

Component Unit Financial Statements and  
Report of Independent Auditors'

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

December 31, 2019 and 2018

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# STEVEN M. DEROUEN & ASSOCIATES

## *Certified Public Accountants*

2720 RUE DE JARDIN, SUITE 300  
P. O. BOX 4265  
LAKE CHARLES, LA 70606  
(337) 513-4915 OFFICE/ (337) 205-6927 FAX  
steve@sderouen CPA.com

Member American Institute of  
Certified Public Accountants

Member Louisiana Society of  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Airport Authority for Airport District #1 of Calcasieu Parish, a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Airport Authority for Airport District #1 of Calcasieu Parish's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Airport Authority District #1 of Calcasieu Parish as of December 31, 2019 and 2018, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11, the pension liability information on pages 45 through 46 and the OPEB liability information on page 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated June 29, 2020, on my consideration of the Airport Authority District #1 of Calcasieu Parish's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport Authority District #1 of Calcasieu Parish's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport Authority District #1 of Calcasieu Parish's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana  
June 29, 2020

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

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### **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 2019**

2019 represents another successful year in the operation of the Airport. As we close out the decade, we also mark several significant milestones in our growth and evolution, which will be a continuing theme throughout this report. Most notably, we celebrated the 10-year anniversary of the terminal building's operation. At 10-years old, the building still looks and feels new, but its systems are beginning to reflect their age, and we are working on improvements for 2020 (both to the building itself and with a significant focus on services offered inside of the building – such as food and beverage). Likewise, we look forward to working with TSA to improve upon the operations of the passenger screening checkpoint – hopefully, expanded operating hours and the addition of a “blended” pre-check passenger lane.

All those activities revolve around the services that our airline partners provide, so this is a good Segway into recapping our air service development efforts and results from 2019. As you know, over the last several years, we've embarked on an aggressive air service development campaign, given the remarkable positive economic growth that is currently occurring in Southwest Louisiana. We've not had a better story to tell airlines than the one that we've been able to share over the last several years... and share it, we have. Working in conjunction with our air service consultant, ASM Route Development, LCH was represented at three of the US's premier air service conferences; Routes North America, JumpStart, and Take Off, which provided an opportunity for us to meet face to face with a variety of airlines including: United 3X, American 2X, SkyWest 2X, Allegiant 3X, Spirit 1X, Jet Suite 1X. In addition, we also made headquarter visits to both United and American. I've also attended additional air service training sessions (which afforded additional face time with United). Finally, I became a member of ACI's Air Service Committee Steering Group in order to work directly with peer airports and airlines to ensure that we're at the forefront in terms of information and techniques relative to air service development.

While focus is often on commercial air service, we are not discounting the importance and great potential that lies in General Aviation. Aviation represents a \$9.3 billion-dollar economic impact, annually, on the State of Louisiana. General Aviation, being the grassroots of aviation, is the basis for that impact. LCH has seen steady growth in the number of based aircraft to the point to where we now have an extensive waiting list of aircraft owners wishing to base their aircraft here. While economics simply do not allow the Airport to construct t-hangars and our commercial status makes it impossible to use grants for their construction, we are working with a proven outside party in an effort to establish additional hangar space at LCH. We believe that existing demand is in excess of 20 aircraft.

In order to support our aviation activities, the Airport accomplishes several million dollars in capital improvements on an annual basis. These improvements are made possible through grants that we aggressively seek out in order to relieve the burden of maintaining and improving our facilities from the local taxpayer. In fact, since 2008, we've accomplished over \$70 million in capital improvements – zero local tax dollars included in that amount.

2019 marked the completion of several multi-year initiatives that greatly enhanced the Airport. Following the water landing of US Airways Flight 1549 in 2009, all Part 139 certified airports were directed to accomplish wildlife assessments of their airports. These assessments resulted in the establishment of a wildlife management plan for each airport. A component of the wildlife management plan was the identification of capital improvement projects that the airports should undertake to reduce the risks associated with wildlife in the air operations environment. Several projects were developed at LCH as part of the plan which included:

- Wildlife Perimeter Fence, 4 phases - \$4.22M
- Drainage improvements & removal of water on AOA \$3.9M
- Wastewater Treatment Facility \$722K
- Removal of wooded areas within AOA \$244K

These projects are now complete and collectively represent over \$9 million (\$9,097,481) in safety enhancements.

In addition to the wildlife mitigation initiative, several other phased projects were completed and/or are nearing completion. We recently wrapped up the final phase of our Airfield lighting rehabilitation and modernization initiative. The total cost of this program was in excess of \$4 million (\$4,191,907) and focused on the conversion from incandescent to LED technology and the placement of a can and conduit lighting system. The project included the replacement and/or installation of:

- 174,815 linear feet of copper cable (over 33 miles)
- 641 light fixtures
- 98 sign locations

All of this was accomplished without closing the Airport for a single minute. The result is a completely new lighting system that greatly improves safety, reliability and efficiency – all of which are interconnected and mainstays in everything that we do. This system requires less maintenance, is safer to work on, and is much more energy efficient; all of which adds up to a great improvement for both pilots and the employees charged with maintaining it.

We're also nearing completion of yet another multiyear effort which will remove all overhead electrical cables located near the AOA. Much like the aforementioned lighting rehab project, this \$1.3M project will increase safety by removing airway obstructions and will increase reliability by establishing several "loops" that allow multiple paths for electric power transmission while making the system less vulnerable to wind, storms and falling debris. We'll complete the final phase in 2020 by installing emergency electric generators on all of our critical facilities.

These projects have their beginnings in safety, but these developments in particular will also go a long way to ensuring that LCH is always open and available to serve our Region. LCH has only closed three times in the last two decades – 9/11, Hurricane Rita, & Hurricane Ike. This is a testament to the design and reliability of our infrastructure and our ability to recover and adjust to irregular operations. Look for continued improvements in 2020 with projects that will shift the focus on improvements to our passenger experience such as an additional loading bridge, departures/arrivals canopies, rental car ready/return lot improvements and passenger parking enhancements.

The Airport's operating budget continues to evolve. Over the last decade we've been able to methodically grow our revenue streams, thereby allowing us to make continual improvements to our operations. We've now seen 10+ consecutive years of growth in terms of revenue. Expenses have also grown incrementally in concert with revenue, but this represents the Airport adding services and/or improving operations as opposed to not controlling costs. To be sure, we watch every dollar that leaves any of our accounts like it's our last. Our \$2.3 million operating budget pales in comparison to other commercial airports, and some GA airports in the State. As you know, 72% of the Airport's operations are funded by revenues generated by our business activities, and the other 28% comes from ad valorem taxes generated from the Airport's taxing District – City of Lake Charles, Ward 3 and a sliver of Ward 4. At .63 mills (.60 levied), the Airport's millage is the smallest in the Parish for a public entity. While the Airport benefits the entire Parish and beyond, the tax is only collected in the aforementioned District. I believe that this illustrates just how effective this Authority and Airport are at providing a tremendous return, both quantitative and qualitative, to the citizens of Southwest Louisiana. What we're able to accomplish with a little is a source of pride for us.

The Airport is on as solid a foundation financially as it ever has been with a net position of over \$59 million and \$1.7 million in unrestricted cash on hand for the year ending 2019. We're doing "ok", but in saying that, I'm reminded of the AT&T commercials that are currently airing where "just ok is not ok". While our results are strong, we know that we need to continue building revenue to support and expand our operations.

In 2019, we added several new leases and renegotiated our rental car leases to now include an expanded definition of "gross revenue." The rental car operators' concession fee at LCH is collected as a percentage of gross revenue, and the expanded definition is significant as it now includes virtually all revenue and should result in higher concession fees being remitted to the Airport.

In closing, I want to thank our Board of Commissioners for their continued support and guidance. The way in which they, as an Authority, operate is the foundation of this Airport's success. Thanks to our consultants who work hard on behalf of the Lake Charles Regional Airport. Our efficient operation is, in many ways, the result of relying on outside partners to work with us and on our behalf to accomplish many tasks. Last, but certainly not least, thanks to our employees. We've been fortunate to add to an employee our administrative staff to assist with various task, including marketing and social media. We've undertaken the most significant change to our organizational chart, in more than a decade, by creating a position for Deputy Executive Director, splitting the organization and placing the operational side of the Airport (including ARFF, Operations, IT, and Maintenance) under his direction. This has allowed for greater efficiency and a better-defined succession plan for our organization. I have been very happy with the results. I would put the knowledge, work ethic, integrity and experience of our team – the whole team from the Authority down, against any airport. I look forward to working with all of you as we continue to work to make LCH the best that it can be.

## Financial Highlights

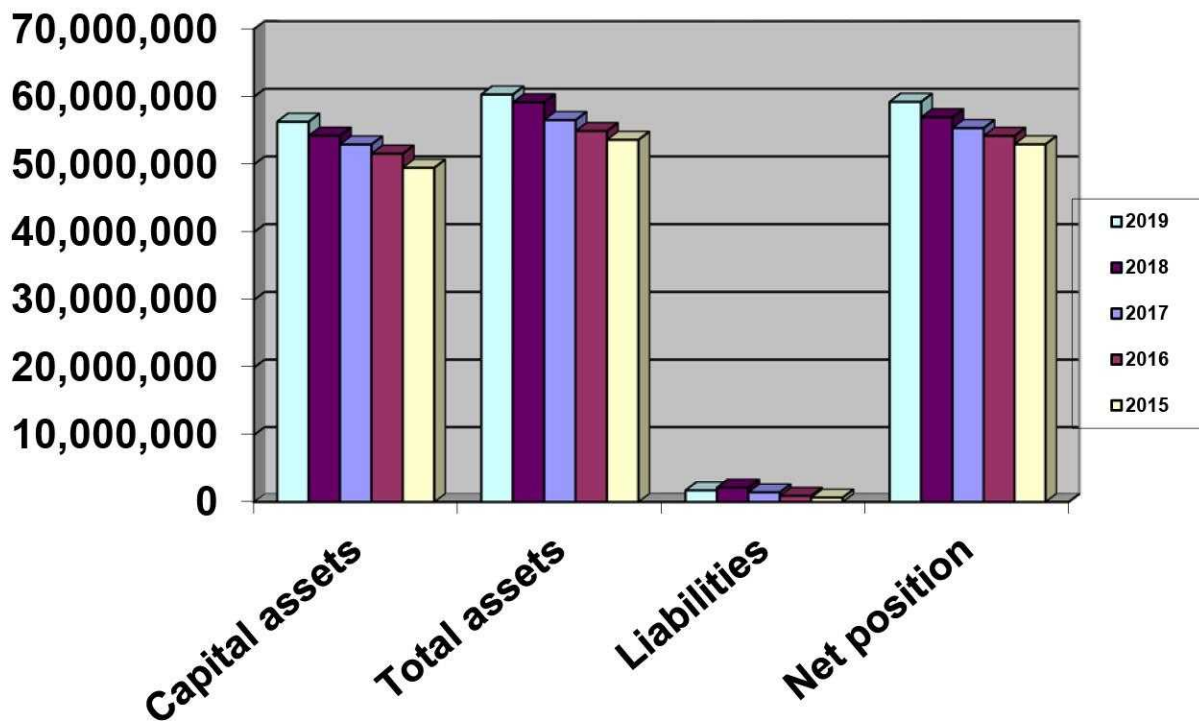
As of December 31, 2019, the Airport's net position has increased to \$59.3 million from \$57 million at December 31, 2018. This increase is due mostly to capital additions to the airport. This year's significant capital additions were:

- Phase III and IV fencing improvements \$ 2,540,742
- Sewer connections \$ 633,039
- Phase I Utility burial \$ 296,800

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>2019</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$4,020,814	\$4,915,802	\$3,602,482
Capital assets, net of accumulated depreciation	<u>56,332,924</u>	<u>54,282,422</u>	<u>52,978,956</u>
Total assets	60,353,738	59,198,224	56,581,438
Deferred outflows	<u>681,629</u>	<u>190,549</u>	<u>296,923</u>
Total assets and deferred outflows	61,035,367	59,388,773	56,878,361
Other liabilities	356,031	1,600,760	625,574
Long-term liabilities	<u>1,374,218</u>	<u>528,881</u>	<u>817,182</u>
Total liabilities	1,730,249	2,129,641	1,442,756
Deferred inflows	<u>34,086</u>	<u>252,385</u>	<u>37,719</u>
Net Position:			
Net investment in capital assets	56,135,676	52,823,446	52,519,025
Restricted- PFC projects	156,156	84,427	65,006
Restricted- CFC projects	703,592	357,511	168,959
Unrestricted	<u>2,275,607</u>	<u>3,741,363</u>	<u>2,644,896</u>
Total net position	<u>\$59,271,031</u>	<u>\$57,006,747</u>	<u>\$55,397,886</u>

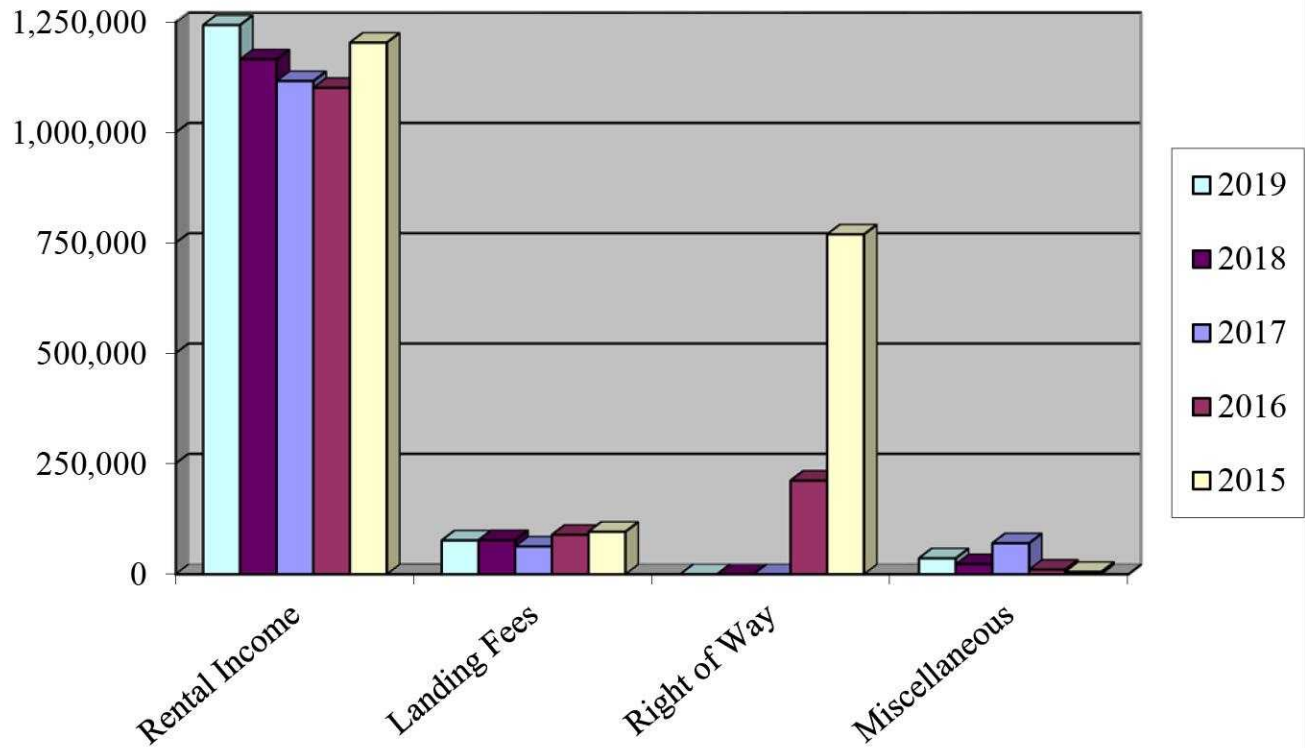




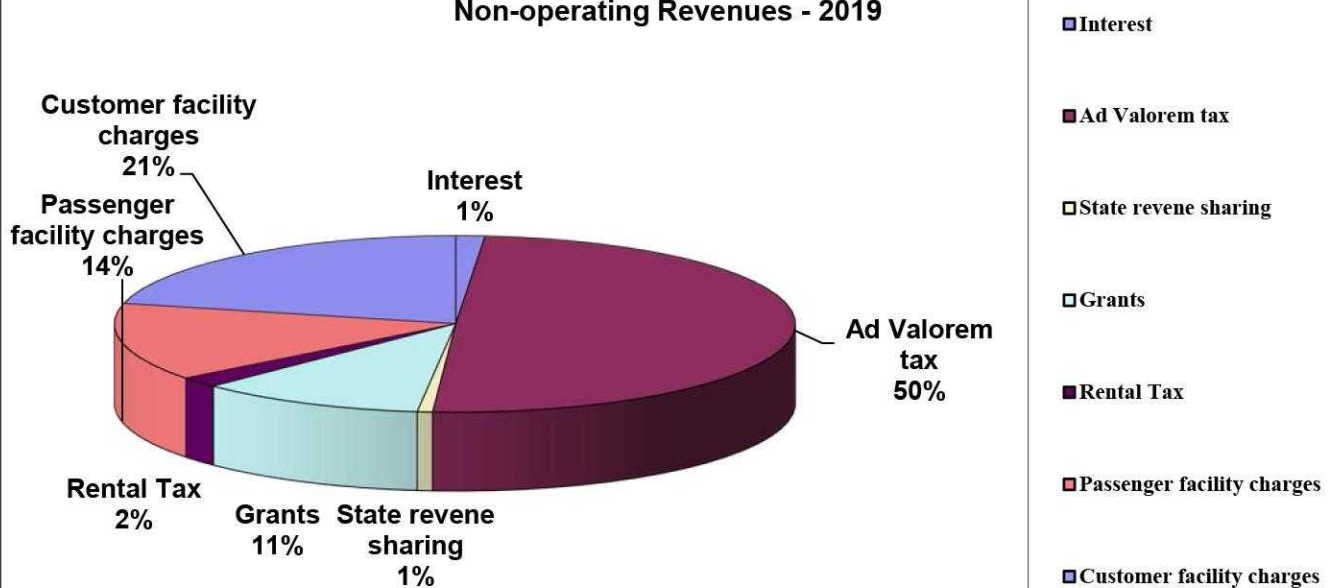
During 2019, Operating revenues increased approximately \$90,000 from last year. Total expenses (before depreciation) increased by approximately \$221,000 with the majority of the increase coming from payroll and related employee benefits.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 1,355,521	\$ 1,265,290	\$ 1,248,822
Operating expenses	<u>5,015,861</u>	<u>4,750,055</u>	<u>4,540,744</u>
Operating (loss)	(3,660,340)	(3,484,765)	(3,291,922)
Non-operating			
Revenues(expenses)	1,567,233	1,487,608	1,239,704
Other revenues	<u>4,357,391</u>	<u>3,606,017</u>	<u>3,546,394</u>
Increase in net position	<u>\$2,264,284</u>	<u>\$ 1,608,860</u>	<u>\$ 1,494,176</u>

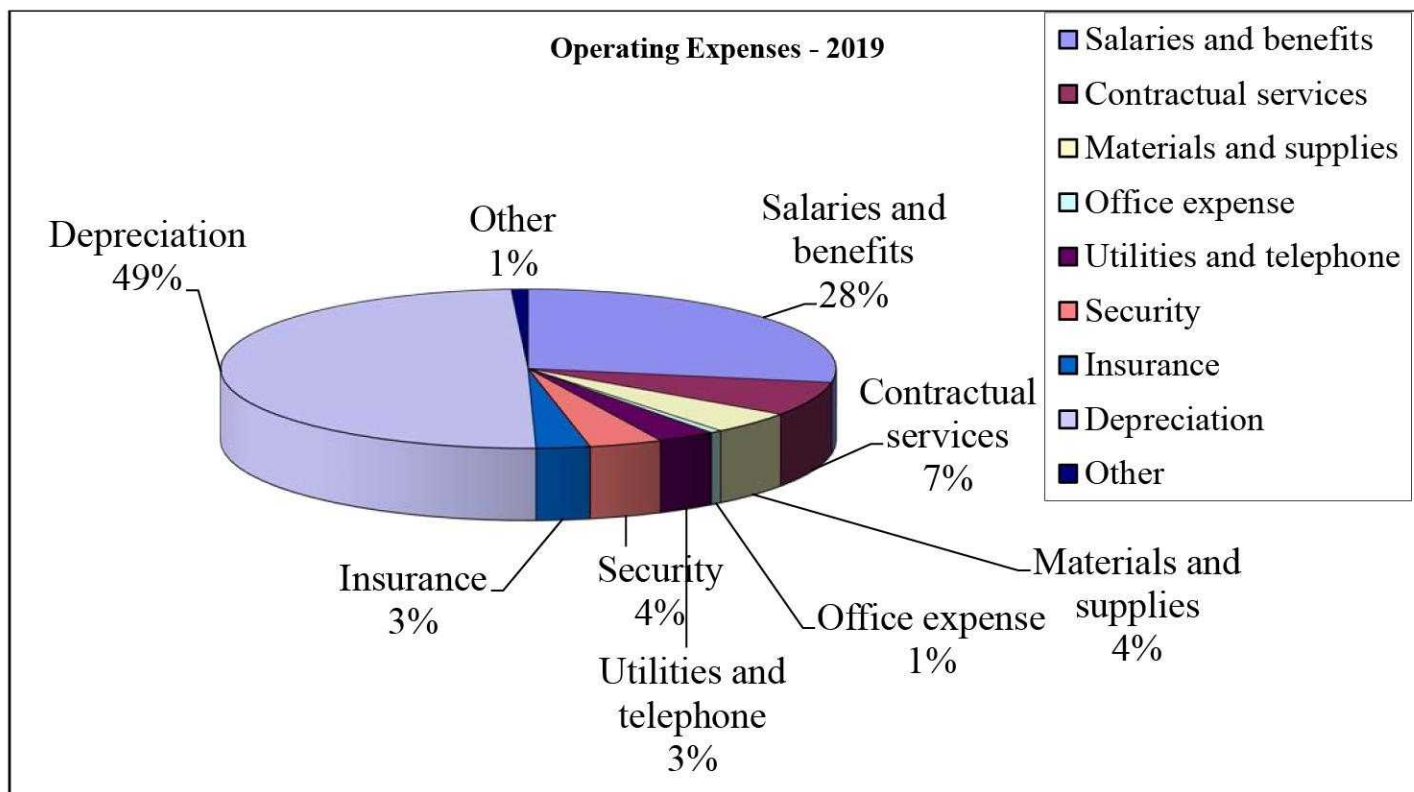
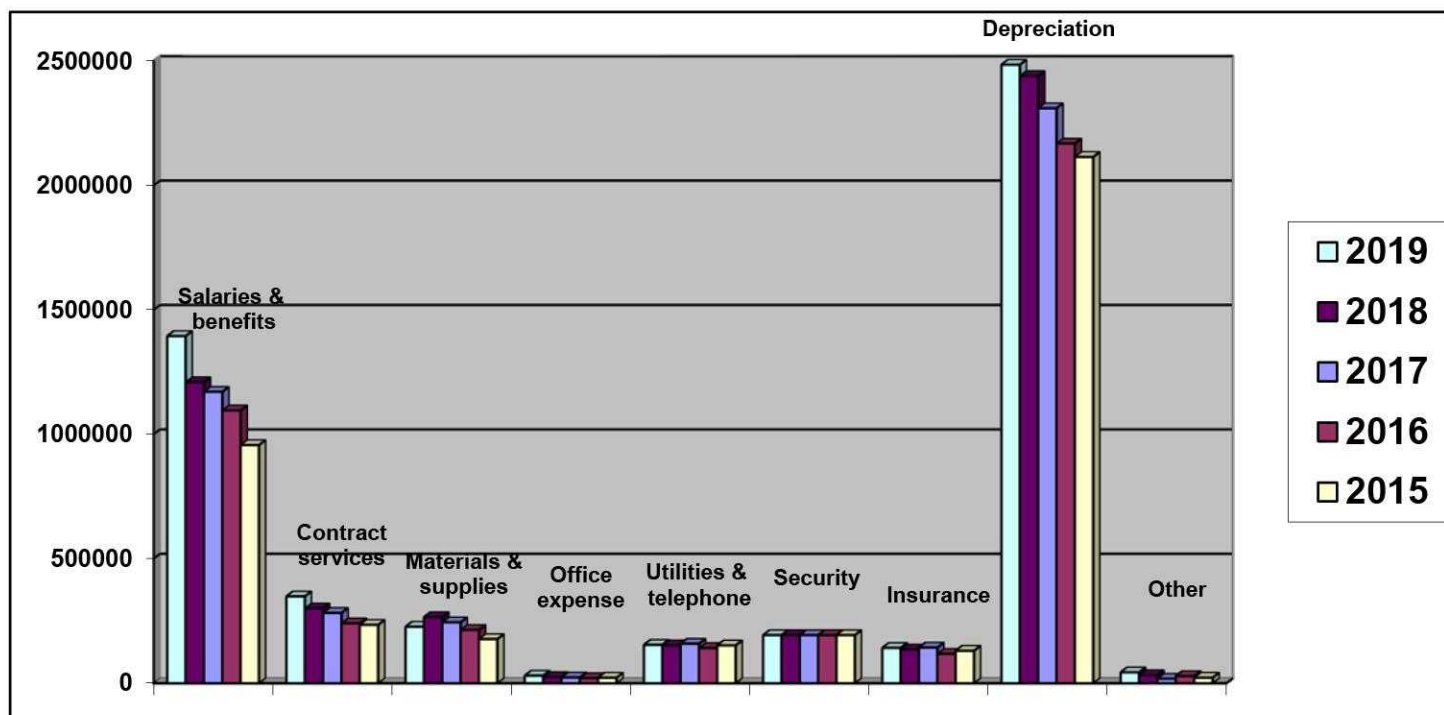
Operating Revenues (2015-2019)



Non-operating Revenues - 2019



## Operating expenses – 2015-2019



Airport Authority for Airport District #1 of  
Calcasieu Parish - Lake Charles, Louisiana  
STATEMENTS OF NET POSITION  
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 1,718,319.15	\$ 2,259,114.62
Accounts receivable		
Trade	121,982.19	109,369.98
Advalorem Taxes	870,084.24	782,976.83
State revenue sharing	13,031.73	12,979.67
Federal grants	31,982.00	304,831.00
State grants	369,539.77	956,678.14
Customer facility charges	50,270.00	53,575.00
Passenger facility charges	<u>42,926.53</u>	<u>32,702.25</u>
Total accounts receivable	1,499,816.46	2,253,112.87
Prepaid expense	14,965.12	12,612.26
Prepaid insurance	<u>12,646.04</u>	<u>35,301.67</u>
Total Current Assets	3,245,746.77	4,560,141.42
Noncurrent Assets		
Restricted Cash	775,066.81	355,660.80
Capital assets, net of accumulated depreciation	<u>56,332,923.97</u>	<u>54,282,421.79</u>
Total Noncurrent Assets	<u>57,107,990.78</u>	<u>54,638,082.59</u>
TOTAL ASSETS	60,353,737.55	59,198,224.01
<u>DEFERRED OUTFLOWS</u>		
Deferred outflows of resources related to pensions	504,838.00	190,549.00
Deferred outflows of resources related to OPEB	<u>176,791.00</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS	<u>681,629.00</u>	<u>190,549.00</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 61,035,366.55</u>	<u>\$ 59,388,773.01</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b><u>LIABILITIES</u></b>		
Current Liabilities		
Accounts payable	\$ 111,155.60	\$ 107,034.07
Construction contract payable	197,248.22	1,458,975.81
Payable from restricted assets:		
Passenger facility charges	8,515.44	-
Payroll taxes and benefits	10,936.36	9,038.26
Deduction from advalorem taxes for retirement system	<u>28,175.57</u>	<u>25,712.24</u>
Total Current Liabilities	356,031.19	1,600,760.38
Noncurrent Liabilities		
Security deposit	4,000.00	4,000.00
OPEB liability	810,727.00	610,215.00
Net pension liability (asset)	<u>559,491.00</u>	<u>(85,334.00)</u>
Total Noncurrent Liabilities	<u>1,374,218.00</u>	<u>528,881.00</u>
TOTAL LIABILITIES	1,730,249.19	2,129,641.38
<b><u>DEFERRED INFLOWS</u></b>		
Deferred inflows of resources related to pensions	34,086.00	252,385.00
<b><u>NET POSITION</u></b>		
Net investment in capital assets	56,135,675.75	52,823,445.98
Restricted for PFC projects	156,156.05	84,426.63
Restricted for CFC projects	703,591.85	357,511.42
Unrestricted	<u>2,275,607.71</u>	<u>3,741,362.60</u>
TOTAL NET POSITION	<u>59,271,031.36</u>	<u>57,006,746.63</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u>\$ 61,035,366.55</u>	<u>\$59,388,773.01</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues		
Rental income	\$ 1,243,240.13	\$ 1,165,573.82
Landing fees	76,301.86	76,929.51
Miscellaneous	<u>35,979.22</u>	<u>22,787.13</u>
Total operating revenues	1,355,521.21	1,265,290.46
Operating expenses		
Salaries and benefits	1,394,242.02	1,208,861.64
Contractual services	348,005.49	299,558.42
Materials and supplies	226,524.49	264,811.77
Office expense	30,367.17	24,782.61
Utilities and telephone	153,907.58	152,243.98
Security	192,683.04	192,683.04
Insurance	141,523.01	135,224.70
Depreciation	2,484,883.86	2,439,656.49
Other	<u>43,724.67</u>	<u>32,231.93</u>
Total operating expenses	5,015,861.33	4,750,054.58
Operating income (loss)	(3,660,340.12)	(3,484,764.12)
Nonoperating revenues (expenses)		
Interest	24,584.31	3,823.30
Ad Valorem tax	888,447.67	816,031.64
State revenue sharing	12,861.82	12,784.34
Grants		
Maintenance reimbursement	99,473.43	106,731.36
Security reimbursement	92,305.00	106,390.00
Rental tax	34,783.20	29,717.34
Passenger facility charges	254,469.73	213,081.25
Customer facility charges	380,545.00	354,285.00
Engineering and professional fees	(192,061.52)	(129,524.46)
Ad Valorem tax deduction	<u>(28,175.57)</u>	<u>(25,712.24)</u>
Total nonoperating revenues (expenses)	1,567,233.07	1,487,607.53
Other revenues		
Capital grants	<u>4,357,391.78</u>	<u>3,606,016.51</u>
Increase (decrease) in net position	2,264,284.73	1,608,859.92
Net position, beginning of year	57,006,746.63	55,397,886.71
Net position, end of year	<u>\$ 59,271,031.36</u>	<u>\$ 57,006,746.63</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 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from charges	\$ 1,342,909.00	\$ 1,305,223.52
Cash received from Ad Valorem taxes	775,628.02	785,367.82
Cash received from grants	213,492.07	221,671.36
Cash payments to suppliers for goods and services	(1,112,311.15)	(1,094,614.22)
Cash payments to employees for services	<u>(1,256,385.92)</u>	<u>(1,208,175.26)</u>
Net cash provided (used) by operating activities	(36,667.98)	9,473.22
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(5,805,635.88)	(2,744,077.42)
Funds paid for engineering and professional fees	(192,061.52)	(129,524.46)
Cash received from capital grants	5,212,703.20	3,157,097.10
Cash received from customer facility charges	383,850.00	358,620.00
Cash received from passenger facility charges	244,245.45	180,826.78
Rental tax received	34,783.20	29,717.34
State revenue sharing received	<u>12,809.76</u>	<u>8,514.42</u>
Net cash provided (used) by capital and related financing activities	(109,305.79)	861,173.76
Cash flows from investing activities:		
Interest on investments	<u>24,584.31</u>	<u>3,823.30</u>
Net cash provided by investing activities	<u>24,584.31</u>	<u>3,823.30</u>
Net increase (decrease) in cash and cash equivalents	(121,389.46)	874,470.28
Cash and cash equivalents, beginning of year	<u>2,614,775.42</u>	<u>1,740,305.14</u>
Cash and cash equivalents, end of year - (including restricted cash of \$775,067 and \$355,661 in 2019 and 2018)	<u>\$ 2,493,385.96</u>	<u>\$ 2,614,775.42</u>
Non-cash Investing and financing activities		
Donated Vehicle	<u>\$ 7,500.00</u>	<u>\$ -</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 2019 and 2018

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

	<u>2019</u>	<u>2018</u>
Operating income (loss)	\$ (3,660,340.12)	\$ (3,484,764.12)
Depreciation	2,484,883.86	2,439,656.49
Nonoperating Ad Valorem taxes	775,628.02	785,367.82
Cash received from grants	213,492.07	221,671.36
Changes in assets and liabilities:		
(Increase) decrease in trade accounts receivable	(12,612.21)	39,933.06
(Increase) decrease in prepaid expense	(2,352.86)	(142.02)
(Increase) decrease in prepaid insurance	22,655.63	(957.17)
Increase (decrease) in accounts payable	4,121.53	8,021.42
Increase (decrease) in taxes and benefits payable	1,898.10	(32,052.62)
Increase (decrease) in accrued OPEB liability	23,721.00	12,584.00
Increase (decrease) in accrued net pension liability	112,237.00	20,155.00
Total adjustments	<u>3,623,672.14</u>	<u>3,494,237.34</u>
Net cash provided (used) by operating activities	<u>\$ (36,667.98)</u>	<u>\$ 9,473.22</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, 2019 and 2018

**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, 2019 and 2018

**NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**3. Capital Assets and Depreciation**

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

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

**4. Operating Revenues and Expenses**

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

**5. Rental Income**

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

The cost of leased building property is \$3,968,206 and the amount of accumulated depreciation as of December 31, 2019 was \$1,884,918. Contingent rentals received for the year ended December 31, 2019 and 2018 were \$338,989 and \$325,158, respectively.

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

December 31, 2019 and 2018

**NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

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

<u>Year</u>	<u>Amount</u>
2020	\$544,309
2021	474,603
2022	410,511
2023	297,010
2024	<u>127,672</u>
	<u>\$1,854,105</u>

**6. Accounts Receivable**

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

**7. Statement of Cash Flows**

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

**8. Use of Estimates**

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

**NOTE C. CASH**

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

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

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

December 31, 2019 and 2018

**NOTE C. CASH – Continued**

At December 31, 2019, the Authority had cash and cash equivalents (book balances) totaling \$2,493,386. Of that balance, \$775,067 is included in Restricted Cash.

At December 31, 2018, the Authority had cash and cash equivalents (book balances) totaling \$2,614,776. Of that balance, \$355,661 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, 2019, the Authority has \$2,524,090 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$2,319,572 of pledged securities held in a custodial bank in the Authority's name.

At December 31, 2018, the Authority has \$2,616,246 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$2,413,571 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, 2019 and 2018, the Authority did not have investments in any debt instruments.

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

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

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

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

December 31, 2019 and 2018

**NOTE D. PENSION PLAN – Continued**

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

**Eligibility Requirements**

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

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

**Retirement Benefits**

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

**For employees hired prior to January 1, 2007:**

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

**For employees hired after January 1, 2007:**

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

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

**For employees hired prior to January 1, 2007:**

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

**For employees hired after January 1, 2007:**

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

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

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

December 31, 2019 and 2018

**NOTE D. PENSION PLAN – Continued**

**Survivor Benefits**

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

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

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

**Deferred Retirement Option Plan**

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

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

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

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

December 31, 2019 and 2018

**NOTE D. PENSION PLAN - Continued**

**Disability Benefits**

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

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

**Cost of Living Increases**

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

**Employer Contributions**

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2019, the actuarially determined contribution rate was 9.99% of member's compensation for Plan A and 7.01% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2019 was 11.50% for Plan A and 7.50% for Plan B. The actual rate for the fiscal year ending December 31, 2018 was 11.50% for Plan A and 7.50% for Plan B.

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

December 31, 2019 and 2018

**NOTE D. PENSION PLAN - Continued**

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, 2019 and 2018 was \$787,185 and \$765,295; the Authority's total payroll and accrued benefits for 2019 and 2018 was \$1,394,242 and \$1,208,862, respectively. The Authority contributed \$90,526 and \$88,009 to the system during the years 2019 and 2018. As of December 31, 2019, the total amount owed to the Parochial Retirement System was \$10,465 for December contributions.

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

At December 31, 2019, the Authority reported underfunding of \$559,491 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of the pension amounts.

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

For the year ended December 31, 2019, the Authority recognized pension expense of \$202,763. At December 31, 2019, 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	\$ -	\$ 34,086
Net difference between projected and actual earnings on pension plan investments	267,830	-
Changes in assumptions	139,891	
Differences between Authority contributions and proportionate share of contributions	6,591	-
Authority contributions made subsequent to the measurement date	90,526	-
Total	\$504,838	\$ 34,086



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

December 31, 2019 and 2018

**NOTE D. PENSION PLAN - Continued**

The Authority's contributions during the year ended December 31, 2019, reported as deferred outflows, of \$90,526 subsequent to the measurement date will be recognized as reduction of the net pension liability in the year ended December 31, 2020. 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:	
2020	\$ 72,450
2021	58,437
2022	118,314
2023	131,035
2024	-
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.

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2018 are as follows:

Valuation Date	December 31, 2018
Actuarial Cost Method	Entry Age Normal Cost
Actuarial Assumptions:	
Investment Rate of Return	6.50%, net of investment expense
Projected Salary Increases	4.75% (2.40% Inflation, 2.35% 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.



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NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

**NOTE D. PENSION PLAN – Continued**

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 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.

**Sensitivity to Changes in Discount Rate**

The following presents the net pension liability/asset of the participating employers calculated using the discount rate of 6.50%, 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 (5.50%) or one percentage point higher (7.50%) than the current rate.

1% Decrease	Current Discount Rate	1% Increase
5.50%	6.50%	7.50%
Net Pension Liability	Net Pension Liability	Net Pension Asset
\$1,188,208	\$559,491	\$33,937

**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, 2018. Access to the report can be found on the Louisiana Legislative Auditor's website, [www.la.la.gov](http://www.la.la.gov).

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NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

**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. Accordingly, a liability is recognized in the financial statements for the actuarial determined amount of postemployment benefits that are associated with the normal costs of benefits attributable to service in the current year as well as an amortization of any unfunded actuarial accrued liability for costs of benefits associated with prior years of employment. The notes to the financial statements contain other required disclosure information from GASB Statement 75.

The Parish contracted with a third-party consultant to perform the actuarial valuation required by GASB Statement No. 75 was also contracted to a third-party consultant as of January 1, 2018 with a measurement date of December 31, 2018. 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 2018 and 2019 with the inclusion of the appropriate second year adjustments.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

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:

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.

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

December 31, 2019 and 2018

**NOTE E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued**

14 <sup>th</sup> 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. 1 of Ward 3
Fire Protection Dist. No. 1 of Ward 1	Recreation District No. 1 of Ward 4
Fire Protection Dist. No. 2 of Ward 4	Waterworks Dist. No. 11 of Wards 4 & 7
Fire Protection Dist. No. 1 of Ward 6	Waterworks Dist. No. 14 of Ward 5
Fire Protection Dist. No. 2 of Ward 8	Waterworks Dist. No. 9 of Ward 4
Calcasieu Parish Communications District	Waterworks Dist. No. 7 of Wards 6 & 4
Gravity Drainage Dist. No. 4 of Ward 3	Waterworks Dist. No. 12 of Ward 3
14 <sup>th</sup> Judicial District Criminal Court Fund (District Judges)	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.

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.

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.

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

December 31, 2019 and 2018

**NOTE E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued**

The total OPEB liability for the January 1, 2019 actuarial valuation, with a measurement date of December 31, 2019, and inclusive of the measurement period of January 1, 2019 through December 31, 2019, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	Not utilized by the actuary – see discount rate information.
Discount Rate	2.9% using an average of following three 20-year bond indices: (a) Bond Byer 20 Bond GO – 2.74%, (b) S&P Municipal Bond 20 Year High Grade Rate Index – 3.26%, and (c) Fidelity GA AA 20 Years – 2.75%.
Healthcare Cost Trend Rates	8% for pre-65 and post 65 retirees decreasing .5% per year to an ultimate rate of 5% in 2026 and later.
Salary Increases	3.5%
Cost of Living Increases	Not applicable
Mortality Rate Table Used for Current Valuation	The RP 2014 Healthy Male and Female Tables based on the Employee and Healthy Annuitant Tables for both pre and post retirement with mortality improvement using the most current Society of Actuaries Mortality Improvement Scale MP-2018.

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

	<b>Governmental Activities</b>	<b>Total Primary Government</b>	<b>Parish Plan Component Units</b>	<b>Total OPEB Plan</b>
Total OPEB Liability at Beginning of Year	\$25,609,107	\$25,609,107	\$14,698,860	\$40,307,967
Current Period Changes:				
Service Cost	457,160	457,160	280,940	738,100
Interest on Total OPEB Liability	917,155	917,155	534,713	1,451,868
Differences Between Expected and Actual Experience	-	-	-	-
Changes in Assumptions	6,402,507	6,402,507	3,928,299	10,330,806
Benefit Payments	<u>(771,293)</u>	<u>(771,293)</u>	<u>(377,476)</u>	<u>(1,148,769)</u>
Net Change in Total OPEB Liability	<u>7,005,529</u>	<u>7,005,529</u>	<u>4,366,476</u>	<u>11,372,005</u>
<b>Total OPEB Obligation at End of Year – Measurement Date</b>	<u><b>\$32,614,635</b></u>	<u><b>\$32,614,635</b></u>	<u><b>\$19,065,336</b></u>	<u><b>\$51,679,972</b></u>

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

December 31, 2019 and 2018

**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 of the Parish, as well as what the Parish's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.9%) or one percentage point higher (3.9%) than the current discount rate of 2.9%:

	1% Decrease (1.9%)	Discount Rate (2.9%)	1% Increase (3.9%)
Total OPEB Liability Parish	\$66,775,520	\$51,679,971	\$41,350,349
Total OPEB Liability Authority	\$1,047,538	\$810,727	\$648,682

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the total OPEB liability of the Parish, as well as what the Parish's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (8% to 7%) or one percentage point higher (8% to 9%) than the current healthcare cost trend rate of 3.9%:

	1% Decrease (7%)	Healthcare Cost Trend Rate (8%)	1% Increase (9%)
Total OPEB Liability Parish	\$39,526,195	\$51,679,971	\$69,329,656
Total OPEB Liability Authority	\$620,065	\$810,727	\$1,087,606

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, 2018	\$ 610,215
Current Period Changes:	
Service Cost	12,006
Interest on Total OPEB Liability	22,664
Differences Between Expected and Actual Experience	-
Changes in Assumptions	176,791
Benefit Payments	(10,949)
Net Change in Total OPEB Liability	200,512
Net OPEB Obligation at December 31, 2019	\$ 810,727
Airport Authority's Proportionate Percentage of Total Parish OPEB Obligation	1.57%
Change in Authority's OPEB Obligation Since the Prior Measurement Date	0.06%

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

**NOTE E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) – Continued**

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended December 31, 2019, the Authority recognized OPEB expense of \$23,721. At December 31, 2019, the following table details the components of the Authority's deferred outflows and deferred inflows for the current year:

	Deferred Outflows	Deferred Inflows
Difference between actual and expected experience	\$ -	\$ -
Net difference between expected and actual earnings	-	-
Impact due to changes in assumptions	<u>176,791</u>	<u>-</u>
Total	<u>\$ 176,791</u>	<u>\$ -</u>

Amortization of impact due to changes in assumptions is over 10 years or \$17,679 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, 2019 taxes of .60 mills were levied on property with taxable assessed valuations of \$1,504,261,128 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 15<sup>th</sup> 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.



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

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

**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, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Passenger Facility Charge Funds	\$ 156,156	\$ 84,427
Customer Facility Charge Funds	<u>703,592</u>	<u>357,511</u>
Total Restricted Assets	<u>\$ 859,748</u>	<u>\$ 441,938</u>

**NOTE I. PASSENGER FACILITY CHARGE**

Beginning in 2001, Passenger Facility Charges at the rate of \$3 per enplaned passenger had been levied by the Authority under Federal Aviation Administration (FAA) approved applications to use for airport improvements. Beginning in 2005, the passenger rate was approved to be increased to \$4.50 per enplaned passenger. As of December 31, 2019, the total of approved applications is \$4,665,151. Since 2001 a total of \$3,640,895 has been spent in PFC funds for airport improvements.

Total PFC revenues, including interest, remitted to the Authority for the years ended December 31, 2019 and 2018 were \$254,470 and \$213,081, respectively. During the year ended December 31, 2019 a total of \$184,156 was spent on PFC projects, leaving a balance of \$156,156 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, 2019 and 2018 were \$380,545 and \$354,285, respectively. During the year ended December 31, 2019, \$38,447 was spent on CFC projects, leaving a balance of \$703,592 for future CFC projects (Note H).

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

**NOTE K. CAPITAL ASSETS**

Capital assets consist of the following at December 31, 2019:

	Balance <u>12/31/18</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/19</u>
Land	\$ 4,028,498	\$ -	\$ -	\$ 4,028,498
Buildings & Improvements	44,522,902	-	-	44,522,902
Land Improvements	28,214,749	3,473,981	-	31,688,730
Machinery & Equipment	3,918,315	34,160	-	3,952,475
Furniture & Fixtures	697,280	65,965	-	763,245
Software	94,400	-	-	94,400
Construction in progress	<u>4,448,760</u>	<u>4,547,774</u>	<u>(3,586,494)</u>	<u>5,410,041</u>
	85,924,904	8,121,880	(3,586,494)	90,460,291
Less accumulated depreciation:				
Buildings & Improvements	11,050,424	1,015,722	-	11,050,424
Land Improvements	17,479,097	1,158,410	-	17,479,097
Machinery & Equipment	2,464,940	271,993	-	2,464,940
Furniture & Fixtures	553,621	38,759	-	553,621
Software	<u>94,400</u>	<u>-</u>	<u>-</u>	<u>94,400</u>
	<u>31,642,482</u>	<u>2,484,884</u>	<u>-</u>	<u>34,127,367</u>
Net capital assets	<u>\$54,282,422</u>	<u>\$ 5,636,996</u>	<u>\$(3,586,494)</u>	<u>\$ 56,332,924</u>

Capital assets consist of the following at December 31, 2018:

	Balance <u>12/31/17</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/18</u>
Land	\$ 4,028,498	\$ -	\$ -	\$ 4,028,498
Buildings & Improvements	44,513,472	9,430	-	44,522,902
Land Improvements	26,445,312	1,769,437	-	28,214,749
Machinery & Equipment	3,741,630	176,685	-	3,918,315
Furniture & Fixtures	697,280	-	-	697,280
Software	94,400	-	-	94,400
Construction in progress	<u>2,661,190</u>	<u>3,724,750</u>	<u>(1,937,180)</u>	<u>4,448,760</u>
	82,181,782	5,680,302	(1,937,180)	85,924,904
Less accumulated depreciation:				
Buildings & Improvements	10,034,699	1,015,725	-	11,050,424
Land Improvements	16,398,211	1,080,886	-	17,479,097
Machinery & Equipment	2,175,295	289,645	-	2,464,940
Furniture & Fixtures	500,221	53,400	-	553,621
Software	<u>94,400</u>	<u>-</u>	<u>-</u>	<u>94,400</u>
	<u>29,202,826</u>	<u>2,439,656</u>	<u>-</u>	<u>31,642,482</u>
Net capital assets	<u>\$52,978,956</u>	<u>\$ 3,240,646</u>	<u>\$(1,937,180)</u>	<u>\$ 54,282,422</u>

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

**NOTE L. COMMITMENTS AND CONTIGENCIES**

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

On a continuing basis, the Authority enters into construction contracts for improvements to the airport. At December 31, 2019, work was in progress for the improvements as follows:

	<u>Budget</u>	<u>Expended to date</u>	<u>Committed</u>
Wildlife Mitigation – Runway and Drainage	\$3,291,126	\$3,276,487	\$14,639
Airfield Signage	601,621	594,217	7,404
Canopy Parking	133,879	85,151	48,728

The Authority is subject to pending claims and litigation which arise primarily in the ordinary course of business. In 2019, the Authority was a defendant in a lawsuit pertaining to a contract bid in which damages were assessed against the Airport. While the damages cannot reasonably be estimated, the settlement is expected to range between \$25,000 to \$500,000.

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. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The Airport did not reduce insurance coverage during 2019.

**NOTE M. LONG-TERM LIABILITIES**

	Beginning of Year	Additions	Reductions	End of Year	Amounts Due Within One Year
Net Pension Liability	\$ (85,334)	\$ 735,351	\$ (90,526)	\$ 559,491	\$ -
OPEB Liability	610,215	211,461	(10,949)	810,727	-
Security Deposit	4,000	-	-	4,000	-

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year ended December 31, 2019

Federal Grantor/Pass-through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	Federal <u>Expenditures</u>
U. S. Department of Transportation Federal Aviation Administration Airport Improvement Program	20.106*	\$2,787,988
US Department of Homeland Security Transportation Security Administration Law Enforcement Personnel Reimbursement Agreement	97.090	<u>92,305</u>
Total expenditures of federal awards		<u>\$2,880,293</u>

\* Major Programs

See accompanying notes to schedule of expenditures of federal awards

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year ended December 31, 2019

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, 2019. 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, 2019

**AGENCY HEAD NAME: HEATH ALLEN, EXECUTIVE DIRECTOR**

<b><u>PURPOSE</u></b>	<b><u>AMOUNT</u></b>
Salary	\$140,304
Benefits	
Insurance	13,184
Retirement	16,135
Car Allowance	9,600
Phone Allowance	600
Per Diem	796
Conference Travel	<u>10,769</u>
<b>TOTAL</b>	<b><u><u>\$191,388</u></u></b>

# STEVEN M. DEROUEN & ASSOCIATES

*Certified Public Accountants*

2720 RUE DE JARDIN, SUITE 300  
P. O. BOX 4265  
LAKE CHARLES, LA 70606  
(337) 513-4915 OFFICE/ (337) 205-6927 FAX  
steve@sderouen CPA.com

Member American Institute of  
Certified Public Accountants

Member Louisiana Society of  
Certified Public Accountants

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Airport Authority for Airport District #1 of Calcasieu Parish, a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued my report thereon dated June 29, 2020.

### **Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

Steven M. DeRouen & Associates

Lake Charles, Louisiana  
June 29, 2020



# STEVEN M. DEROUEN & ASSOCIATES

*Certified Public Accountants*

2720 RUE DE JARDIN, SUITE 300  
P. O. BOX 4265  
LAKE CHARLES, LA 70606  
(337) 513-4915 OFFICE/ (337) 205-6927 FAX  
steve@sderouencpa.com

Member American Institute of  
Certified Public Accountants

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

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

### **Report on Compliance for Each Major Federal Program**

I have audited the Airport Authority for Airport District #1 of Calcasieu Parish's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2019. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

My responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In my opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

## Report on Internal Control over Compliance

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

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

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

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

Steven M. DeRouen & Associates

Lake Charles, Louisiana  
June 29, 2020

**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, 2019**

**Financial Statements**

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

**Federal Awards**

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

**No Separate Management Letter Issued**

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

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

**Current Audit**

None

**Prior Audit**

None

**SECTION III – Federal Awards Findings and Questioned Costs**

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

**AIRPORT AUTHORITY FOR AIRPORT DISTRICT #1**  
**Lake Charles, Louisiana**  
**Parochial Employees' Retirement System of Louisiana**  
**Schedule of the Authority's Proportionate Share of the Net Pension Liability**  
**For The Year Ended December 31, 2019**

	<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%

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, 2019**

	<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	14.5%	13.0%	12.5%	11.5%	11.5%

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

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

**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, 2019**

Financial statement reporting date	Measurement Date	Service Cost	Interest	Difference between actual and expected experience	Changes of assumptions or other inputs	Benefit payments	Net change in total OPEB liability	Total OPEB liability - beginning	Total OPEB liability - ending	Airport Authority Covered payroll	Airport Authority OPEB liability as a percentage of covered payroll	Proportionate Percentage of Collective Total OPEB Liability
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%

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, 2019.

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

# STEVEN M. DEROUEN & ASSOCIATES

*Certified Public Accountants*

2720 RUE DE JARDIN, SUITE 300  
P. O. BOX 4265  
LAKE CHARLES, LA 70606  
(337) 513-4915 OFFICE/ (337) 205-6927 FAX  
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## **AGREED-UPON PROCEDURES REPORT**

### **AIRPORT AUTHORITY FOR AIRPORT DISTRICT #1**

#### **INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD OF JANUARY 1, 2019 THROUGH DECEMBER 31, 2019**

To the Board of Commissioners and the Louisiana Legislative Auditor:

I have performed the procedures enumerated below, which were agreed to by the Airport Authority for Airport District #1 and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the period January 1, 2019 through December 31, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:



## Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget
  - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) **Disbursements**, including processing, reviewing, and approving
  - d) **Receipts/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).
  - e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
  - f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
  - g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
  - h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
  - i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
  - j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
  - k) **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.

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

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

**Observation:** *The Airport Authority does not have a written "Receipts/Collections" policy.*

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

## Written Policies and Procedures (Continued)

*Observation: The District does not have written Disaster Recovery/Business Continuity Policies.*

*Management's Response: While the District practices the procedures listed in item 1k, these processes are not written into their policy manual. The policy manual will be updated to include the Airport's Disaster Recovery/Business Continuity policies.*

## Board or Finance Committee

2. 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:
  - a) 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.
  - b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-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.*
  - c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted 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 unrestricted fund balance in the general fund.

*There were no observations noted in the prior year's "Board or Finance Committee" testing, therefore the above procedures are not applicable.*

## Bank Reconciliations

3. Obtain a listing of client 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 selected each account, and observe that:
  - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
  - b) 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
  - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

*There were no observations noted in the prior year's "Bank Reconciliations" testing, therefore the above procedures are not applicable.*

## Collections

4. 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).
5. 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:
  - a) Employees that are responsible for cash collections do not share cash drawers/registers.
  - b) 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.
  - c) 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.
  - d) 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 verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. 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:
  - a) Observe that receipts are sequentially pre-numbered.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.
  - d) Observe that 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).
  - e) Trace the actual deposit per the bank statement to the general ledger.

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

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

8. 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).
9. For each location selected under #8 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:
  - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - b) At least two employees are involved in processing and approving payments to vendors.
  - c) 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.
  - d) 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.
10. For each location selected under #8 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:
  - a) Observe that the disbursement matched the related original invoice/billing statement.
  - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

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

11. 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.
12. 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:

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

- a) Observe that 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) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
  - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 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 (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that 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.

***There were no observations noted in the prior year’s “Credit Cards/Debit Cards/Fuel Cards/P-Cards” testing, therefore the above procedures are not applicable.***

### Travel and Travel-Related Expense Reimbursements

14. 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:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) Observe that 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).
  - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

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

## Contracts

15. 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:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
  - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
  - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
  - d) 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 that the invoice and related payment agreed to the terms and conditions of the contract.

***There were no observations noted in the prior year's "Contracts" testing, therefore the above procedures are not applicable.***

## Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
  - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
  - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

### Payroll and Personnel (Continued)

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

*There were no observations noted in the prior year's "Payroll and Personnel" testing, therefore the above procedures are not applicable.*

### Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:
  - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

*There were no observations noted in the prior year's "Ethics" testing, therefore the above procedures are not applicable.*

### Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.
22. 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.

*Not Applicable – The Airport Authority had no outstanding debt in 2019.*

### Other

23. 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.
24. Observe that 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.

*There were no observations noted in the prior year's "Other" testing, therefore the above procedures are not applicable.*

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

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

*Steven M. DeRouen & Associates*

June 29, 2020  
Lake Charles, Louisiana