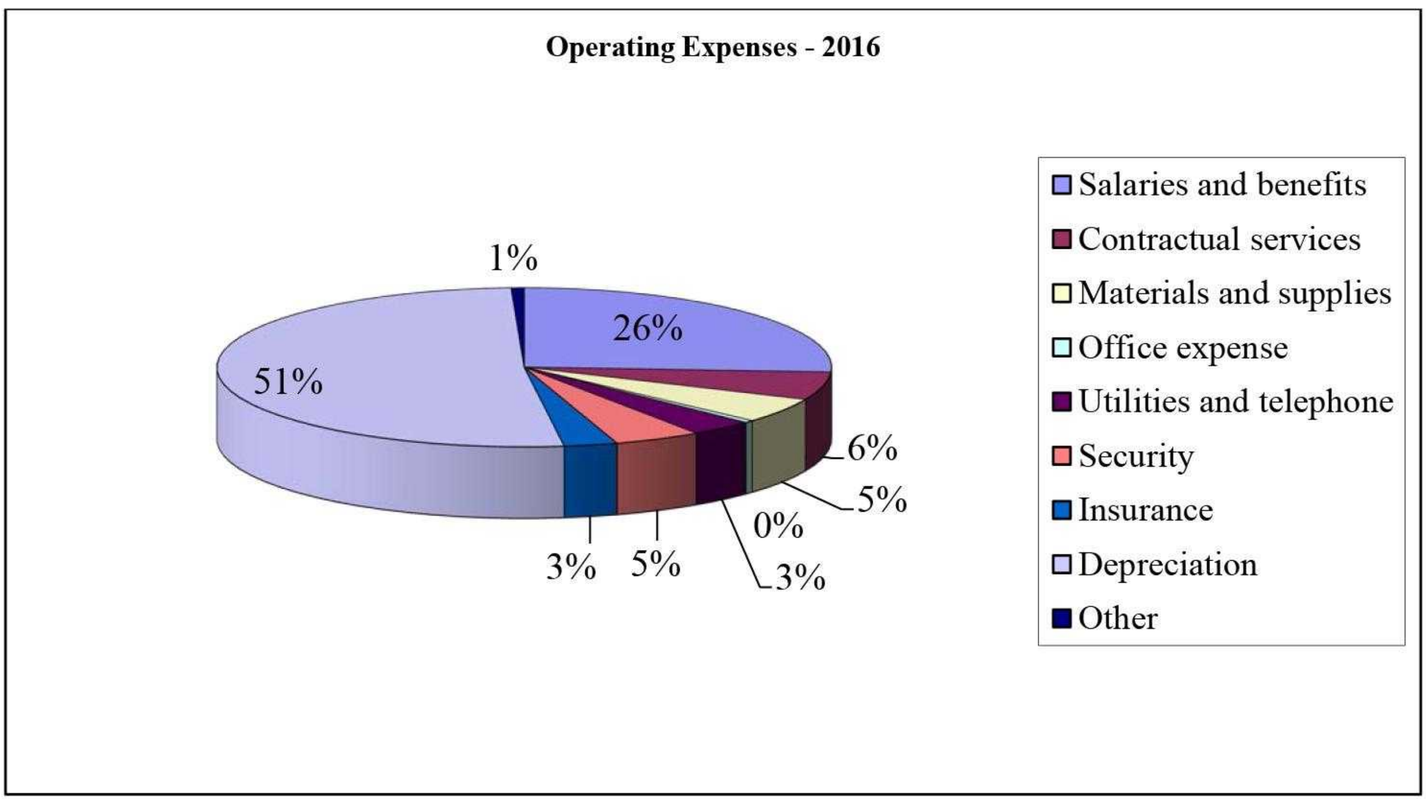
Operating Revenues (2012-2016)
1,000,000
750,000
500,000
250,000
0
2016
2015
2014
2013
2012
Rental Income
Landing Fees
Right of Way
Miscellaneous



Non-operating Revenues - 2016
0%
21%
49%
13%
13%
2%
1%
1%
Interest
Ad Valorem tax
State revene sharing
Grants
Rental Tax
FEMA
Passenger facility charges
Customer facility charges

Operating expenses – 2012-2016





Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana
STATEMENTS OF NET POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Cash	$ 1,975,077.60	$ 1,823,443.41
Accounts receivable		
Trade	149,484.23	188,000.10
Advalorem Taxes	763,671.17	749,027.34
State revenue sharing	8,709.75	12,926.06
Federal grants	33,217.50	285,976.00
State grants	206,002.96	150,296.27
Customer facility charges	23,490.00	25,505.00
Passenger facility charges	26,599.83	28,250.44
Total accounts receivable	1,211,175.44	1,439,981.21
Prepaid expense	18,337.86	11,716.68
Prepaid insurance	39,098.57	34,090.27
Total Current Assets	3,243,689.47	3,309,231.57
Noncurrent Assets		
Restricted Cash	95,460.75	814,591.03
Capital assets, net of accumulated depreciation	51,619,699.82	49,536,728.14
Total Noncurrent Assets	51,715,160.57	50,351,319.17
TOTAL ASSETS	54,958,850.04	53,660,550.74
DEFERRED OUTFLOWS		
Deferred outflows of resources related to pensions	249,133.00	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 55,207,983.04	$ 53,660,550.74

See notes to the financial statements

Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana
STATEMENTS OF NET POSITION
December 31, 2016 and 2015

	2016	2015
LIABILITIES		
Current Liabilities		
Accounts payable	$ 71,776.63	$ 47,104.38
Construction contract payable	372,109.04	375,512.43
Payable from restricted assets:		
Customer facility charges	-	88,348.80
Passenger facility charges	44,398.06	-
Payroll taxes and benefits	38,525.35	43,212.29
Deduction from advalorem taxes for retirement system	24,492.22	24,125.97
Total Current Liabilities	551,301.30	578,303.87
Noncurrent Liabilities		
Security deposit	4,000.00	4,000.00
OPEB liability	100,360.00	75,759.00
Net pension liability	260,849.00	-
Total Noncurrent Liabilities	365,209.00	79,759.00
TOTAL LIABILITIES	916,510.30	658,062.87
DEFERRED INFLOWS		
Deferred inflows of resources related to pensions	41,456.00	-
NET POSITION		
Net investment in capital assets	51,247,590.78	49,161,215.71
Restricted for marketing and capital equipment	-	38,874.28
Restricted for PFC projects	63,197.95	539,927.30
Restricted for CFC projects	37,954.57	328,419.17
Unrestricted	2,901,273.44	2,934,051.41
TOTAL NET POSITION	54,250,016.74	53,002,487.87
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 55,207,983.04	$ 53,660,550.74

See notes to the financial statements

Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana
STATEMENTS OF REVENUES AND EXPENSES
For the years ended December 31, 2016 and 2015

	2016	2015
Operating revenues		
Rental income	$ 1,101,125.33	$ 1,203,448.54
Landing fees	88,806.56	95,774.27
Right of way	210,940.00	768,923.00
Miscellaneous	10,388.67	5,365.67
Total operating revenues	1,411,260.56	2,073,511.48
Operating expenses		
Salaries and benefits	1,095,592.45	956,049.64
Contractual services	240,161.11	233,846.99
Materials and supplies	213,556.43	176,975.99
Office expense	20,278.43	22,079.99
Utilities and telephone	141,048.54	151,772.04
Security	192,683.04	192,683.04
Insurance	117,890.70	130,169.16
Depreciation	2,167,776.97	2,114,164.97
Other	28,566.36	22,263.68
Total operating expenses	4,217,554.03	4,000,005.50
Operating income (loss)	(2,806,293.47)	(1,926,494.02)
Nonoperating revenues (expenses)		
Interest	7,874.96	9,086.41
Ad Valorem tax	781,013.88	771,597.68
State revenue sharing	12,350.59	12,641.41
Grants		
Maintenance reimbursement	100,000.00	110,747.42
Security reimbursement	104,365.91	104,320.88
Rental tax	15,264.16	-
Federal Emergency Management Agency	24,669.25	109,887.41
Passenger facility charges	212,295.26	284,857.58
Customer facility charges	341,670.00	319,732.00
Disposal of fixed assets	-	3,489.00
Engineering and professional fees	(136,364.62)	(215,593.81)
Ad Valorem tax deduction	(24,492.22)	(24,125.97)
Total nonoperating revenues (expenses)	1,438,647.17	1,486,640.01
Other revenues		
Capital grants	2,642,390.17	2,974,388.46
Increase (decrease) in net position	$ 1,274,743.87	$ 2,534,534.45

See notes to the financial statements

Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana
STATEMENTS OF CHANGES IN NET POSITION
For the years ended December 31, 2016 and 2015

	2016	2015
Net Position - Beginning of Year, As Previously Reported	$ 53,002,487.87	$ 50,467,953.42
Prior Period Adjustment - Implementation of GASB 68 (As Described in Note M)	(27,215.00)	-
Net Position - Beginning of Year, As Restated	52,975,272.87	50,467,953.42
Increase (Decrease) in Net Position	1,274,743.87	2,534,534.45
Net Position - End of Year	$ 54,250,016.74	$ 53,002,487.87

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 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash received from charges	$ 1,449,776.43	$ 2,047,642.66
Cash received from Ad Valorem taxes	742,244.08	648,231.47
Cash received from grants	195,835.91	231,777.43
Cash payments to suppliers for goods and services	(941,141.83)	(947,838.14)
Cash payments to employees for services	(1,049,721.39)	(926,323.37)
Net cash provided (used) by operating activities	396,993.20	1,053,490.05
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(4,298,102.79)	(4,180,805.79)
Funds paid for engineering and professional fees	(136,364.62)	(215,593.81)
Cash received from sale of fixed assets	-	3,489.00
(Payments) draw on line of credit	-	(26,301.84)
Cash received from Federal Emergency Management Agency	24,669.25	195,950.81
Cash received from capital grants	2,847,971.98	3,206,632.88
Cash received from customer facility charges	343,685.00	317,888.00
Cash received from passenger facility charges	213,945.87	294,488.10
Rental tax received	15,264.16	-
State revenue sharing received	16,566.90	8,425.10
Net cash provided (used) by capital and related financing activities	(972,364.25)	(395,827.55)
Cash flows from investing activities:		
Interest on investments	7,874.96	9,086.41
Net cash provided by investing activities	7,874.96	9,086.41
Net increase (decrease) in cash and cash equivalents	(567,496.09)	666,748.91
Cash and cash equivalents, beginning of year	2,638,034.44	1,971,285.53
Cash and cash equivalents, end of year - (including restricted cash of $95,461 and $814,591 in 2016 and 2015)	$ 2,070,538.35	$ 2,638,034.44

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 2016 and 2015

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

	2016	2015
Operating income (loss)	$ (2,806,293.47)	$ (1,926,494.02)
Depreciation	2,167,776.97	2,114,164.97
Nonoperating Ad Valorem taxes	742,244.08	648,231.47
Cash received from grants	195,835.91	231,777.43
Changes in assets and liabilities:		
(Increase) decrease in trade accounts receivable	38,515.87	(25,868.82)
(Increase) decrease in prepaid expense	(6,621.18)	(308.09)
(Increase) decrease in prepaid insurance	(5,008.30)	(10,856.69)
Increase (decrease) in accounts payable	24,672.26	(6,882.47)
Increase (decrease) in taxes and benefits payable	(4,686.94)	20,005.27
Increase (decrease) in accrued OPEB liability	24,601.00	9,721.00
Increase (decrease) in accrued net pension liability	25,957.00	-
Total adjustments	3,203,286.67	2,979,984.07
Net cash provided (used) by operating activities	$ 396,993.20	$ 1,053,490.05

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.

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:

	Years
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, 2016 was $1,553,264. Contingent rentals received for the year ended December 31, 2016 and 2015 were $309,549 and $306,551, respectively.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Year	Amount
2017	$684,024
2018	588,853
2019	470,014
2020	226,905
2021	174,642
	$2,144,438

6. Right of Way

The Authority at times has granted right of ways for various purposes. In August 2015, the Authority entered into a right of way easement agreement with Lake Charles LNG Export Company LLC. The right of way was granted for the purpose of ingress and egress and constructing an addition to an existing roadway and turn-in for use of the surface of the land for all purposes associated with roadway construction and transportation. The Authority received $768,923 in 2015 in exchange for the right of way. In 2016, the Authority entered into a right of way easement agreement with Bayou Bridge Pipeline, LLC for $210,940.

7. Accounts Receivable

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

8. 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.

9. 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.

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.

At December 31, 2015, the Authority had cash and cash equivalents (book balances) totaling $2,638,034. Of that balance, $814,591 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, 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.

At December 31, 2015, the Authority has $2,797,255 in deposits (collected bank balances). These deposits are secured from risk by $250,000 of federal deposit insurance and $4,220,997 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, 2016 and 2015, 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.

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.

NOTE D. PENSION PLAN – Continued

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.

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.

NOTE D. PENSION PLAN - Continued

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.

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.

NOTE D. PENSION PLAN - Continued

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, 2015, 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, 2015 was 14.50% for Plan A and 9.00% for Plan B. The actual rate for the fiscal year ending December 31, 2016 was 13.00% for Plan A and 8.00% for Plan B.

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, 2016 and 2015 was $668,300 and $567,821; the Authority's total payroll and accrued benefits for 2016 and 2015 was $1,095,592 and $956,050, respectively. The Authority contributed $86,879 and $82,333 to the system during the years 2016 and 2015. As of December 31, 2016, the total amount owed to the Parochial Retirement System was $11,498 for December contributions.

NOTE D. PENSION PLAN - Continued

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

At December 31, 2016, the Authority reported a liability of $260,849 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, 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, 2016, the Authority recognized pension expense of $112,836. At December 31, 2016, 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	$ 58,209	$ -
Net difference between projected and actual earnings on pension plan investments	238,684	41,456
Differences between Authority contributions and proportionate share of contributions	(134,639)	-
Authority contributions made subsequent to the measurement date	86,879	-
Total	$ 249,133	$ 41,456

The Authority's contributions during the year ended December 31, 2016, reported as deferred outflows, of $86,879 subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended December 31, 2016. 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:	
2017	$ 67,439
2018	71,438
2019	49,121
2020	(67,200)

NOTE D. PENSION PLAN - Continued

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, 2015 are as follows:

Valuation Date	December 31, 2015
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Investment Rate of Return	7.00%, net of investment expense
Projected Salary Increases	5.75% (3% Inflation, 2.75% Merit)
Mortality Rates	RP-2000 Employees Sex Distinct Table for active members RP-2000 Healthy Annuitant Sex Distinct Table projected to 2013 for annuitant and beneficiary mortality RP-2000 Disabled Lives Mortality Tables for disabled annuitants
Salary Increases	5.25%
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.

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 2.30% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.55% and 8.11% for the year ended December 31, 2015 and 2014, respectively.

NOTE D. PENSION PLAN – Continued

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, 2015 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed income	34%	1.06%
Equity	51%	3.56%
Alternatives	12%	0.74%
Real assets	3%	0.19%
Totals	100%	5.55%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.55%

The discount rate used to measure the total pension liability was 7.00% and 7.25% for the years ended December 31, 2015 and 2014, respectively. 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.

Sensitivity to Changes in Discount Rate

In accordance with GASB 67, regarding the disclosure of the sensitivity of the net position liability to changes in the 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)	$653,522	$260,849	$(71,007)

NOTE D. PENSION PLAN – Continued

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, 2015. Access to the report can be found on the Louisiana Legislative Auditor's website, www.lla.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.

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, and 2014 and 2015 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.

NOTE E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

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.

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 2016 was $21,373. There is no retiree contribution to the OPEB plan other than the retiree share of insurance premiums paid monthly which for 2015 consisted of $460 per month if under age 65, $357 per month if subject to Medicare Supplement Part A, or $249.90 per month if subject to Medicare Supplements Parts A & B. The retiree share of insurance premiums paid monthly 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.

NOTE E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

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.

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.

NOTE E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

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

Annual Required Contribution (ARC)	$29,662
Interest on Net OPEB Obligation	3,030
Adjustment to ARC	13,282
Annual OPEB Cost (Expense)	45,974
Less: Contributions	(21,373)
Increase in Net OPEB Obligation	24,601
Net OPEB Obligation at Beginning of year	75,759
Net OPEB Obligation at End of year	$100,360

Trend Information for OPEB Plan:

Fiscal Year Ended	OPEB Plan Total
December 31, 2014:	
Annual OPEB Cost	$30,566
% of Annual OPEB Cost Contributed	17%
Net OPEB Obligation	$66,038
December 31, 2015:	
Annual OPEB Cost	$9,721
% of Annual OPEB Cost Contributed	77%
Net OPEB Obligation	$75,759
December 31, 2016:	
Annual OPEB Cost	$24,601
% of Annual OPEB Cost Contributed	87%
Net OPEB Obligation	$100,360

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.

NOTE G. AD VALOREM TAXES

For the year ended December 31, 2016 taxes of .60 mills were levied on property with taxable assessed valuations of $1,311,315,664 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, 2016, consisted of the following:

	Total
Passenger Facility Charge Funds	$ 63,198
Customer Facility Charge Funds	37,955
Total Restricted Assets	$ 101,153

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, 2016 the total of approved applications is $3,450,031. Since 2001 a total of $3,168,297 has been spent in PFC funds for airport improvements.

Total PFC revenues, including interest, remitted to the Authority for the years ended December 31, 2016 and 2015 were $213,193 and $286,048 respectively. During the year ended December 31, 2016 a total of $689,831 was spent on improvements, leaving a balance of $63,198 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, 2016 and 2015 were $341,670 and $319,732, respectively. During the year ended December 31, 2016, $789,381 was spent on improvements leaving a balance of $37,955 for future CFC projects (Note H).

NOTE K. CAPITAL ASSETS

Capital assets consist of the following:

	Balance 12/31/15	Additions	Disposals	Balance 12/31/16
Land	$ 3,618,667	$ 409,831	$ -	$ 4,028,498
Buildings & Improvements	42,564,516	1,948,956	-	44,513,472
Land Improvements	22,899,227	2,072,123	-	24,971,350
Machinery & Equipment	2,891,582	221,434	-	3,113,016
Furniture & Fixtures	697,280	-	-	697,280
Software	94,400	-	-	94,400
Construction in progress	1,496,152	4,072,551	(4,474,147)	1,094,556
	74,261,824	8,724,895	(4,474,147)	78,512,572
Less accumulated depreciation:				
Buildings & Improvements	8,068,478	949,647	-	9,018,125
Land Improvements	14,387,122	967,679	-	15,354,801
Machinery & Equipment	1,794,785	183,940	-	1,978,725
Furniture & Fixtures	393,421	53,400	-	446,821
Software	81,289	13,111	-	94,400
	24,725,095	2,167,777	-	26,892,872
Net capital assets	$49,536,729	$6,557,118	$(4,474,147)	$51,619,700

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, 2016.

NOTE L. COMMITMENTS AND CONTIGENCIES – Continued

On a continuing basis, the Authority enters into construction contracts for improvements to the airport. At December 31, 2016, work was in progress for the improvements as follows:

	Budget	Expended to date	Committed
Design Airfield Lighting Rehab Phase II	$1,844,214	$ 15,438	$1,828,776
Wildlife Fencing Project – Phase II	1,174,239	722,302	451,937
Terminal Area Fencing – PFC	400,000	356,816	43,184

The funding for the Consolidated Rental Car Maintenance and Storage Facility is provided primarily by CFC funds. Funding for the other projects is provided primarily by federal and state grants.

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 2016.

NOTE M. RESTATEMENT OF BEGINNING NET POSITION

The Authority has implemented GASB 68 Accounting and Financial Reporting for Pensions. As a result of this implementation, the beginning net position as previously reported as of December 31, 2015 has been restated to reflect the net pension liability as of that measurement date. Also, the deferred outflows reflecting the Authority's pension contributions made during 2015 were adjusted to the beginning net position. The result of the implementation decreased net position as of January 1, 2016 by $27,215.

NOTE N. LONG-TERM LIABILITIES

	Beginning of Year	Additions	Reductions	End of Year	Amounts Due Within One Year
Net Pension Liability	$27,215	$320,513	$86,879	$260,849	$ -
OPEB Liability	$75,759	$45,974	$21,373	$100,360	$ -
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, 2016

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U. S. Department of Transportation		
Federal Aviation Administration		
Airport Improvement Program	20.106*	$1,111,520
Federal Emergency Management Agency		
Passed through the Louisiana Office of		
Homeland Security and Emergency Preparedness		
Hurricane Rita Recovery Program	97.036	24,699
US Department of Homeland Security		
Transportation Security Administration		
Law Enforcement Personnel		
Reimbursement Agreement	97.090	104,366
Total expenditures of federal awards		$1,240,585

* Major Programs

See accompanying notes to schedule of expenditures of federal awards

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, 2016

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, 2016. 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, 2016

AGENCY HEAD NAME: HEATH ALLEN, EXECUTIVE DIRECTOR

PURPOSE	**AMOUNT**
Salary	$126,996
Benefits	
Insurance	11,942
Retirement	18,521
Car Allowance	9,600
Phone Allowance	600
Per Diem	1,341
Conference Travel	11,722
TOTAL	$180,722

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

4827 IHLES ROAD
P. O. BOX 4265
LAKE CHARLES, LA 70606
(337) 513-4915 OFFICE/ (337) 205-6927 FAX
steve@sderouencpa.com

Member American Institute of Certified Public Accountants

Member Louisiana Society of Certified Public Accountants

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, 2016, and the related notes to the financial statements, and have issued my report thereon dated June 15, 2017.

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, 2017

STEVEN M. DEROUEN & ASSOCIATES

Certified Public Accountants

4827 IHLES ROAD
P. O. BOX 4265
LAKE CHARLES, LA 70606
(337) 513-4915 OFFICE/ (337) 205-6927 FAX
steve@sderouencpa.com

Member American Institute of Certified Public Accountants

Member Louisiana Society of Certified Public Accountants

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, 2016. 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, 2016.

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, 2017

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, 2016

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 Rreport	
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:

CFDA Number	Name of Federal Program or Cluster
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 X 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, 2016

	2015	2016
Authority's proportion of the net pension liability	0.099540%	0.249717%
Authority's proportionate share of the net pension liability	$ 27,215	$ 260,849
Authority's covered-employee payroll	$ 567,821	$ 668,300
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	4.8%	39.03%
Plan fiduciary net position as a percentage of the total pension liability	99.14%	92.23%

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, 2016

	2015	2016
Contractually required contribution	$ 82,334	$ 86,879
Contributions in relation to the contractually required contribution	$ 82,334	$ 86,879
Contribution deficiency (excess)	$ -	$ -
Authority's covered-employee payroll	$ 567,821	$ 668,300
Contributions as a percentage of covered-employee payroll	14.5%	13.0%

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.