MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON NOVEMBER 21, 2024

PRESENT: William A. Settoon, Jr., Chair
Roy M. Arrigo, Committee Member
Roy M. Carubba, Committee Member
K. Randall Noel, Committee Member

The Finance Committee of the Southeast Louisiana Flood Protection Authority-East (FPA or Authority) met on November 21, 2024, in the Franklin Avenue Administrative Complex, Meeting Room 201, 6920 Franklin Avenue, New Orleans, La. Mr. Settoon called the meeting to order at 9:00 a.m.

Opening Comments: None.

Adoption of Agenda: The Committee adopted the agenda as presented.

Approval of Minutes: The Committee approved the minutes of the Finance Committee meeting held on October 17, 2024.

Public Comments: None.

Regional Finance Director's Report:

Denise Williams, Regional Finance Director, provided her report:

- The Finance Department is comprised of 17 positions including one vacant Accountant position. The Procurement Manager supervises three positions. The Comptroller supervises two Accounting Supervisors, an Administrative Coordinator and seven remaining accounting staff.
- Initial budget meetings with Department Managers were being held for the Fiscal Year (FY) 2026 Budget. The draft budget will be presented to the Board in February. The final budget must be approved by the Board in March and submitted to the State by April 1.
- Five Orleans Levee District (O.L.D.) trailers previously used as office space were auctioned on-line. The FPA piggy-backed on a St. Tammany Parish auction. All trailers were sold and the O.L.D. earned approximately $25,000.

New Business:

A. Fiscal Year 2024 Financial Audit Report presentation by Ericksen Krentel.

Claude Silverman CPA, CITP, Partner, Accounting and Audit Services, Ericksen Krentel, introduced himself and Josh Faubert CPA, CITP, Manager, Accounting & Audit

Services. He advised that Mr. Faubert supervised the FPA FY 2024 financial audit. The FY 2024 audit is the first year of the new three-year contract cycle. Ericksen Krentel previously conducted the financial audits for the prior three-year contract cycle. Ericksen Krentel is contracted through the Legislative Auditor's Office. The FPA is involved in the process.

Mr. Faubert provided the presentation on the FY 2024 Financial Audit:

- Disclaimer - Data portrayed in the presentation was derived from the Authority's financial statements, which were audited by Ericksen Krentel, LLP. The data should be read in conjunction with the Authority's audit report and financial statements.
- Audit Scope and Conclusion on the June 30, 2024, financial statements of the FPA and Lakefront Management Authority (LMA) Combined:

  The audit report expressed an unmodified opinion (clean opinion). The audit was conducted in accordance with U.S. generally accepted auditing standards, the *Louisiana Governmental Audit Guide*, *Government Auditing Standards* and the Uniform Guidance.
- Combined Statement of Net Position – Assets:

  Capital Assets total $6.5 billion. The Hurricane and Storm Damage Risk Reduction System (HSDRRS) accounts for $4.5 billion of the Capital Assets. The HSDRRS system is depreciated over 50 years.

  The second largest asset is Cash and Investments totaling $198 million.

  Lease receivables (long term leases up to 90 years) are an LMA asset that total approximately $36 million.
- Combined Statement of Net Position – Liabilities:

  Most of the deferred inflows totaling approximately $40 million are the other side of lease receivables. Lease receivables are reduced as payments are received and recognized as revenue.

  Total liabilities and deferred outflows total $101 million compared to the $6.8 billion of total assets and deferred outflows. This results in a $6.7 billion net position, most of which is tied up in capital assets.

  Net pension liability totaling $36.5 million and OPEB/post-employment benefit liabilities totaling $14 million are measured by actuaries and adjusted annually for the financial statements. The net pension liability is paid into a trust. The OPEB/post-employment benefit liability is a pay-as-you-go process.

  Accounts payable and accruals total $10.5 million.
- A net loss (non-cash) of $120 million is shown for the annual depreciation of the HSDRRS.
- Graphs showing the combined Statement of Activities and Statements of Revenue, Expenses and Changes in Fund Balances for each entity were reviewed. The end of the year fund balance for the O.L.D. General and Special

Levee Improvement Funds total $145 million. The end of the year fund balance for the Lake Borgne Basin Levee District (LBBLD) was about $4 million.

- Internal Control Communications:

  Government Auditing Standards: Tests did not identify any material weaknesses or significant deficiencies in internal controls over financial reporting.

  Uniform Guidance: Tests did not identify any deficiencies in internal controls over compliance or any instances of noncompliance that could have a direct and material effect on the Authority's major federal programs.

- Communications with those charged with governance – Auditor responsibilities:
  - Provide reasonable assurance that the financial statements are free of material misstatement.
  - Exercise professional judgment and maintain professional skepticism throughout the audit.
  - Identify and assess the risks of material misstatement of the financial statements and design and perform audit procedures responsive to those risks.
  - Obtain an understanding of internal control, but not for the purpose of expressing an opinion on its effectiveness.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management.
  - Conclude whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern.
- Communications with those charged with governance – significant audit matters:
  - No material illegal acts discovered.
  - No new accounting policies with a material impact adopted.
  - No transactions lacking authoritative guidance or consensus.
  - No difficulties encountered in performing the audit
  - No disagreements with management.
  - No management consultations with other independent accountants.
  - No findings reported.
  - No material illegal acts discovered.
  - No new accounting policies with a material impact adopted.
  - No transactions lacking authoritative guidance or consensus.
  - No difficulties encountered in performing the audit.
  - No disagreements with management.

- No management consultations with other independent accountants.
- No findings reported.
- Significant estimates affecting the financial statements include the following: useful lives and impairment of assets, OPEB and pension liabilities, and value of the HSDRRS System.
- The disclosures are neutral, consistent and clear.
- Ericksen Krentel requested certain representations from management that are included in the management representation letter.

Mr. Faubert thanked the Finance team for their assistance. The audit report was issued on September 30.

B. <u>FY25 1st Quarter Budget-to-Actual report.</u>

Ms. Williams advised that Committee members were provided the 1st Quarter Budget to Actual report for review. The FPA is operating within the budget as 75 percent or more of the budget remains for Operations and Maintenance. Most of the revenues are typically collected in the third quarter.

C. <u>Update by Richard Kernion, Edward Jones, FPA Investment Advisor.</u>

Richard Kernion with Edward Jones Investments advised that an O.L.D. General Fund bond in the amount of $2 million matured on November 15. About $95 million is invested with Edward Jones in bonds maturing in 2025 through 2029. About $65 million is invested in LAMP (Louisiana Asset Management Pool). The LAMP interest rate decreased from 5.3 percent to 4.74 percent. The FPA is in the process of laddering bond maturities over the next one to five years to lock in interest rates as long as possible while providing liquidity. FPA bonds will expire as follows: $25 million in 2025, $35 million in 2026, $15 million in 2027, $10 million in 2028 and $10 million in 2029.

Mr. Kernion recommended renewing the $2 million bond that expires on November 15 or investing the money in a Treasury bond that matures in 2028 or 2029. Due to routine daily rate adjustments, Edward Jones can lock in about a 4.2 percent interest rate for 2028 or 2029 for the $2 million investment. With the influx of deposits from tax revenues in the early part of 2025, the LAMP balance is estimated to increase to over $100 million. He recommended having about 50 percent of monies immediately available in LAMP and 50 percent in bonds with maturities laddered over a five-year period. As bonds mature, the interest (between $90,000 and $180,000 per month) is sent to the LAMP account.

Mr. Noel offered a motion to approve investing the $2 million from the expiring bond in a bond maturing in 2028 with an interest rate of no less than 4 percent. The motion was seconded by Mr. Arrigo and unanimously adopted.

There was no further business; therefore, the meeting was adjourned at 9:40 a.m.