

Component Unit Financial Statements and
Report of Independent Auditors'

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

December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Airport Authority for Airport District #1
of Calcasieu Parish, component unit of
the Calcasieu Parish Police Jury
Lake Charles, Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Airport Authority for Airport District #1 of Calcasieu Parish, component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Airport Authority for Airport District #1 of Calcasieu Parish, component unit of the Calcasieu Parish Police Jury's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport Authority for Airport District #1 of Calcasieu Parish, component unit of the Calcasieu Parish Police Jury, as of December 31, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Airport Authority for Airport District #1 of Calcasieu Parish, component unit of Calcasieu Parish Police Jury, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport Authority for Airport District #1 of Calcasieu Parish, component unit of Calcasieu Parish Police Jury's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Airport Authority for Airport District #1 of Calcasieu Parish, component unit of Calcasieu Parish Police Jury's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport Authority for Airport District #1 of Calcasieu Parish, component unit of Calcasieu Parish Police Jury's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 10, the pension liability information on pages 46 through 47, and the OPEB liability information on page 48 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted

of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport Authority for Airport District #1 of Calcasieu Parish, component unit of Calcasieu Parish Police Jury's basic financial statements. The accompanying 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 our 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*, we have also issued our report dated May 12, 2023, on our consideration of the Airport Authority for Airport District #1 of Calcasieu Parish, component unit of Calcasieu Parish Police Jury's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport Authority for Airport District #1 of Calcasieu Parish, component unit of Calcasieu Parish Police Jury'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 Airport Authority for Airport District #1 of Calcasieu Parish, component unit of Calcasieu Parish Police Jury's internal control over financial reporting and compliance.

Steven M DeRouen & Associates LLC

Lake Charles, Louisiana
May 12, 2023

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 2022

I’m pleased to report that the Airport is in the best financial condition that it’s ever been in its 60+ year history. Speaking of history, this Airport and/or the industry in which we operate has faced numerous challenges through the years including terrorist attacks, natural disasters, economic downturns, and pandemics – a couple of those multiple times in only the last two years. Yet here I am reporting on our airport’s record financials.

While the operational side of the Airport is doing well as evidenced by our audits and certification inspections, so too is the capital improvement side. We’ve now accomplished over \$80,000,000 in capital improvements since 2008 without any local tax dollars. That means that we’ve taken every opportunity to seek out Federal and State capital improvement dollars at every turn to accomplish needed capital improvements. These improvements have increased safety, maintained critical infrastructure, and enhanced the capacity of this Airport to fulfil its mission. That number continues to grow as we have an additional nearly \$20,000,000 in ongoing improvements. Below is a comprehensive list of capital projects based on their status of being recently completed, ongoing or upcoming (funded) – 23 projects not including Hurricane repairs:

Recently completed

- Hurricane Repairs – Terminal, Fire Station, ATCT, Rental Car Facility
- Gates 1 and 4 Passenger Loading Bridges
- Obstruction Removal
- Runway 5-23 Rehabilitation
- Apron Lighting
- IP Based Emergency Notification System (AlertUS)

Ongoing

- Terminal Arrivals/Departures Loading/Unloading Canopies
- Level II Electric Vehicle Charger Installation – Passenger Parking
- Entrance Road Improvements
- Gates 2 and 3 Passenger Boarding Bridges with pre-conditioned air for all gates
- Rental Car Ready/Return Parking Lot Improvements
- Hangar 3/AirMed Operations Base
- FBO/Freeman Jet Center

- Airport Maintenance Building(s)
- Employee/DPS Parking Lot
- Airport Traffic Control Tower Phase I – Feasibility Study

Upcoming

- Airport Traffic Control Tower Phase II – Siting Study
- Hangar 2
- Hangar 5
- Hangar 6
- Airport Masterplan Update
- Parking Lot Improvements – Phase I
- Roadway Improvements – Airport North/South Connection Phase I
- Airport Equipment Storage Building

These projects are funded by several Federal, State and Local programs. The Airport typically receives approximately \$1,000,000 annually from the Federal Airport Improvement Program (AIP) in the form of a 90% entitlement grant with the State of Louisiana picking up the remaining 10% through the State’s Aviation Trust Fund (ATF). In addition to these entitlement funds, the Airport is eligible to apply for discretionary AIP grants which are merit-based grants. At the State level, the Airport can compete for a maximum of \$3,000,000 annually of 100% grants above and beyond the match grants provided all of which are funded by the State Aviation Trust Fund. These primary funding sources represent a user funded system with those funds being derived by ticket taxes, fuel taxes and other aviation fees. Other State funding programs include State capital outlay which is merit-based grants funded by the State’s general fund. Finally, at the local level, we’re able to use Passenger Facility Charges (airline passengers), Customer Facility Charges (rental car customers) and more recently, Airport funds to fund capital improvements – though these funding sources generally account for a much lower percentage of our overall capital improvements given that they’re significantly smaller sources but also represent user fees.

In addition to these “normal” funding sources, the Airport will receive an additional approximately \$1,000,000 from the Federal government for the ensuing four years as part of the Bipartisan Infrastructure Law (BIL) that was enacted by Congress. BIL also includes several discretionary grant programs which the Airport is eligible for. We were successful in securing \$2,500,000 in discretionary BIL funding in 2022 for new passenger boarding bridges for gates 2 and 3 and even sought and was awarded a small grant from the Volkswagen Emissions scandal to purchase and install electric vehicle chargers. We have applied for additional discretionary funding including funding for our control tower project and a micro-electrical grid initiative through the BIL Terminal Grants and SMART Grant programs respectively. Finally, we are also eligible and will apply for Federal Congressionally Directed Community Funding in 2023 in hopes of constructing a storm-resistant emergency operations center/fire station expansion.

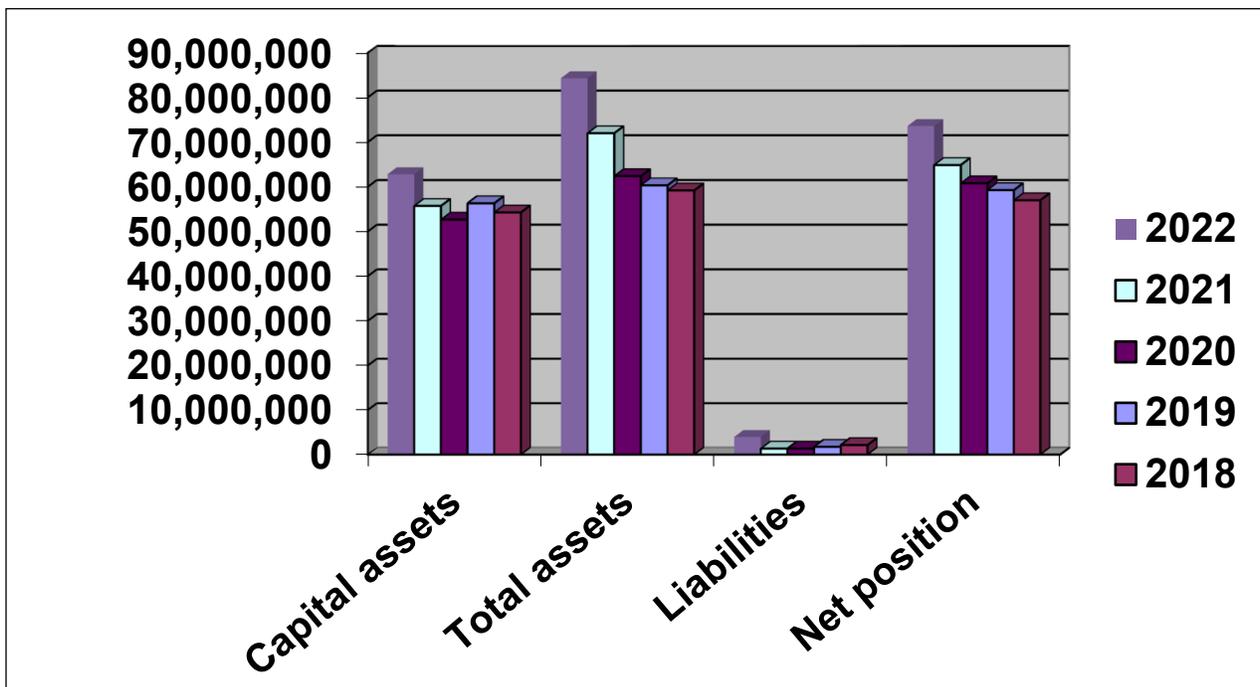
Financial Highlights

As of December 31, 2022, the Airport’s net position has increased to \$73.6 million from \$64.9 million at December 31, 2021. This increase is due mostly to replacement of hurricane damaged buildings and other capital asset additions. This year’s significant capital additions were:

- Loading Bridges \$ 2,091,112
- Construction projects still in progress \$ 9,342,608
- Machinery and equipment \$ 622,241

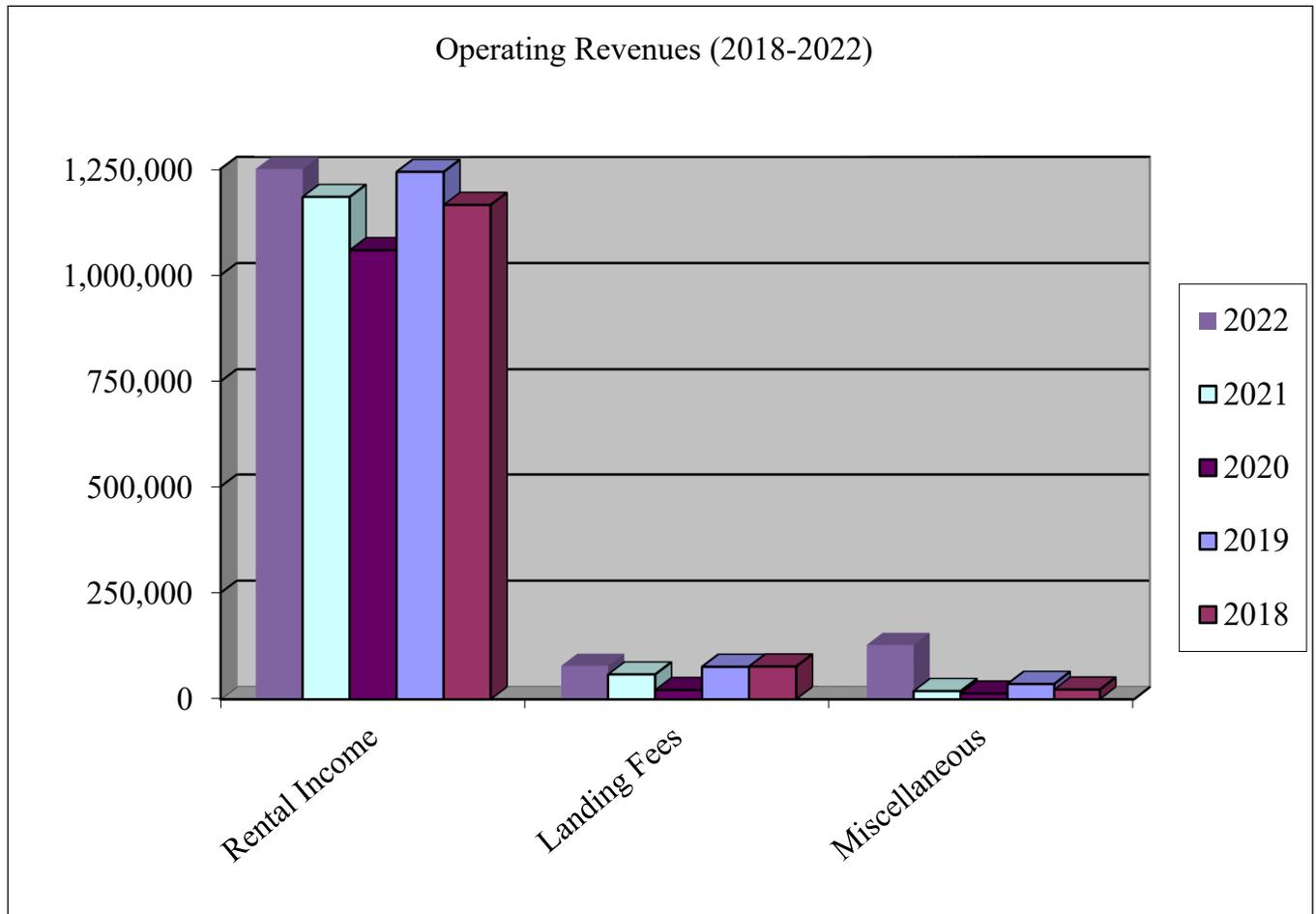
Restricted net position amounts represent those assets that are available for specific purposes as a result of an agreement. Conversely, unrestricted net position amounts are those that do not have any limitations for which these amounts may be used.

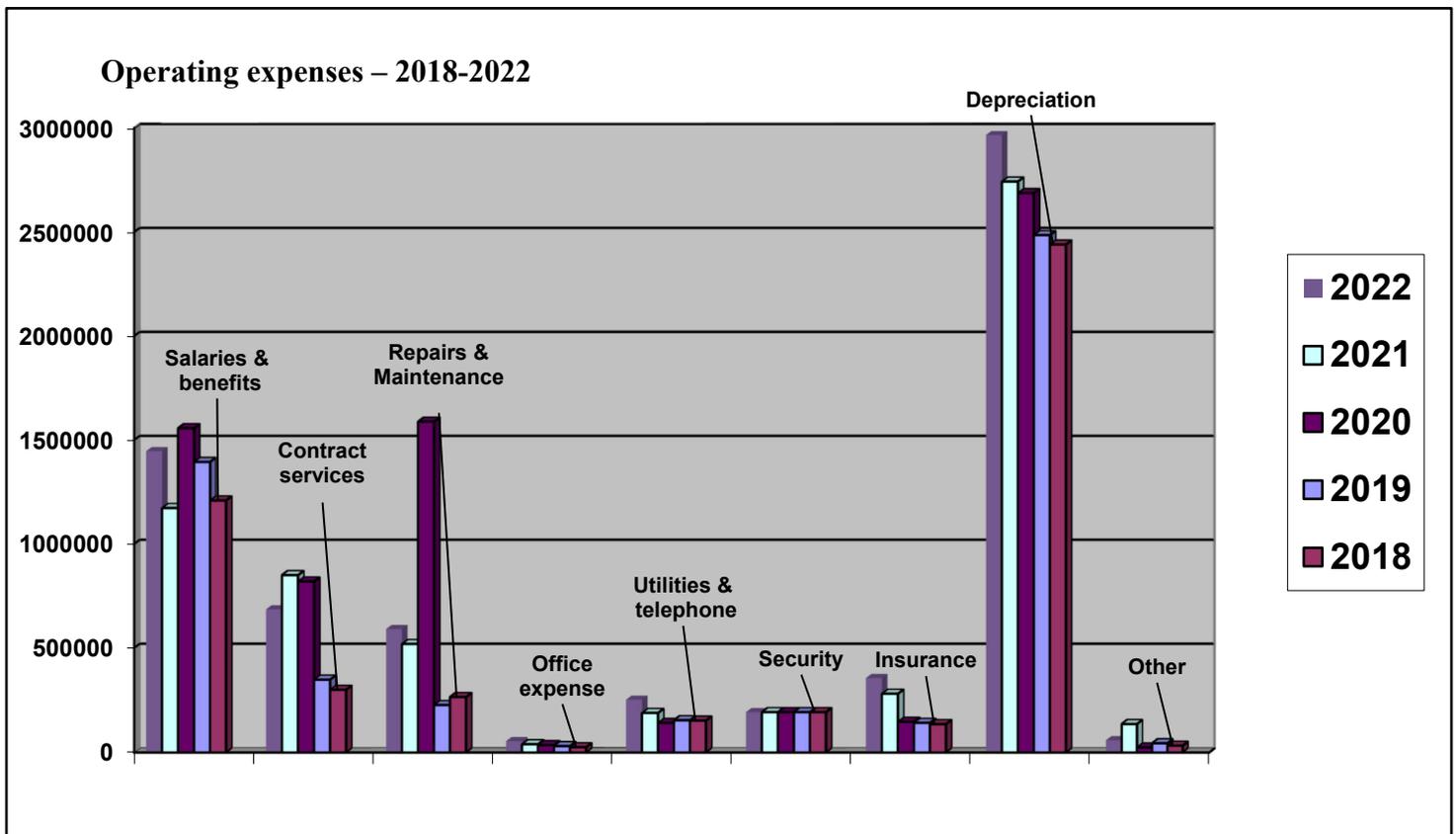
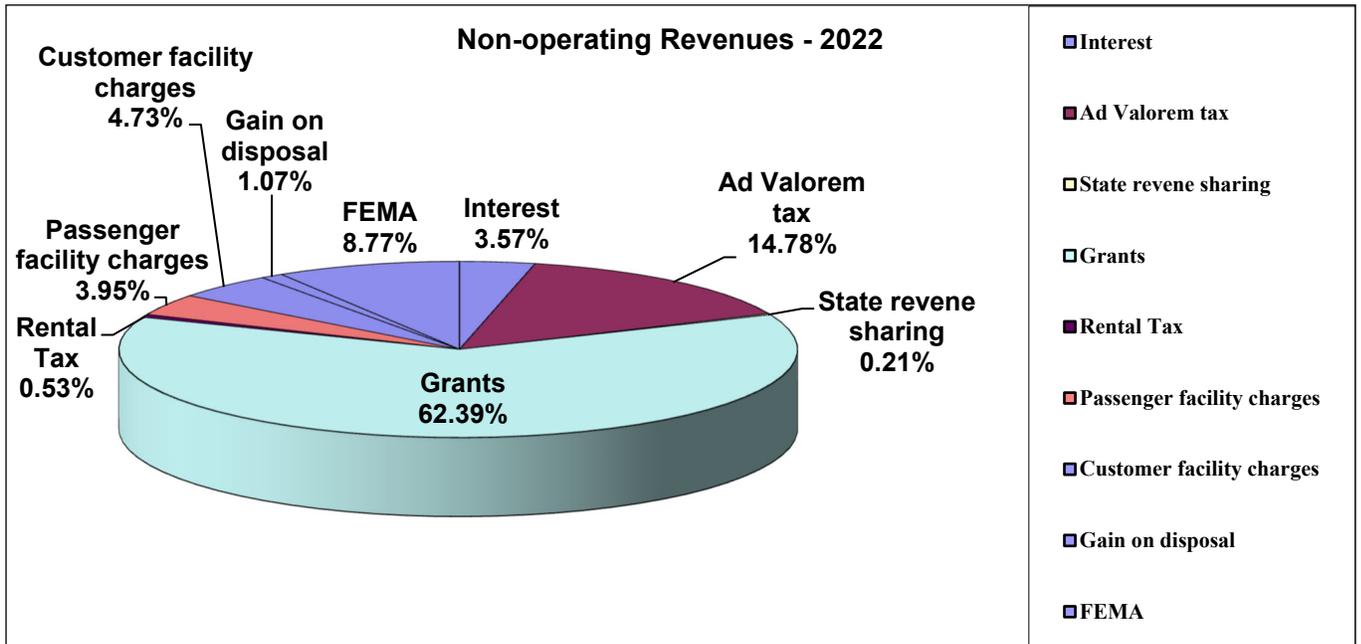
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current assets	\$13,848,669	\$9,655,103	\$8,686,907
Net pension asset	613,675	225,587	-
Lease receivable	5,669,809	5,089,002	-
Restricted cash	1,346,686	1,300,648	1,051,276
Capital assets, net of accumulated depreciation	<u>62,829,424</u>	<u>55,734,515</u>	<u>52,670,142</u>
Total assets	84,308,263	72,004,855	62,408,325
Deferred outflows	<u>186,318</u>	<u>243,959</u>	<u>189,244</u>
Total assets and deferred outflows	84,494,581	72,248,814	62,597,569
Other liabilities	3,546,426	685,376	708,956
Long-term liabilities	<u>407,651</u>	<u>649,158</u>	<u>641,952</u>
Total liabilities	3,954,077	1,334,534	1,350,908
Deferred inflows	<u>6,916,827</u>	<u>6,014,753</u>	<u>446,322</u>
Net Position:			
Net investment in capital assets	59,555,205	55,415,042	52,289,463
Restricted- PFC projects	696,550	446,642	239,833
Restricted- CFC projects	710,367	858,453	851,500
Unrestricted	<u>12,664,555</u>	<u>8,179,390</u>	<u>7,419,543</u>
Total net position	<u>\$73,626,677</u>	<u>\$64,899,527</u>	<u>\$60,800,339</u>



During 2022, Operating revenues increased approximately \$150,000 from last year. Total expenses (before depreciation) increased by approximately \$255,000 with the majority of the increase being related to salaries and benefits.

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 1,469,539	\$ 1,261,902	\$ 1,094,000	\$ 1,355,521
Operating expenses	<u>6,599,696</u>	<u>6,120,737</u>	<u>7,189,460</u>	<u>5,015,861</u>
Operating revenue (loss)	(5,130,157)	(4,858,835)	(6,095,460)	(3,660,340)
Non-operating				
Revenues (expenses)	6,168,617	5,929,271	6,397,426	1,567,233
Other revenues	<u>7,688,689</u>	<u>3,028,753</u>	<u>1,227,342</u>	<u>4,357,391</u>
Increase in net position	<u>\$8,727,149</u>	<u>\$4,099,189</u>	<u>\$1,529,308</u>	<u>\$2,264,284</u>





Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana
STATEMENTS OF NET POSITION
December 31, 2022 and 2021

	<u>2022</u>	<u>RESTATED 2021</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 7,552,414	\$ 4,169,563
Accounts receivable		
Insurance proceeds	116,771	1,782,436
Trade	122,983	178,048
Advalorem Taxes	891,143	955,350
State revenue sharing	13,151	13,060
Federal grants	4,309,101	1,215,423
State grants	140,624	665,073
Customer facility charges	23,775	37,585
Passenger facility charges	36,455	38,112
Total accounts receivable	<u>5,654,003</u>	<u>4,885,087</u>
Lease Receivable	586,578	552,424
Prepaid expense	27,748	20,423
Prepaid insurance	<u>27,926</u>	<u>27,606</u>
 Total Current Assets	 13,848,669	 9,655,103
Noncurrent Assets		
Net pension asset	613,675	225,587
Lease receivable	5,669,809	5,089,002
Restricted Cash	1,346,686	1,300,648
Capital assets, net of accumulated depreciation	<u>62,829,424</u>	<u>55,734,515</u>
 Total Noncurrent Assets	 <u>70,459,594</u>	 <u>62,349,752</u>
 TOTAL ASSETS	 84,308,263	 72,004,855
<u>DEFERRED OUTFLOWS</u>		
Deferred outflows of resources related to pensions	<u>186,318</u>	<u>243,959</u>
TOTAL DEFERRED OUTFLOWS	<u>186,318</u>	<u>243,959</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS	 <u>\$ 84,494,581</u>	 <u>\$ 72,248,814</u>

See notes to the financial statements

Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana
STATEMENTS OF NET POSITION
December 31, 2022 and 2021

	<u>2022</u>	<u>RESTATED 2021</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	\$ 209,202	\$ 231,822
Construction contract payable	3,274,219	319,473
Payable from restricted assets:		
Customer facility charges	-	71,250
Payroll taxes and benefits	31,089	32,518
Deduction from advalorem taxes for retirement system	<u>31,916</u>	<u>30,313</u>
Total Current Liabilities	3,546,426	685,376
Noncurrent Liabilities		
OPEB liability	<u>407,651</u>	<u>649,158</u>
Total Noncurrent Liabilities	<u>407,651</u>	<u>649,158</u>
TOTAL LIABILITIES	3,954,077	1,334,534
<u>DEFERRED INFLOWS</u>		
Deferred inflows of resources related to leases	6,057,851	5,540,027
Deferred inflows of resources related to pensions	576,436	469,485
Deferred inflows of resources related to OPEB	<u>279,540</u>	<u>5,241</u>
TOTAL DEFERRED INFLOWS	6,913,827	6,014,753
<u>NET POSITION</u>		
Net investment in capital assets	59,555,205	55,415,042
Restricted for PFC projects	696,550	446,642
Restricted for CFC projects	710,367	858,453
Unrestricted	<u>12,664,555</u>	<u>8,179,390</u>
TOTAL NET POSITION	<u>73,626,677</u>	<u>64,899,527</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u>\$ 84,494,581</u>	<u>\$ 72,248,814</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, 2022 and 2021

	<u>2022</u>	RESTATED <u>2021</u>
Operating revenues		
Rental income	\$ 1,263,535	\$ 1,184,391
Landing fees	78,409	58,345
Miscellaneous	<u>127,595</u>	<u>19,166</u>
Total operating revenues	1,469,539	1,261,902
Operating expenses		
Salaries and benefits	1,445,883	1,172,565
Contractual services	685,280	849,900
Repairs and maintenance	590,228	518,646
Office expense	53,847	39,232
Utilities and telephone	251,995	188,838
Security	192,683	192,683
Insurance	355,604	280,641
Depreciation	2,965,828	2,742,602
Other	<u>58,348</u>	<u>135,630</u>
Total operating expenses	<u>6,599,696</u>	<u>6,120,737</u>
Operating income (loss)	(5,130,157)	(4,858,835)
Nonoperating revenues (expenses)		
Interest	226,434	176,556
Ad Valorem tax	937,611	1,001,293
State revenue sharing	13,142	13,049
Grants		
Maintenance reimbursement	100,000	18,406
Security reimbursement	41,675	41,150
Operating expense reimbursement	3,816,101	3,174,761
Rental tax	33,673	37,305
Gain (loss) on disposal of capital assets	68,111	-
Federal Emergency Management Agency	556,444	26,437
Passenger facility charges	250,338	223,503
Customer facility charges	299,815	308,696
Net gain from hurricane insurance claims	-	1,085,587
Engineering and professional fees	(142,811)	(147,159)
Ad Valorem tax deduction	<u>(31,916)</u>	<u>(30,313)</u>
Total nonoperating revenues (expenses)	6,168,617	5,929,271
Other revenues		
Capital grants	<u>7,688,689</u>	<u>3,028,753</u>
Increase (decrease) in net position	8,727,149	4,099,189
Net position, beginning of year	<u>64,899,528</u>	<u>60,800,339</u>
Net position, end of year	<u>\$ 73,626,677</u>	<u>\$ 64,899,528</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 2022 and 2021

	<u>2022</u>	RESTATED <u>2021</u>
Cash flows from operating activities:		
Cash received from charges	\$ 1,426,641	\$ 1,207,998
Cash received from Ad Valorem taxes	1,001,818	869,998
Cash received from grants	4,137,904	2,639,545
Cash payments to suppliers for goods and services	(2,218,250)	(2,263,663)
Cash payments to employees for services	(1,526,206)	(1,414,672)
Net cash provided (used) by operating activities	2,821,907	1,039,206
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(7,126,792)	(5,826,723)
Funds paid for engineering and professional fees	(142,811)	(147,159)
Cash received from sale of fixed assets	68,111	2,384
Insurance proceeds received	1,665,665	4,531,551
Cash received from Federal Emergency Management Agency	556,444	26,437
Cash received from capital grants	4,939,333	2,802,829
Cash received from customer facility charges	313,625	296,651
Cash received from passenger facility charges	251,995	199,909
Rental tax received	33,673	37,305
State revenue sharing received	13,051	8,698
Net cash provided (used) by capital and related financing activities	572,294	1,931,882
Cash flows from investing activities:		
Interest on investments	34,688	1,890
Net cash provided by investing activities	34,688	1,890
Net increase (decrease) in cash and cash equivalents	3,428,889	2,972,978
Cash and cash equivalents, beginning of year	5,470,211	2,497,233
Cash and cash equivalents, end of year - (including restricted cash of \$1,346,686 and \$1,300,648 in 2022 and 2021)	\$ 8,899,100	\$ 5,470,211

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 2022 and 2021

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

		<u>2022</u>		RESTATED <u>2021</u>
Operating income (loss)	\$	(5,130,157)	\$	(4,858,835)
Depreciation		2,965,828		2,742,602
Nonoperating Ad Valorem taxes		1,001,818		869,998
Cash received from grants		4,137,904		2,639,545
Changes in assets and liabilities:				
(Increase) decrease in trade accounts receivable		55,065		(127,170)
(Increase) decrease in prepaid expense		(7,325)		(4,781)
(Increase) decrease in prepaid insurance		(320)		(14,359)
(Increase) decrease in lease receivable		13,847		73,268
Increase (decrease) in accounts payable		(22,620)		(38,954)
Increase (decrease) in taxes and benefits payable		(1,429)		2,584
Increase (decrease) in accrued OPEB liability		32,792		(155,859)
Increase (decrease) in accrued net pension liability		(223,496)		(88,833)
Total adjustments		<u>7,952,064</u>		<u>5,898,041</u>
Net cash provided (used) by operating activities	\$	<u>2,821,907</u>	\$	<u>1,039,206</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, 2022 and 2021

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, 2022 and 2021

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 of the 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. Lease Receivable

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 \$2,497,029 and the amount of accumulated depreciation as of December 31, 2022 was \$1,237,796. Contingent rentals received for the year ended December 31, 2022 and 2021 were \$429,832 and \$426,741, respectively.

The Authority implemented GASBS No. 87 for the years ended December 31, 2022 and 2021. Under this statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the governments' leasing activities. The lease receivable is measured at the present value of lease payments expected to be received during the lease term discounted using interest rate of 2.975%. The accompanying 2021 financial statements have been restated to reflect this implementation.

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

December 31, 2022 and 2021

Lease Receivable (continued)

Leases receivables, lease revenue and lease interest revenue related to long term leases as of December 31, 2022 are as follows:

<u>Property/Term</u>	<u>Lease Date</u>	<u>Lease Receivable</u>	<u>Lease Revenue</u>	<u>Interest</u>
ACTC				
10 year	10/1/2013	\$100,945	\$130,687	\$5,126
GSA				
20 year	8/1/2019	447,173	25,896	13,616
Airport Properties				
10 year				
4 10 year options	1/1/2022	1,054,966	21,235	31,495
Rental Cars				
5 year	1/1/2020	253,536	86,440	7,956
Chevron				
10 year				
4 10 year options	7/28/2014	521,569	12,250	15,618
Dunham Price				
10 year	6/1/2020	133,334	16,308	4,133
ERA				
various	various	1,143,015	135,403	35,898
Freeman Holding				
10 year				
4 5 year options	7/1/2014	1,103,804	50,001	33,423
MSRC				
10 year				
3 10 year options	4/1/1994	296,501	24,656	9,069
Other various tenants	various	<u>1,201,544</u>	<u>177,595</u>	<u>38,342</u>
Total		<u>\$6,256,387</u>	<u>\$680,471</u>	<u>\$194,676</u>

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

December 31, 2022 and 2021

Lease Receivable (continued)

Future payments due to the Authority under non-cancelable agreements are as follows:

Year ended December 31	<u>Principal</u>	<u>Interest</u>
2023	\$586,578	\$177,742
2024	503,162	161,824
2025	451,339	147,538
2026	472,651	133,919
2027	357,699	140,525
Thereafter	<u>3,884,957</u>	<u>1,582,031</u>
Total	<u>\$6,256,387</u>	<u>\$2,343,579</u>

6. Deferred Inflows of Resources related to Leases

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future periods and so will not be recognized as an inflow of resourced (revenue) until that time. Accordingly the Authority has reported deferred inflows from leases in the amount of \$6,057,851 and \$5,540,027 as of December 31, 2022 and 2021.

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. Insurance proceeds receivable are based on estimated recovery amounts, but the final potential settlement has not yet been determined. On March 24, 2023, the Authority assigned a lease to a new tenant and included as part of the lease an agreement to pay past due rent of \$22,987 in monthly payments of \$413.05 at a rate of 3% interest over 5 years.

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.

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

December 31, 2022 and 2021

NOTE C. CASH

Under Louisiana Revised Statutes 39:1225, 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

At December 31, 2022, the Authority had cash and cash equivalents (book balances) totaling \$8,899,100. Of that balance, \$1,346,686 is included in Restricted Cash.

At December 31, 2021, the Authority had cash and cash equivalents (book balances) totaling \$5,470,210. Of that balance, \$1,300,648 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, 2022, the Authority had \$8,921,648 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$8,845,082 of pledged securities held in a custodial bank in the Authority's name.

At December 31, 2021, the Authority had \$5,566,781 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$5,423,117 of pledged securities held in a custodial bank in the Authority's name.

Interest Rate Risk is the risk that changes in the interest rate will adversely affect the fair value of the investment. At December 31, 2022 and 2021, the Authority did not have investments in any debt instruments.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

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 and Plan B shall consist of an amount equal to three percent and two percent, respectively, 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

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 those members who are enrolled prior to January 1, 2007 and to age 62 for those members who are enrolled January 1, 2007 and later.

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, to age sixty for those members who are enrolled prior to January 1, 2007 and to age sixty-two for those members who are enrolled January 1, 2007 and later.

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.

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

December 31, 2022 and 2021

NOTE D. PENSION PLAN - Continued

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, 2021, the actuarially determined contribution rate was 10.38% of member's compensation for Plan A and 7.07% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2022 was 11.50% for Plan A and 7.50% for Plan B. The actual rate for the fiscal year ending December 31, 2021 was 12.25% for Plan A and 7.50% for Plan B.

According to state statute, the System also receives $\frac{1}{4}$ 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, 2022 and 2021 was \$971,186 and \$874,093; the Authority's total payroll and accrued benefits for 2022 and 2021 was \$1,524,777 and \$1,417,257, respectively. The Authority contributed \$111,686 and 107,076 to the system during the years 2022 and 2021. As of December 31, 2022, the total amount owed to the Parochial Retirement System was \$15,355 for December contributions.

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

At December 31, 2022, the Authority reported overfunding of \$613,675 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2021, 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.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE D. PENSION PLAN - Continued

For the year ended December 31, 2022, the Authority recognized pension expense of \$0 (resulted in \$110,810 of negative pension expense which is included in miscellaneous income). At December 31, 2022, 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	\$ 37,077	44,477
Net difference between projected and actual earnings on pension plan investments	-	530,819
Changes in assumptions	32,004	-
Differences between Authority contributions and proportionate share of contributions	5,551	1,140
Authority contributions made subsequent to the measurement date	111,686	-
Total	\$186,318	\$576,436

The Authority's contributions during the year ended December 31, 2022, reported as deferred outflows, of \$111,686 subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended December 31, 2022. 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:	
2023	(98,358)
2024	(206,635)
2025	(139,914)
2026	(56,897)
2027	-
Thereafter	-

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.

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

December 31, 2022 and 2021

NOTE D. PENSION PLAN – Continued

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2022 are as follows:

Valuation Date	December 31, 2021
Actuarial Cost Method	Plan A - Entry Age Normal Plan B – Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	6.4%, net of investment exp, with inflation
Increases	Plan A - 4.75% (2.30% Inflation, 2.45% Merit) Plan B – 4.25% (2.30% Inflation, 1.95% Merit)
Mortality Rates:	
Employees:	Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale.
Annuitants and beneficiaries:	Pub-2010 Public Retirement Plans Mortality Table for Healthy Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale.
Disabled retirees:	Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females each with full generational projection using the MP2018 scale.
Expected Remaining Service Lives	4 years for Plan A and Plan B
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 discount rate used to measure the total pension liability was 6.40% for Plan A and Plan B. This represents a decrease from the prior year. This rate was selected based on analysis performed as a part of the system’s recent experience study. Based on previous projections of cash flows, and in conjunction with the statutory and constitutional provisions affecting the Parochial Employees’ Retirement System with regard to actuarial funding of the retirement system, the pension plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments to current plan members. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from the participating employers and non-employer contributing entities will be made at actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems’ Actuarial Committee. 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. Thus, the discount rate used to measure the total pension liability was 6.40% for Plan A and 6.40% for Plan B.

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

December 31, 2022 and 2021

NOTE D. PENSION PLAN – Continued

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the capital asset 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 2.10% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.00% for the year ended December 31, 2021.

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, 2021 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	33%	0.85%
Equity	51%	3.23%
Alternatives	14%	0.71%
Real assets	<u>2%</u>	<u>0.11%</u>
Totals	<u>100%</u>	<u>4.90%</u>
Inflation		<u>2.10%</u>
Expected Arithmetic Nominal Return		<u>7.00%</u>

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2013 through December 31, 2017. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. As a result of this study, mortality for employees was set equal to Pub-2010 Public Retirement Plans Mortality Table for General Employees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale. In addition, mortality for annuitants and beneficiaries was set equal to Pub-2010 Public Retirement Plans Mortality Table for Healthy Retirees multiplied by 130% for males and 125% for females, each with full generational projection using the MP2018 scale. For Disabled annuitants mortality was set to Pub-2010 Public Retirement Plans Mortality Table for General Disabled Retirees multiplied by 130% for males and 125% for females each with full generational projection using the MP2018 scale.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE D. PENSION PLAN – Continued

Sensitivity to Changes in Discount Rate

The following presents the net pension liability/asset of the participating employers calculated using the discount rate of 6.40%, 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 (5.40%) or one percentage point higher (7.40%) than the current rate.

1% Decrease	Current Discount Rate	1% Increase
5.40%	6.40%	7.40%
Net Pension Liability	Net Pension Asset	Net Pension Asset
\$109,407	\$(613,675)	\$(1,219,389)

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, 2021. 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 2018, the Calcasieu Parish Police Jury (Parish) implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). This Statement addresses the fact that certain postemployment benefits other than pensions, which for the Parish 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 Parish in the future. The Statement also attempts to quantify the future “retirement” costs that have been earned by the employee during his/her active years of employment. The Parish will finance the postemployment benefits on a “pay-as-you-go” basis. GASB Statement 75 requires that the liability be recognized in the financial statements for the actuarial determined portion of the projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service. The notes to the financial statements contain other required disclosure information from GASB Statement 75.

The Parish contracted with a third-party consultant to perform the actuarial valuation required by GASB Statement No. 75 as of January 1, 2022 with a measurement date of December 31, 2022. For the Parish plan, the actuarial valuation is required every other year, therefore, the actuarial valuation prepared will be utilized for the two-year periods of 2022 and 2023 with the inclusion of the appropriate second year adjustments. The 2022 valuation included a change in assumption for a decrease in the discount rate (described in the table below).

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NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

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.

Plan Description: The Parish OPEB Plan is a single employer defined benefit “substantive” plan as understood by the employer and its employees. All of the employees of the Parish primary government and the following discretely presented component units 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:

14 th Judicial District Attorney	Gravity Drainage Dist. No. 2 of Ward 7
Calcasieu Parish Coroner	Gravity Drainage Dist. No. 8 of Ward 1
Community and Playground District No. 4 of Ward 1	Gravity Drainage Dist. No. 6 of Wards 5 & 6
Sulphur Parks and Recreation	Gravity Drainage Dist. No. 9 of Ward 2
Airport Authority Dist. No. 1	Recreation District No. 5 of Ward 4
Fire Protection Dist. No. 1 of Ward 1	Recreation District No. 7 of Ward 8
Fire Protection Dist. No. 2 of Ward 4	Waterworks Dist. No. 1 of Ward 3
Fire Protection Dist. No. 1 of Ward 6	Waterworks Dist. No. 1 of Ward 4
Fire Protection Dist. No. 2 of Ward 8	Waterworks Dist. No. 10 of Ward 7
Calcasieu Parish Communications District	Waterworks Dist. No. 9 of Ward 4
14 th Judicial District Criminal Court Fund	Waterworks Dist. No. 7 of Wards 6 & 4
Consolidated Gravity Drainage District #1 (West)	Waterworks Dist. No. 14 of Ward 5
Consolidated Gravity Drainage District #2 (East)	Waterworks Dist. No. 11 of Wards 4 & 7
Gravity Drainage Dist. No. 4 of Ward 3	West Calcasieu Community Center

While there is no specific written plan 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

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

December 31, 2022 and 2021

NOTE E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

Benefits Provided: The Parish OPEB Plan provides health (medical and prescription), dental and life insurance programs for retirees and their dependents. Medical coverage, including prescription drugs as part of the medical plan, is offered to pre-65 and post-65 retirees on a self-insured basis. Benefits are subsidized by the Parish. Dental and life insurance coverage are available to retirees, but these coverages are not subsidized by the Parish. The Parish does not reimburse for Medicare Part B or Part D premium for Medicare eligible retirees and dependents.

Employees Covered: Employees who have twenty (20) years of cumulative service at retirement will be eligible for the above referenced 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. Retirees are required to contribute one hundred percent (100%) of the monthly retiree premium for benefits elected.

At December 31, 2022, the following employees were covered by the benefit terms:

	<u>Parish</u>	<u>Authority</u>
Active Employees	1,109	17
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	170	-
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	—	—
Total Covered Employees	<u>1,279</u>	<u>17</u>

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 total OPEB liability for the January 1, 2022 actuarial valuation, with a measurement date of December 31, 2022, were determined using the following actuarial assumptions and other inputs, unless otherwise specified:

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

Inflation Rate	Not utilized by the actuary – see discount rate information.
Discount Rate	4.18% using an average of following two 20-year bond indices (a) municipal S&P Municipal Bond 20 Year High Grade Rate Index – 4.31%, and (b) Fidelity GA AA 20 Years – 4.05%. The discount rate of 4.18% was increased from 2.05% utilized in 2021.
Healthcare Cost Trend Rates	7% for pre-65 and post 65 retirees decreasing .25% per year to an ultimate rate of 4.5% in 2034 and later. The healthcare rate of 7% decreased from 8% in 2020
Salary Increases	3.5%
Cost of Living Increases	Not applicable
Mortality Rate Table Used for Current Valuation	Society of Actuaries Pub-2010 Public Retirement Plans Healthy Male and Female Total Dataset Headcount-Weighted Mortality tables based on Employee and Healthy Annuitant Tables for both pre and post retirement projected with mortality improvements using the most current Society of Actuaries Mortality Improvement Scale MP-2021. The prior valuation reflected the RP 2014 mortality table with the MP-2019 mortality improvement table.

Changes in the Total OPEB Liability: The following table shows the components of the Parish’s total OPEB liability for the current year:

	Governmental Activities	Total Primary Government	Parish Plan Component Units	Total OPEB Plan
Total OPEB Liability at Beginning of Year	\$40,319,002	\$40,319,002	\$17,098,846	\$57,417,848
Current Period Changes:				
Service Cost	297,474	297,474	195,131	492,605
Interest on Total OPEB Liability	1,659,502	1,659,502	702,480	2,361,982
Differences Between Expected and Actual Experience	-	-	-	-
Changes in Assumptions**	(16,925,889)	(16,925,889)	(3,848,601)	(20,774,490)
Benefit Payments	<u>(1,236,096)</u>	<u>(1,236,096)</u>	<u>(586,127)</u>	<u>(1,822,223)</u>
Net Change in Total OPEB Liability	(16,205,009)	(16,205,009)	(3,537,117)	(19,742,126)
Total OPEB Obligation at End of Year – Measurement Date	<u>\$24,113,993</u>	<u>\$24,113,993</u>	<u>\$13,561,729</u>	<u>\$37,675,722</u>

** Changes in assumptions reflect a increase of 2.13% in the discount rate from 2.05% for 2021 to 4.18% for 2022

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.18%) or one percentage point higher (5.18%) than the current discount rate of 4.18%:

	1% Decrease (3.18%)	Discount Rate (4.18%)	1% Increase (5.18%)
Total OPEB Liability Parish	\$44,823,368	\$37,675,722	\$32,311,337
Total OPEB Liability Authority	\$484,988	\$407,651	\$349,608

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6%) or one percentage point higher (8%) than the current healthcare cost trend rate of 7%:

	1% Decrease (6%)	Healthcare Cost Trend Rate (7%)	1% Increase (8%)
Total OPEB Liability Parish	\$32,454,460	\$37,675,722	\$44,363,107
Total OPEB Liability Authority	\$351,157	\$407,651	\$480,608

Changes to the Total OPEB Liability. The following shows the components of the Authority's annual allocation of OPEB costs for the current year:

Net OPEB Obligation at December 31, 2021	\$ 649,158
Current Period Changes:	
Service Cost	8,423
Interest on Total OPEB Liability	27,059
Differences Between Expected and Actual Experience	-
Changes in Assumptions	(273,372)
Benefit Payments	(3,617)
Net Change in Total OPEB Liability	(241,507)
Net OPEB Obligation at December 31, 2022	\$ 407,651
Airport Authority's Proportionate Percentage of Total Parish OPEB Obligation	1.08%
Change in Authority's OPEB Obligation Since the Prior Measurement Date	(37.2)%

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued

Summary of Deferred Inflows and Outflows:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between actual and expected experience	\$ -	\$ -
Net difference between expected and actual earnings	-	-
Impact due to changes in assumptions	_____ -	_____ 279,540
Total	<u>\$ -</u>	<u>\$ 279,540</u>

Amortization of impact due to changes in assumptions is over 10 years or \$(27,954) per year.

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, 2022 taxes of .59 mills were levied on property with taxable assessed valuations of \$1,687,600,821 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, 2022, consisted of the following:

	<u>Total</u>
Passenger Facility Charge Funds	\$ 696,549
Customer Facility Charge Funds	_____ 710,367
Total Restricted Assets	<u>\$1,406,916</u>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

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, 2022, the total of approved applications are \$4,509,883. Since 2001 a total of \$3,737,132 has been spent in PFC funds for airport improvements.

Total PFC revenues, including interest, remitted to the Authority for the years ended December 31, 2022 and 2021 were \$254,563 and \$223,659, respectively. During the year ended December 31, 2022 a total of \$3,000 was spent on PFC projects, leaving a balance of \$696,549 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, 2022 and 2021 were \$299,815 and \$308,696, respectively. During the year ended December 31, 2022, \$461,332 was spent on CFC projects, leaving a balance of \$710,367 for future CFC projects (Note H).

NOTE K. CAPITAL ASSETS

Capital assets consist of the following:

	Balance <u>12/31/21</u>		<u>Additions</u>		<u>Disposals</u>		Balance <u>12/31/22</u>
Land	\$ 4,028,498	\$	-	\$	-	\$	\$ 4,028,498
Buildings & Improvements	40,447,219		2,100,603		-		42,547,822
Land Improvements	36,925,275		857,621		-		37,782,896
Machinery & Equipment	4,697,841		622,242		(71,388)		5,248,695
Furniture & Fixtures	1,872,090		-		-		1,872,090
Software	199,397		-		-		199,397
Construction in progress	<u>3,421,401</u>		<u>9,429,004</u>		<u>(2,948,733)</u>		<u>9,901,672</u>
Total	91,591,721		13,009,470		(3,020,121)		101,581,070

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE K. CAPITAL ASSETS - Continued

Less accumulated depreciation:

Buildings & Improvements	10,678,236	893,188	-	11,571,424
Land Improvements	21,220,892	1,615,836	-	22,836,728
Machinery & Equipment	3,185,912	356,016	(71,388)	3,470,540
Furniture & Fixtures	652,473	65,789	-	718,262
Software	<u>119,693</u>	<u>34,999</u>	-	<u>154,692</u>
Total	<u>35,857,206</u>	<u>2,965,828</u>	<u>(71,388)</u>	<u>38,751,646</u>
 Net capital assets	 <u>\$55,734,515</u>	 <u>\$10,043,642</u>	 <u>\$ (2,948,733)</u>	 <u>\$62,829,424</u>

NOTE L. COMMITMENTS AND CONTINGENCIES

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, 2022. The total legal fees paid during the year ending December 31, 2022 defending pending claims and litigation were \$22,838.

On a continuing basis, the Authority enters into construction contracts for improvements to the airport. At December 31, 2022, work was in progress for the improvements as follows:

	<u>Budget</u>	<u>Expended to date</u>	<u>Committed</u>
Runway Rehabilitation	\$2,500,000	\$2,120,173	\$379,827
Loading Bridge	2,909,507	63,918	2,845,589
Canopy Project	4,125,041	2,525,823	1,599,218
Parking Lot	1,377,333	169,702	1,207,631
Storage Facility	2,126,863	1,068,681	1,058,182
FBO	6,350,000	662,380	5,687,620
Hangar Development	1,882,059	1,082,992	799,067
CFC Covered Parking	958,501	884,062	74,439
Apron Lighting	500,000	484,957	15,043
Air Traffic Control Tower	250,000	196,557	53,443

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE L. COMMITMENTS AND CONTIGENCIES – Continued

In August 2020, Hurricane Laura inflicted extensive damage to the Airport. The Airport is in the process of restoring the facilities and has incurred significant costs which are expected to be partially reimbursed by their commercial property insurance policy, the Louisiana Department of Transportation and Development, and the Federal Emergency Management Agency (FEMA). The Airport has filed an insurance claim and has approved insurance reimbursements of \$6,297,591, net of their deductible of \$624,526. Grant operating expense reimbursement revenues include \$368,813 from the Department of Transportation and Development related to hurricane repairs for the year ending December 31, 2021. The Airport is undertaking efforts to obtain additional insurance reimbursements from the hurricane damages, but the final potential settlement has not yet been determined.

The restorative efforts of the remaining damages to the facilities are considered repairs and expensed as incurred. Restorative expenditures included in repairs expense total \$86,080 and \$202,602 for the years ended December 31, 2022 and 2021. Restorative expenditures included in contractual services expense total \$0 and \$120,898 for the years ended December 31, 2022 and 2021.

During 2022, the Airport completed \$234,960 in capital asset replacement costs to the facilities and had \$483,030 in construction in progress. Additional estimated costs to completely restore the facilities could range up to \$1,000,000.

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 2022.

NOTE M. LONG-TERM LIABILITIES

	Beginning of Year	Additions	Reductions	End of Year	Amounts Due Within One Year
Net Pension Liability (Asset)	\$(225,587)	\$ -	\$ (388,088)	\$(613,675)	\$ -
OPEB Liability	649,158	-	(241,507)	407,651	-

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year ended December 31, 2022

Federal Grantor/Pass-through <u>Grantor/Program Title</u>	Assistance Listing <u>Number</u>	<u>Federal Expenditures</u>
U. S. Department of Transportation Federal Aviation Administration Airport Improvement Program	20.106*	\$3,656,122
COVID-19 Airport Improvement Program	20.106*	<u>7,052,515</u>
Total Airport Improvement Program		10,708,637
U. S. Department of Transportation Office of Aviation Analysis Small Community Air Service Development Program (SCASDP)	20.930	64,814
Federal Emergency Management Agency Passed through the Louisiana Office of Homeland Security and Emergency Preparedness Hurricane Laura Recovery Program	97.036	556,444
US Department of Homeland Security Transportation Security Administration Law Enforcement Personnel Reimbursement Agreement	97.090	<u>41,675</u>
 Total expenditures of federal awards		 <u>\$11,371,570</u>

* Major Program

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, 2022

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, 2022. 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

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.

NOTE C – INDIRECT COST RATE

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, 2022

AGENCY HEAD NAME: HEATH ALLEN, EXECUTIVE DIRECTOR

<u>PURPOSE</u>	<u>AMOUNT</u>
Salary	\$168,840
Benefits	
Insurance	13,380
Retirement	19,417
Car Allowance	12,000
Phone Allowance	900
Per Diem	3,963
Conference registration and related travel	<u>23,232</u>
TOTAL	<u><u>\$241,732</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, component unit of
the Calcasieu Parish Police Jury
Lake Charles, Louisiana

We 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, component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated May 12, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Airport Authority for Airport District #1 of Calcasieu Parish, component unit of Calcasieu Parish Police Jury's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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, component unit of Calcasieu Parish Police Jury's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority for Airport District #1 of Calcasieu Parish, component unit of Calcasieu Parish Police Jury'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.

Our 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport Authority for Airport District #1 of Calcasieu Parish, component unit of Calcasieu Parish Police Jury's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our 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 LLC

Lake Charles, Louisiana
May 12, 2023

STEVEN M DEROUEN & ASSOCIATES LLC

Certified Public Accountants

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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, component unit of
the Calcasieu Parish Police Jury
Lake Charles, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Airport Authority for Airport District #1 of Calcasieu Parish, component unit of the Calcasieu Parish Police Jury's compliance with the types of compliance requirements identified as subject 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, 2022. Airport Authority for Airport District #1 of Calcasieu Parish, component unit of the Calcasieu Parish Police Jury's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Airport Authority for Airport District #1 of Calcasieu Parish, component unit of the Calcasieu Parish Police Jury 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Airport Authority for Airport District #1 of Calcasieu Parish, component unit of the Calcasieu Parish Police Jury, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Airport Authority for Airport District #1 of Calcasieu Parish, component unit of the Calcasieu Parish Police Jury's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Airport Authority for Airport District #1 of Calcasieu Parish, component unit of the Calcasieu Parish Police Jury's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Airport Authority for Airport District #1 of Calcasieu Parish, component unit of the Calcasieu Parish Police Jury's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Airport Authority for Airport District #1 of Calcasieu Parish, component unit of the Calcasieu Parish Police Jury's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Airport Authority for Airport District #1 of Calcasieu Parish, component unit of the Calcasieu Parish Police Jury's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Airport Authority for Airport District #1 of Calcasieu Parish, component unit of the Calcasieu Parish Police Jury's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Airport Authority for Airport District #1 of Calcasieu Parish, component unit of the Calcasieu Parish Police Jury's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our 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, LLC

Lake Charles, Louisiana
May 12, 2023

**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, 2022**

Financial Statements

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

Federal Awards

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

**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 our 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, 2022

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Authority's proportion of the net pension liability (asset)	0.100%	0.099%	0.105%	0.115%	0.126%
Authority's proportionate share of the net pension liability (asset)	\$ 27,215	\$ 260,849	\$ 215,551	\$ (85,334)	\$ 559,491
Authority's covered-employee payroll	\$ 567,821	\$ 668,300	\$ 707,508	\$ 765,295	\$ 787,185
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	4.8%	39.03%	30.47%	-11.15%	71.07%
Plan fiduciary net position as a percentage of the total pension liability	99.14%	92.23%	94.15%	101.98%	88.86%
	<u>2020</u>	<u>2021</u>	<u>2022</u>		
Authority's proportion of the net pension liability (asset)	0.123%	0.129%	0.130%		
Authority's proportionate share of the net pension liability (asset)	\$ 5,789	\$ (225,587)	\$ (613,675)		
Authority's covered-employee payroll	\$ 852,277	\$ 874,093	\$ 971,186		
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.68%	-25.81%	-63.19%		
Plan fiduciary net position as a percentage of the total pension liability	99.89%	104.00%	110.46%		

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, 2022

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 82,334	\$ 86,879	\$ 88,438	\$ 88,009	\$ 90,526
Contributions in relation to the contractually required contribution	\$ 82,334	\$ 86,879	\$ 88,438	\$ 88,009	\$ 90,526
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 567,821	\$ 668,300	\$ 707,508	\$ 765,295	\$ 787,185
Contributions as a percentage of covered-employee payroll	14.50%	13.00%	12.50%	11.50%	11.50%
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Contractually required contribution	\$ 104,404	\$ 107,076	\$ 111,686		
Contributions in relation to the contractually required contribution	\$ 104,404	\$ 107,076	\$ 111,686		
Contribution deficiency (excess)	\$ -	\$ -	\$ -		
Authority's covered-employee payroll	\$ 852,277	\$ 874,093	\$ 971,186		
Contributions as a percentage of covered-employee payroll	12.25%	12.25%	11.50%		

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

Schedule of Changes in Total OPEB Liability and Related Ratios
For The Year Ended December 31, 2022

<u>Financial statement reporting date</u>	<u>Measurement Date</u>	<u>Service Cost</u>	<u>Interest</u>	<u>Difference between actual and expected experience</u>	<u>Changes of assumptions or other inputs</u>	<u>Benefit payments</u>	<u>Net change in total OPEB liability</u>	<u>Total OPEB liability - beginning</u>	<u>Total OPEB liability - ending</u>	<u>Airport Authority Covered payroll</u>	<u>Airport Authority OPEB liability as a percentage of covered payroll</u>	<u>Proportionate Percentage of Collective Total OPEB Liability</u>
12/31/2018	12/31/2018	\$ 10,071	\$ 22,910	\$ -	\$ -	\$ 20,397	\$ 12,584	\$ 597,631	\$ 610,215	\$ 701,411	87.00%	1.50%
12/31/2019	12/31/2019	\$ 12,006	\$ 22,664	\$ -	\$ 176,791	\$ 10,949	\$ 200,512	\$ 610,215	\$ 810,727	\$ 795,087	101.97%	1.57%
12/31/2020	12/31/2020	\$ 9,557	\$ 16,332	\$ -	\$ (196,077)	\$ 4,376	\$ (174,564)	\$ 810,727	\$ 636,163	\$ 819,777	77.60%	1.10%
12/31/2021	12/31/2021	\$ 9,865	\$ 13,001	\$ -	\$ (5,903)	\$ 3,968	\$ 12,995	\$ 636,163	\$ 649,158	\$ 958,850	67.70%	1.13%
12/31/2022	12/31/2022	\$ 8,423	\$ 27,059	\$ -	\$ (273,372)	\$ 3,617	\$ (241,507)	\$ 649,158	\$ 407,651	\$ 951,210	42.86%	1.08%

The schedule is intended to report information for 10 years. Additional years will be displayed as they become available.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefit Changes:

There were no changes of benefit terms for the year ended December 31, 2022.

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

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Member Louisiana Society of
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of Airport Authority for Airport District #1 of Calcasieu Parish and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2022 through December 31, 2022. Airport Authority for Airport District #1 of Calcasieu Parish's management is responsible for those C/C areas identified in the SAUPs.

Airport Authority for Airport District #1 of Calcasieu Parish has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2022 through December 31, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) Written Policies and Procedures

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
 - i. ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
 - ii. ***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.

- iii. **Disbursements**, including processing, reviewing, and approving.
- iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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).
- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- viii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Were any exceptions found? - Yes

We performed the Information Technology Disaster Recovery/Business Continuity procedure (1Axi) and discussed the results with management.

Exception (1Axi): The District does not have language in written policy that stipulates the required items - (3) annual reporting.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
- i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
 - iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Were any exceptions found? - No

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Were any exceptions found? - No

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - i. Employees responsible for cash collections do not share cash drawers/registers.
 - ii. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - iii. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was enforced during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

Were any exceptions found? – Yes

Exception (4Div): Noted sampled deposits made after one day of receipt.

5) Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- B. For each location selected under #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - ii. At least two employees are involved in processing and approving payments to vendors.
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
- [Note: Findings related to controls that constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality) should not be reported.]
- C. For each location selected under #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month

selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Were any exceptions found? - Yes

Exception (5Bi): Noted some purchases do not require a second pre-purchase approval.

6) Credit Cards/Debit Cards/Fuel Cards/P-Cards

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved), 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.]
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to testing). For each transaction, observe it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Were any exceptions found? - No

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- i. If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
- ii. If reimbursed using actual costs, observe the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- iii. Observe each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
- iv. Observe each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Were any exceptions found? - No

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
 - iii. If the contract was amended (e.g., change order), observe the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, was approval documented).
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe the invoice and related payment agreed to the terms and conditions of the contract.

Were any exceptions found? - No

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under #9A above, obtain attendance records and leave documentation for the pay period, and:

- i. Observe all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, officials are not eligible to earn leave and do not document their attendance and leave. However, if the official is earning leave according to a policy and/or contract, the official should document his/her daily attendance and leave.)
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials.
 - iii. Observe any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
 - iv. Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or officials' cumulative leave records, agree the pay rates to the employee's or officials' authorized pay rates in the employee's or officials' personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Were any exceptions found? - Yes

Exception (9Biv): Noted one sampled employee whose rate was not documented in the personnel file.

10) Ethics

- A. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
- i. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - ii. Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Were any exceptions found? – Yes

Exception (10Ai): Noted one sampled employee who did not complete one hour of ethics training during the fiscal period.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.
- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Were any exceptions found? – No

These procedures are not applicable to the entity. The entity did not have any debt outstanding during 2022.

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observe the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Were any exceptions found? - No

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
 - i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.
 - ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, inquire of personnel

responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

We performed the Information Technology Disaster Recovery/Business Continuity procedures and discussed the results with management.

14) Prevention Sexual Harassment

A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

- i. Number and percentage of public servants in the agency who have completed the training requirements;
- ii. Number of sexual harassment complaints received by the agency;
- iii. Number of complaints which resulted in a finding that sexual harassment occurred;
- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
- v. Amount of time it took to resolve each complaint.

Were any exceptions found? – Yes

Exception (14A): Noted none of the sampled employees completed one hour of sexual harassment training during the fiscal period.

Exception (14B): Noted the sexual harassment policy is not posted on the District's website.

Exception (14C): Noted the District did not complete the annual sexual harassment report for the fiscal period.

Management's Responses

1Axi - The District will update its Sexual Harassment Policy to include the annual reporting language.

4Div – The District deposits collections on every Monday, Wednesday and Friday. The District believes this deposit frequency is adequate based on the Airport's operations.

5Bi – The District employs an annual purchase order approval process whereby purchases under a specific dollar threshold do not require a second pre-purchase approval. Entity personnel are directed to compare purchases to annual purchase order documents.

9Biv – The District prepared approved compensation documentation for the one employee noted.

10Ai – The employee completed the annual ethics training in 2023.

14A – The District began requiring all employees to complete one hour of sexual harassment training in 2023.

14B – The District will post the Sexual Harassment Policy on their website.

14C – The District will complete the annual sexual harassment report by February 1st of each year.

We were engaged by Airport Authority for Airport District #1 of Calcasieu Parish to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Airport Authority for Airport District #1 of Calcasieu Parish and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended 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 LLC

Lake Charles, Louisiana
May 17, 2023