

R E P O R T

ST. TAMMANY PARISH
COMMUNICATION DISTRICT NO. 1

DECEMBER 31, 2019

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

REPORT INDEX

DECEMBER 31, 2019

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 8
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet - Governmental Fund.....	11
Reconciliation of the Balance Sheet - Governmental Fund to the Statement of Net Position.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund to the Statement of Activities	14
Notes to Financial Statements	15 - 33

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

REPORT INDEX

DECEMBER 31, 2019

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund.....	34
Schedule of the District's Proportionate Share of the Net Pension Liability (Asset).....	35
Schedule of District Contributions.....	36
Notes to Required Supplementary Information	37
OTHER SUPPLEMENTARY INFORMATION:	
Schedule of Compensation, Benefits, and Other Payments to Agency Head.....	38
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 <i>GOVERNMENT AUDITING STANDARDS</i>	39 - 40
SCHEDULE OF FINDINGS	41
SCHEDULE OF PRIOR YEAR FINDINGS.....	42



Duplantier Hrapmann Hogan & Maher, LLP

A.J. Duplantier, Jr., CPA
(1919-1985)

Felix J. Hrapmann, Jr., CPA
(1919-1990)

William R. Hogan, Jr., CPA
(1920-1996)

James Maher, Jr., CPA
(1921-1999)

Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

INDEPENDENT AUDITOR'S REPORT

August 25, 2020

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

To the Board of Commissioners
St. Tammany Parish Communication District No. 1
Covington, Louisiana

Robynn P. Beck, CPA
John P. Butler, CPA
Jason C. Montegut, CPA
Paul M. Novak, CPA, AVB, CVA
Wesley D. Wade, CPA

We have audited the accompanying financial statements of the governmental activities and the major fund of St. Tammany Parish Communication District No. 1 (the "District"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the report index.

Michael J. O' Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA
William G. Stamm, CPA

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.

New Orleans
1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore
1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma
247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville
5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

www.dhhmcpa.com

Members
American Institute of
Certified Public Accountants
Society of LA CPAs

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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of December 31, 2019, and the respective changes in financial position 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 and required supplementary information, as listed in the report index, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The other supplementary information as listed in the report index is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information as listed in the report index is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

Duplantier, Chapman, Hogan and Parker, LLP

New Orleans, Louisiana

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

The management's discussion and analysis of the St. Tammany Parish Communication District No. 1's (the "District") financial performance provides an overview of the financial activities as of and for the year ended December 31, 2019. It should be read in conjunction with the basic financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows exceeded its liabilities and deferred inflows at December 31, 2019, by \$9,355,485. The District's net position decreased by \$134,131 or 1.41% from the prior year.
- The District's revenue increased by \$10,938 or 0.23%, while expenses increased by \$857,497 or 23.48% for the year ended December 31, 2019. The increase in revenues is primarily due to an increase in revenue from fees charged for services. The increase in expenses was primarily due to an increase in expenses related to the new facility and new equipment lease.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. Also included in the report is supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements report information about the overall finances of the District in a manner similar to private-sector business.

The Statement of Net Position presents information on the District's assets less liabilities which results in net position. The statement is designed to display the financial position of the District. Over time, increases or decreases in net assets help determine whether the District's financial position is improving or deteriorating.

The Statement of Activities provides information showing how the District's net position changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the District that are financed primarily by taxes, inter-governmental revenues, and charges for services.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The District uses fund accounting to ensure and demonstrate fiscal accountability. The District uses governmental fund financial statements to provide more detailed information about the District's funds.

Governmental funds. Governmental funds are used to report the District's basic services. The funds focus on the inflows and outflows of current resources and the balances of spendable resources available at the end of the fiscal year. Governmental fund statements provide a near or short-term view of the District's operations. A reconciliation is prepared of the governmental funds' Balance Sheet to the Statement of Net Position and the Statement of Revenues, Expenditures, and Changes in Fund Balances of the governmental funds to the Statement of Activities.

The District maintains one governmental fund, the General Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds' statement of Revenues, Expenditures, and Changes in Fund Balances for this fund.

The District adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for this fund as listed in the report index.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the statements of net position:

Condensed Statements of Net Position
As of December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Current and other assets	\$ 5,030,985	\$ 5,867,612	\$ (836,627)
Capital assets	9,815,771	9,379,481	436,290
Total assets	14,846,756	15,247,093	(400,337)
Deferred outflows of resources	199,799	82,710	117,089

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Condensed Statements of Net Position
As of December 31, 2019 and 2018 (Continued)

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Current liabilities	\$ 7,926	\$ 4,590	\$ 3,336
Long-term liabilities	<u>5,668,294</u>	<u>5,725,000</u>	<u>(56,706)</u>
Total liabilities	<u>5,676,220</u>	<u>5,729,590</u>	<u>(53,370)</u>
Deferred inflows of resources	<u>14,850</u>	<u>110,597</u>	<u>(95,747)</u>
Net position:			
Net investment in capital assets	4,360,771	1,115,725	3,245,046
Unrestricted	<u>4,994,714</u>	<u>8,373,891</u>	<u>(3,379,177)</u>
Total net position	<u>\$ 9,355,485</u>	<u>\$ 9,489,616</u>	<u>\$ (134,131)</u>

Current and other assets decreased by \$836,627 from the prior year. The decrease in current and other assets was primarily due to cash used to complete the new facility.

Capital assets increased by \$436,290 from the prior year. The increase in capital assets was primarily attributable to costs incurred to complete the new facility.

Long-term liabilities decreased by \$56,706 from the prior year. The decrease in long-term liabilities was primarily attributable to the bond principal payment made in the current year which was offset by an increase in net pension liability.

The District's net position decreased \$134,131 from the prior year. The decrease in the net position was primarily attributable to the cost to operate new facility in addition to new equipment lease the current year.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a summary of the statement of activities:

Condensed Statements of Activities			
<u>For the Years Ended December 31, 2019 and 2018</u>			
	<u>2019</u>	<u>2018</u>	<u>Change</u>
General revenues:			
Fees	\$ 4,642,037	\$ 4,608,599	\$ 33,438
Miscellaneous	9,863	9,406	457
Contributions	3,672	3,678	(6)
Interest income	79,555	102,506	(22,951)
Total revenues	<u>4,735,127</u>	<u>4,724,189</u>	<u>10,938</u>
Loss on disposal of assets	<u>(360,235)</u>	<u>-</u>	<u>(360,235)</u>
Expenses:			
Public safety	4,354,448	3,489,796	864,652
Interest on long-term debt	154,575	161,730	(7,155)
Total expenses	<u>4,509,023</u>	<u>3,651,526</u>	<u>857,497</u>
Change in net position	(134,131)	1,072,663	(1,206,794)
Total net position, beginning of year	<u>9,489,616</u>	<u>8,416,953</u>	<u>1,072,663</u>
Total net position, end of year	<u>\$ 9,355,485</u>	<u>\$ 9,489,616</u>	<u>\$ (134,131)</u>

The District's net position decreased by \$134,131 or 1.41% from the previous year. This decrease is primarily attributable to expenditures incurred due to start-up cost associated with the new facility.

BUDGETARY HIGHLIGHTS

Budgetary information, presented on page 34, demonstrates the level of budgetary control exercised by the District as well as compliance with state law relating to budgets and the budgetary process. Actual revenues on budget basis exceeded the amended budgeted revenues by \$90,454 and actual expenditures on budget basis were less than amended budgeted expenditures by \$179,894.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

CAPITAL ASSETS

The capital assets of the District consist of land, buildings and improvements, furniture and fixtures, 911 equipment, vehicles, and construction in progress for a new facility. At December 31, 2019, the District had investments in capital assets (net of accumulated depreciation) totaling \$9,815,771, which was an increase of \$436,290 from the prior year. The increase was primarily due to asset additions to capital assets related to the new facility which were offset by depreciation expense in the current year as well as the disposal of leasehold improvements related to the former facility.

LONG-TERM LIABILITIES

As of December 31, 2019, the District has \$5,668,294 in long-term liabilities, a decrease of \$56,706 from the prior year. The decrease is attributable to payments on the certificates of indebtedness during the current year of \$270,000 which was offset by the District's proportionate share of the net pension liability related to its participation in the Parochial Employees' Retirement System of \$213,294 in the current year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's Board and Administration considered the following when setting next year's budget:

- Fee revenues for next year are expected to be consistent with 2019. Land line fees are expected to decrease as cellular line fees continue to increase.
- The new facility was placed in service in the beginning of 2019. Capital outlay costs will be reduced significantly. General maintenance of the new building will be included within operating costs of the District.

CONTACTING THE DISTRICT

The financial report is designed to provide a general overview of the District's finances and to show accountability for the financial resources received. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Rodney Hart, Executive Director, 28911 Krentel Rd, Lacombe, LA 70445.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 4,225,032
Receivables	786,453
Capital assets, net of accumulated depreciation	9,815,771
Intangible asset	<u>19,500</u>
Total assets	<u>14,846,756</u>
 DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows of resources related to pensions	<u>199,799</u>
 LIABILITIES:	
Accounts payable	770
Payroll liabilities	7,156
Long-term liabilities:	
Due in more than one year:	
Bonds payable	5,455,000
Net pension liability	<u>213,294</u>
Total liabilities	<u>5,676,220</u>
 DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows of resources related to pensions	<u>14,850</u>
 NET POSITION:	
Net investment in capital assets	4,360,771
Unrestricted	<u>4,994,714</u>
TOTAL NET POSITION	<u>\$ 9,355,485</u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
GOVERNMENTAL ACTIVITIES:			
Public safety	\$ 4,354,448	\$ 3,672	\$ (4,350,776)
Interest on long-term debt	<u>154,575</u>	<u>-</u>	<u>(154,575)</u>
 Total expenses	 <u>\$ 4,509,023</u>	 <u>\$ 3,672</u>	 <u>(4,505,351)</u>
 GENERAL REVENUES:			
Fees charged for services:			
Cellular line			3,072,641
Land line			982,316
Prepaid cellular			575,932
Voice over IP			11,148
Miscellaneous revenue			9,863
Interest income			<u>79,555</u>
 Total general revenues			 <u>4,731,455</u>
 Loss on disposal of assets			 (360,235)
 Change in net position			 (134,131)
 Net position, beginning of year			 <u>9,489,616</u>
 NET POSITION, END OF YEAR			 <u>\$ 9,355,485</u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
BALANCE SHEET -
GOVERNMENTAL FUND
DECEMBER 31, 2019

	<u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 4,225,032
Receivables	<u>786,453</u>
TOTAL ASSETS	<u>\$ 5,011,485</u>
LIABILITIES:	
Accounts payable	\$ 770
Payroll liabilities	<u>7,156</u>
Total liabilities	<u>7,926</u>
FUND BALANCE:	
Unassigned	<u>5,003,559</u>
Total fund balance	<u>5,003,559</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,011,485</u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2019

Total Fund Balance	\$	5,003,559
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.		9,815,771
Intangible assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.		19,500
Deferred outflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the governmental fund.		199,799
Deferred inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the governmental fund.		(14,850)
Net pension liability is not due in the current period and, therefore, is not reported in the governmental fund.		(213,294)
Bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental fund.		<u>(5,455,000)</u>
Net Position of Governmental Activities	\$	<u>9,355,485</u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General Fund</u>
REVENUES:	
Fees charged for services:	
Cellular line	\$ 3,072,641
Land line	982,316
Prepaid cellular	575,932
Voice over IP	11,148
Interest income	79,554
Miscellaneous revenue	<u>9,863</u>
Total revenues	<u>4,731,454</u>
EXPENDITURES:	
Public safety:	
911 System	3,157,753
Personnel	491,124
General government	243,505
Capital outlay	1,217,737
Debt service:	
Principal retirement	270,000
Interest charges	<u>154,575</u>
Total expenditures	<u>5,534,694</u>
Net change in fund balance	(803,240)
Fund balance, beginning of year	<u>5,806,799</u>
Fund balance, end of year	<u>\$ 5,003,559</u>

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balance - Governmental Fund \$ (803,240)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in the governmental fund as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlays.

Capital outlays	\$ 1,217,737	
Depreciation expense	<u>(421,212)</u>	796,525

The issuance of long-term debt provides current financial resources to governmental fund, while the repayments of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Debt repayments		270,000
-----------------	--	---------

In the Statement of Activities, pension expense is measured as the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions. In the governmental fund, however, pension expense is measured by the amount of financial resources used.

(40,853)

In the Statement of Activities, the proportionate share of non-employer contributions to pension plans are reported as revenue. In the governmental fund, however, non-employer contributions to pension plans are not reported.

3,672

Loss on sale of capital assets is reported in the Statement of Activities but does not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds.

(360,235)

Change in Net Positon of Governmental Activities \$ (134,131)

The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The mission of St. Tammany Parish Communication District No. 1 (the District) is to shorten the time required for a citizen to request and receive emergency aid. The District is mandated to take whatever actions are necessary to accomplish this task. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America applicable to governmental entities. The following is a summary of significant accounting policies:

Reporting Entity:

The District was created in 1986 by Ordinance 687 of the St. Tammany Parish Council. The District is governed by a Board of Commissioners, who are appointed by the St. Tammany Parish Council. The Board is composed of seven members. Board Members are nominated for selection by the St. Tammany Parish Council as follows: one member nominated by the Parish Council, one member nominated by the St. Tammany Parish Sheriff's Office, one member nominated by the parish hospitals, two members nominated by the municipal law enforcement agencies, and two members nominated by the fire protection districts. A chairman is elected by the Board Members for a period of one year.

The District is not considered a component unit of the St. Tammany Parish Council. The parish appoints a majority of the Board Members but does not have the ability to impose its will on the District. Based on the criteria set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the District has no component units.

Basis of Presentation:

The accompanying basic financial statements of the St. Tammany Parish Communication District No. 1 have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*.

Government-Wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and statement of activities) report information on the governmental activities using the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Government-Wide Financial Statements: (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for the governmental funds.

Fund Financial Statements:

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The only fund of the District is classified as governmental. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or the total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10% of the corresponding total for all governmental funds.

The General Fund is the primary operating and sole fund of the District. It accounts for all the financial transactions and is classified as governmental fund type. The focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position rather than upon net income.

Measurement Focus/Basis of Accounting:

The amounts reflected in the governmental fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current resources. This approach is then reconciled, through adjustment, to the government-wide financial statements.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Measurement Focus/Basis of Accounting: (Continued)

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on long-term debt, which are recognized when payment is made, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The government-wide financial statements are accounted for using an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

The government-wide financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows.

Pursuant to LRS 33:9106 and Act 1029 of the 1999 Regular Session of the Louisiana Legislature, the District is authorized to collect the following service charges per subscriber per device per month within the District:

Residential	\$1.00
Voice Over IP	\$1.25
Commercial	\$2.00
Wireless	\$1.25

Pursuant to LRS 33:9109.1, the District also collects a fee of 4% on prepaid wireless retail transactions.

Service charges are collected by the District on a monthly basis and are considered measurable at the month of collection. Accordingly, service charges incurred in December 2019 and remitted in 2020 have been reported as a receivable.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Budgets and Budgetary Accounting:

The District has adopted a budget for its General Fund. The budgetary practices include notice of the proposed budget, public inspection of the proposed budget, and public hearings on the budget prior to adoption. An amendment involving increase in expenditures must be approved by the District. Budgeted amounts in the accompanying financial statements include all amendments. All budgeted amounts, which are not expended or obligated through contracts, lapse at year-end.

Cash and Cash Equivalents:

Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Cash and cash equivalents that are required to be used for a specific purpose by creditors are classified as restricted.

Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

Accounts Receivable:

Accounts receivable at December 31, 2019, consist of service charges due from telephone companies. These receivables are considered to be fully collectible.

Capital Assets:

All capital assets of the District are recorded at historical cost and are reported in the government-wide financial statements. Depreciation of all exhaustible fixed assets is charged as an expense against their operations.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

The cost of normal maintenance and repairs that do not add value to the asset or materially extend its useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The District capitalizes equipment and furniture in excess of \$1,000.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets: (Continued)

The following estimated useful lives and methods are used to compute depreciation:

Buildings	30 years	Straight-Line
Leasehold improvements	15 years	Straight-Line
Furniture, fixtures, and equipment	5 - 7 years	Straight-Line
Computers	3 - 7 years	Straight-Line
Vehicles	5 years	Straight-Line

Deferred Outflows/Inflows of Resources:

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources that represents a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (expense) until then. The District has one item that qualifies for reporting in this category which is deferred amounts related to pensions.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources that represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category which is deferred amounts related to pensions.

Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Parochial Employees' Retirement System (PERS), and changes in PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-term Obligations:

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities of fund net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount, if any.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Long-term Obligations: (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Net Position Classifications:

Government-wide equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – consist of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are any significant unspent related debt proceeds, the portion of the debt attributable to the unspent amount is excluded from the calculation of net investment in capital assets.
- b. Restricted net position – consists of assets that have constraints that are externally imposed by creditors.
- c. Unrestricted net position – consist of all other net assets that do not meet the definition of “net investment in capital assets.”

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the District’s policy is to apply restricted net position first.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Governmental Fund Balances:

In the governmental fund financial statements, fund balances are classified as follows:

- a. Restricted fund balance - amounts that can be spent only for specific purposes because of constraints that are externally imposed by creditors.
- b. Committed fund balance - resources that are limited to a particular purpose specified by the governing board through formal resolution.
- c. Unassigned fund balance - all amounts included in stabilization arrangements and all amounts not included in other spendable classifications.

When an expense is incurred for purposes for which both committed and unassigned are available, the District's policy is to first apply unassigned fund balance.

Stabilization Arrangements:

The District has formally set aside amounts for use in emergency situations or to offset anticipated revenue shortfalls should they occur. A stabilization arrangement, to offset anticipated revenue shortfalls should they occur, was authorized through formal resolution of the Board and was set at 25% of total revenue, which resulted in \$1,183,782 for the year ended December 31, 2019. The Board, through formal resolution, also established a stabilization arrangement in the amount of \$1,500,000 to fund expenses in the event of a catastrophic occurrence related to costs to obtain temporary facilities and equipment. The stabilization balances in total as of December 31, 2019, were \$2,683,782 and are included in the unassigned fund balance.

2. CASH AND CASH EQUIVALENTS:

The District had cash and cash equivalents (carrying value) at December 31, 2019 totaling \$4,225,032. These deposits are stated at cost, which approximates market. Under state law, deposits (or the resulting bank balance) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. 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 in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2019, the District's bank balances were \$4,355,603 of which \$250,000 was secured by federal deposit insurance coverage. The remaining deposits were collateralized by the pledge of securities held in joint custody with the bank. Accordingly, the District was not exposed to custodial credit risk.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

3. CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2019 was as follows:

	December 31, 2018	Additions	Completed Construction	Deletions	December 31, 2019
Capital assets not being depreciated:					
Land	\$ 236,478	\$ -	-	\$ -	\$ 236,478
Construction in progress - building	7,996,277	1,079,465	(9,075,742)	-	-
Equipment	59,903	-	(59,903)	-	-
Furniture	439,738	-	(439,738)	-	-
Total capital assets not being depreciated	<u>8,732,396</u>	<u>1,079,465</u>	<u>(9,575,383)</u>	<u>-</u>	<u>236,478</u>
Capital assets being depreciated:					
Equipment and 911 system	2,223,651	37,983	59,903	(1,984,443)	337,094
Buildings	581,192	100,290	9,075,742	-	9,757,224
Vehicles	84,067	-	-	-	84,067
Furniture and fixtures	180,434	-	439,738	(178,998)	441,174
Leasehold improvements	2,052,235	-	-	(2,052,235)	-
Total capital assets being depreciated	<u>5,121,579</u>	<u>138,273</u>	<u>9,575,383</u>	<u>(4,215,676)</u>	<u>10,619,559</u>
Less accumulated depreciation:					
Equipment and 911 system	(2,090,976)	(57,699)	-	1,977,331	(171,344)
Building	(520,844)	(211,034)	-	3,163	(728,715)
Vehicles	(55,145)	(12,407)	-	2,070	(65,482)
Furniture and fixtures	(180,434)	(73,290)	-	178,999	(74,725)
Leasehold improvements	(1,627,095)	(66,782)	-	1,693,877	-
Total accumulated depreciation	<u>(4,474,494)</u>	<u>(421,212)</u>	<u>-</u>	<u>3,855,440</u>	<u>(1,040,266)</u>
Total capital assets being depreciated, net	<u>647,085</u>	<u>(282,939)</u>	<u>-</u>	<u>(360,236)</u>	<u>9,579,293</u>
Total capital assets, net	<u>\$ 9,379,481</u>	<u>\$ 796,526</u>	<u>\$ -</u>	<u>\$ (360,236)</u>	<u>\$ 9,815,771</u>

Depreciation expense incurred in the amount of \$421,212 during the year ended December 31, 2019 was charged to the public safety governmental function.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

4. DEFINED BENEFIT PENSION PLAN:

Plan Description:

Employees of the District are provided with pensions through a cost-sharing multiple-employer defined benefit plan administered by the Parochial Employees' Retirement System (PERS). PERS was established and provided for by R.S.11:1901 of the Louisiana Revised Statute (LRS) to provide provides retirement benefits to employees of taxing districts of a parish or any branch or section of a parish within the state which does not have its own retirement system and which elects to become a member of PERS. The plan issues a stand-alone financial report. The District participates in Plan A of PERS.

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 thirty (30) years of service.
2. Age 62 with ten (10) years of service.
3. Age 67 with seven (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 3% of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits:

Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides 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.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

4. DEFINED BENEFIT PENSION PLAN: (Continued)

Plan Description: (Continued)

Deferred Retirement Option Plan:

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the retirement system. DROP is an option for any member who is eligible for normal retirement.

In lieu of terminating employment and accepting a service retirement, any member of Plan A 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.

Disability Benefits:

For Plan A, a member shall be eligible to retire and receive a disability benefit if he 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 A shall be paid a disability benefit equal to the lesser of an amount equal to 3% of the member's final average compensation multiplied by his years of service, not to be less than 15, or 3% multiplied by years of service assuming continued service to age 60.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

4. DEFINED BENEFIT PENSION PLAN: (Continued)

Plan Description: (Continued)

Cost-of-Living Increases:

The pension plan is authorized to provide a cost-of-living allowance for members 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 pension plan may provide an additional cost of living increase to all retirees and beneficiaries who are over age 65 equal to 2% of the member's benefit paid on October 1, 1977 (or the member's retirement date, if later). Also, the pension plan may provide a cost-of-living increase up to 2.5% for retirees 62 and older. Lastly, the pension plan provides for further reduced actuarial payments to provide an annual 2.5% cost-of-living adjustment commencing at age 55.

Contributions:

Members are required by state statute to contribute 9.50% of their annual covered payroll and the District is required to make employer contributions based on an actuarially determined rate. The employer contribution rate for the fiscal year ended December 31, 2019 was 11.50% of annual covered payroll. The District's contribution to the PERS for the year ended December 31, 2019 was \$42,400, which was recorded as a deferred outflow related to pensions.

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

As of December 31, 2019, the District reported a liability of \$213,294 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 by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the measurement period December 31, 2018, the District's proportion was 0.05%.

For the year ended December 31, 2019, the District recognized pension expense of \$83,253. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

4. DEFINED BENEFIT PENSION PLAN: (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions: (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 12,994
Net difference between projected and actual earnings		
on pension plan investments	102,105	-
Changes of assumptions	53,331	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,963	1,856
Employer contributions subsequent to the measurement date	42,400	-
Total	\$ 199,799	\$ 14,850

Deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of \$42,400 will be recognized as a reduction of the net pension liability during the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions of \$142,549 will be recognized as pension expense as follows:

Year	Amount
2019	\$ 48,737
2020	26,483
2021	22,194
2022	45,135
Total	\$ 142,549

Actuarial Assumptions:

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

4. DEFINED BENEFIT PENSION PLAN: (Continued)

Actuarial Assumptions: (Continued)

Inflation	2.40%
Salary Increases	4.75%, including inflation
Mortality Rates	Pub-2010 Public Retirement Plans Mortality Tables for employees Pub-2010 Mortality Table for Healthy Retirees for annuitants and beneficiaries Pub-2010 Mortality Table for General Disabled Retirees for disabled annuitants
Investment Rate of Return	6.50%, net of investment expense
Cost-of-Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the pension plan and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the pension plan.

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 assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. The 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. Mortality for annuitants and beneficiaries was set equal to the 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 equal to the 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.

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

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

4. DEFINED BENEFIT PENSION PLAN: (Continued)

Actuarial Assumptions: (Continued)

2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return was 7.43% for the year ended December 31, 2018. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	35%	1.22%
Equity	52%	3.45%
Alternatives	11%	0.65%
Real Estate	2%	0.11%
	<u>100%</u>	<u>5.43%</u>
Inflation		<u>2.00%</u>
Expected Arithmetic Nominal Return		<u>7.43%</u>

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the pension plan. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the District's proportionate share of the net pension liability the discount rate of 6.50%, as well as what the employer's proportionate share of the net pension liability or net pension asset 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:

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

4. DEFINED BENEFIT PENSION PLAN: (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: (Continued)

	1.0% Decrease 5.50%	Current Discount Rate 6.50%	1.0% Increase 7.50%
District's proportionate share of the net pension liability (asset)	\$ 452,980	\$ 213,294	\$ 12,938

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued Parochial Employees' Retirement System Financial Report at www.persla.org or on the Office of the Louisiana Legislative Auditor's website at www.la.state.la.us.

Support of Non-Employer Contributing Entities:

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The District recognizes revenue in an amount equal to their proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended December 31, 2019, the District recognized revenue as a result of support received from non-employer contributing entities of \$3,672 for its participation in PERS.

Payables to the Pension Plan:

As of December 31, 2019, the District had no outstanding amount of contributions due to the pension plan for the year ended December 31, 2019.

5. COMMITMENTS:

In 2004, the District entered into an inter-governmental agreement with the St. Tammany Parish Council, whereby the District leases a portion of a Parish building beginning May 1, 2004 for a period of four years with the option to renew for 10 additional four-year periods. On May 1, 2016, the District renewed the building lease for one year until May 1, 2017. Effective May 1, 2017, the lease was converted to a month-to-month lease. The agreement requires the District to pay for the operating costs of the building. The lease was terminated in 2019 when the new facility became operational. In 2019, the total rent expense paid to the St. Tammany Parish Council was \$38,077.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

5. COMMITMENTS: (Continued)

On March 1, 2019, the District renewed an inter-governmental agreement with St. Tammany Parish Fire Protection District No. 12 (Fire District 12), whereby the District would pay Fire District 12 an annual sum of \$315,000 for providing dispatchers to respond to E-911 calls reporting a fire or the need for emergency medical assistance. The term of the agreement is five years from the date of execution with an automatic renewal unless there is an objection from either party. The future minimum payments as of December 31, 2019 are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 315,000
2021	315,000
2022	315,000
2023	315,000
Total	<u>\$ 1,260,000</u>

In 2019 the District entered into an inter-governmental agreement with St. Tammany Parish Sheriff’s Office, whereby the District would pay an amount to help offset the St. Tammany Parish Sheriff’s Office 911 call taker expense in addition to the 911 call taker expense for the City of Covington, and the City of Mandeville. The term of the agreement is one year. The District evaluates the agreements annually to determine if a fee increase is necessary.

In 2019, the District entered into an inter-governmental agreement with the City of Slidell, whereby the District would pay an amount to help offset the City of Slidell’s 911 call taker expense in addition to the 911 call taker expense for the Pearl River Police Department. The term of the agreement is five years. The future minimum payments required as a result of these agreement as of December 31, 2019 are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 19,951
2021	20,478
2022	21,020
2023	21,579
2024-2025	37,318
Total	<u>\$ 120,346</u>

In 2019, the District’s call taker expense totaled \$928,362.

On September 15, 2015, the District entered into an agreement with a tower operator to install, operate, and maintain equipment on a tower located in Lacombe, Louisiana. The

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

5. COMMITMENTS: (Continued)

agreement calls for monthly payments of \$1,500 for the use of the space with a 3% annual increase on the basic payment on the anniversary date of the agreement. The term of the lease is for a period of 10 years from the commencement date of the agreement with four renewal periods of five years each. In 2019, the District incurred an expense of \$21,237 related to this agreement. The future minimum payments required as of December 31, 2019 are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 19,951
2021	20,478
2022	21,020
2023	21,579
2024-2025	37,318
Total	<u>\$ 120,346</u>

On May 31, 2017, the District entered into an inter-governmental agreement with the St. Tammany Parish Sheriff's Office, whereby the District will fund a portion of the new parish wide radio communication system. The agreement calls for twelve annual payments of \$750,000 to the St. Tammany Parish Sheriff's Office beginning on July 1, 2017. In 2019, the District incurred expenses of \$750,000 related to this agreement. The future minimum payments as of December 31, 2019 are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 750,000
2021	750,000
2022	750,000
2023	750,000
2024-2028	3,750,000
Total	<u>\$6,750,000</u>

On September 9, 2019, the District entered into an agreement with a national carrier to provide hardware, software, licenses and maintenance on a new Viper911 system. The term of the agreement is for 5 years with an upfront payment of \$600,000 followed by monthly payments of \$17,934 beginning on October 1, 2019. In 2019, the District incurred expenses of \$653,801 related to this agreement.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

5. COMMITMENTS: (Continued)

The future minimum payments required as of December 31, 2019 are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 215,204
2021	215,204
2022	215,204
2023	215,204
2024	161,404
Total	<u>\$1,022,220</u>

6. LONG-TERM DEBT:

During the year ended December 31, 2016, the District issued Certificates of Indebtedness, Series 2016 in the amount of \$6,500,000 for the purpose of building a facility for the operations of the District. Interest on the certificates bear an annual interest rate of 2.70% and mature over a period of 20 years with a final maturity date of January 1, 2036.

The following is a summary of the long-term debt obligation transactions for the year ended December 31, 2019:

	<u>Balance</u> <u>2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>2019</u>	<u>Within</u> <u>One Year</u>
Certificates of Indebtedness	<u>\$ 5,725,000</u>	<u>\$ -</u>	<u>\$(270,000)</u>	<u>\$ 5,455,000</u>	<u>\$ -</u>

During the year ended December 31, 2019, the District incurred interest expense on the certificates in the amount of \$154,575.

The annual debt service requirements of the certificates to maturity as of December 31, 2019 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 73,643	\$ 73,643
2021	275,000	143,573	418,573
2022	285,000	136,013	421,013
2023	295,000	128,183	423,183
2024	300,000	120,150	420,150
2025-2029	1,630,000	472,905	2,102,905
2030-2034	1,850,000	238,275	2,088,275
2035-2036	820,000	22,273	842,273
Total	<u>\$ 5,455,000</u>	<u>\$ 1,335,015</u>	<u>\$ 6,790,015</u>

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. RISK MANAGEMENT:

The District 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. During the year ended December 31, 2019, the District carried insurance through various commercial carriers to cover all risks of loss.

8. BOARD COMPENSATION:

Members of the Board were not paid per diem for attending board meetings for the year ended December 31, 2019.

9. SUBSEQUENT EVENTS:

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could possibly impact the District. Management has evaluated these events and the financial impact and duration cannot be reasonably estimated at this time.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
REVENUES:				
Line income:				
Cellular line	\$ 2,845,000	\$2,950,000	\$ 3,072,641	\$ 122,641
Land line	1,070,000	1,019,000	982,316	(36,684)
Prepaid cellular	625,000	580,000	575,932	(4,068)
Voice over IP	14,500	12,000	11,148	(852)
Interest income	75,000	80,000	79,554	(446)
Miscellaneous revenue	-	-	9,863	9,863
	<u>4,629,500</u>	<u>4,641,000</u>	<u>4,731,454</u>	<u>90,454</u>
EXPENDITURES:				
Public safety:				
911 System	3,230,212	3,449,771	3,157,753	292,018
Personnel	512,200	495,872	491,124	4,748
General government	153,800	133,759	243,505	(109,746)
Capital outlay	50,000	1,212,033	1,217,737	(5,704)
Debt service:				
Principal retirement	265,000	265,000	270,000	(5,000)
Interest charges	158,153	158,153	154,575	3,578
	<u>4,369,365</u>	<u>5,714,588</u>	<u>5,534,694</u>	<u>179,894</u>
Net change in fund balance	260,135	(1,073,588)	(803,240)	270,348
Fund balance, beginning of year	<u>5,086,799</u>	<u>5,086,799</u>	<u>5,806,799</u>	<u>720,000</u>
Fund balance, end of year	<u>\$ 5,346,934</u>	<u>\$4,013,211</u>	<u>\$ 5,003,559</u>	<u>\$ 990,348</u>

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY (ASSET)
FOR THE FIVE YEARS ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.05%	0.05%	0.05%	0.05%	0.06%
District's proportionate share of the net pension liability (asset)	\$ 213,294	\$ (36,723)	\$ 112,351	\$ 143,518	\$ 15,893
District's covered payroll	\$ 307,786	\$ 305,695	\$ 323,526	\$ 311,806	\$313,964
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	69.30%	(12.01)%	34.73%	46.03%	5.06%
Plan fiduciary net position as a percentage of the total pension liability	88.86%	101.98%	94.15%	92.23%	99.00%

This schedule is intended to show information for 10 years. Additional years will be presented as they become available.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE FIVE YEARS ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 42,089	\$ 35,531	\$ 38,530	\$ 41,634	\$ 46,244
Contributions in relation to the statutorily required contribution	<u>42,400</u>	<u>35,748</u>	<u>37,774</u>	<u>42,058</u>	<u>47,364</u>
Contribution deficiency (excess)	<u>\$ (311)</u>	<u>\$ (217)</u>	<u>\$ 756</u>	<u>\$ (424)</u>	<u>\$ (1,120)</u>
District's covered payroll	\$ 365,992	\$ 307,786	\$305,695	\$323,526	\$311,806
Contributions as a percentage of covered payroll	11.58%	11.61%	12.36%	13.00%	15.19%

This schedule is intended to show information for 10 years. Additional years will be presented as they become available.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE THREE YEARS ENDED DECEMBER 31, 2019

1. CHANGES OF BENEFIT TERMS:

There were no changes of benefit terms during any of the years presented.

2. CHANGES OF ASSUMPTIONS:

During the measurement period ended December 31, 2018, the discount rate was reduced by 0.25% to 6.50%. Also, during the measurement period ended December 31, 2018, the inflation rate was reduced by 0.10% to 2.40% and the projected salary increase assumption was reduced by 0.50% to 4.75%. During the measurement period ended December 31, 2017, the discount rate was reduced by 0.25% to 6.75%. During the measurement period ended December 31, 2015, the discount rate was reduced by 0.25% to 7.00%. Also, during the measurement period ended December 31, 2015, the inflation and projected salary increase assumptions were reduced by 0.50% to 2.50% and 5.25%, respectively. There were no changes of assumptions for any of the other years presented.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2019

Agency Head: Rodney Hart, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 99,818
Benefits - insurance	21,293
Benefits - retirement	12,228
Benefits - cell phone	657
Car allowance	<u>740</u>
Total	<u>\$ 134,736</u>



Duplantier Hrapmann Hogan & Maher, LLP

A.J. Duplantier, Jr., CPA
(1919-1985)

Felix J. Hrapmann, Jr., CPA
(1919-1990)

William R. Hogan, Jr., CPA
(1920-1996)

James Maher, Jr., CPA
(1921-1999)

Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Robynn P. Beck, CPA
John P. Butler, CPA
Jason C. Montegut, CPA
Paul M. Novak, CPA, AVB, CVA
Wesley D. Wade, CPA

Michael J. O' Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA
William G. Stamm, CPA

New Orleans
1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore
1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma
247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville
5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

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*

August 25, 2020

To the Board of Commissioners
St. Tammany Parish Communication District No. 1
Covington, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the major fund of St. Tammany Parish Communication District No. 1, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise St. Tammany Parish Communication District No. 1's basic financial statements, and have issued our report thereon dated August 25, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Tammany Parish Communication District No. 1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. Tammany Parish Communication District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of St. Tammany Parish Communication District No. 1's internal control.

www.dhmcpa.com

Members
American Institute of
Certified Public Accountants
Society of LA CPAs

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. We did identify a certain deficiency in internal control, described in the accompany schedule of findings as item, 20-01 we consider to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Tammany Parish Communication District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. An immaterial instance of noncompliance was reported to management in a separate letter.

Purpose of this Report

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

Duplantier, Sharpness, Hogan and Parker, LLP
New Orleans, Louisiana

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

SUMMARY OF AUDITOR'S RESULTS:

1. Findings Required to be Reported Under Generally Accepted Government Auditing Standards:

Internal Controls – Significant deficiency

20-01 Cash

During the audit we discovered the District's operating cash reconciliation did not reconcile with the general ledger throughout the year. Many checks were post-dated and there were many missing check numbers. This could have resulted in the inaccurate cash reconciliations. The operating cash bank balance should be reconciled with the general ledger each month and reviewed by someone other than the preparer. Not reconciling each month could result in inaccurate reporting of transactions in the financial statement and theft. We recommend the operating cash bank statement be reconciled with the general ledger on a monthly basis. In addition we recommend checks not be post-dated and the bank reconciliation be reviewed by someone other than the preparer.

Compliance with Laws and Regulations – None noted

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

SCHEDULE OF PRIOR YEAR FINDINGS

Prior Year Audit Findings – None noted

ST. TAMMANY PARISH COMMUNICATION
DISTRICT NO. 1

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

DECEMBER 31, 2019



Duplantier Hrapmann Hogan & Maher, LLP

A.J. Duplantier, Jr., CPA
(1919-1985)

Felix J. Hrapmann, Jr., CPA
(1919-1990)

William R. Hogan, Jr., CPA
(1920-1996)

James Maher, Jr., CPA
(1921-1999)

Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Robynn P. Beck, CPA
John P. Butler, CPA
Jason C. Montegut, CPA
Paul M. Novak, CPA, AVB, CVA
Wesley D. Wade, CPA

Michael J. O' Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA
William G. Stamm, CPA

New Orleans
1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore
1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma
247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville
5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 17, 2020

Board of Commissioners
St. Tammany Parish Communication District No. 1 and
Louisiana Legislative Auditor

We have applied the procedures enumerated below which were agreed to by management of St. Tammany Parish Communication District No. 1 (the District) and the Legislative Auditor, on the control and compliance areas identified in the Louisiana Legislative Auditor's required agreed-upon procedures for the year ended December 31, 2019. Management of the District is responsible for the control and compliance areas identified in the required agreed-upon procedures.

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 parties. Consequently, we make no representation regarding the sufficiency of these procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings are as follows:

Written Policies and Procedures (follow-up)

- 1) Obtained and inspect the entity's written policies and procedures over ethics and observe that they address a system to monitor possible ethics violations.

No findings were noted as a result of applying the procedure above.

www.dhmcpa.com

Members
American Institute of
Certified Public Accountants
Society of LA CPAs

Contracts

- 2) Obtained 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 10 contracts (or all contracts if less than 10) 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, or the Procurement Code, if adopted.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law.
 - 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.

No findings were noted as a result of applying the procedure above.

Capital Assets

- 3) Obtain and inspect the entity's written policies and procedures over capital assets and observe that they address the process for tagging assets, performing an annual inventory, and disposing of assets.

No findings were noted as a result of applying the procedure above.

- 4) Obtain documentation from management for the most recent capital asset inventory count in which all assets were inventoried. Observe that the inventory count was performed no more than one year ago.

Upon applying the procedures above, we noted that the District did not perform a capital asset inventory count no more than one year ago.

Management's Response: Effective immediately, the District will implement an annual inventory policy of all equipment along with asset tagging of all property.

- 5) Obtain a listing of capital assets and obtain management's representation that the listing is complete. Randomly select 25 assets from the listing, physically locate each asset, and observe that each asset is tagged and agrees to the information on the listing as to the location, description, manufacturer, model, and serial number.

Upon applying the procedures above, we noted that there was an asset that was disposed, but still included on the asset listing. Also, all the capital assets selected for testing were not tagged.

Management's Response: Effective immediately, the District will implement an annual inventory policy of all equipment along with asset tagging of all property.

- 6) Select 10 capital assets in two physical locations (if entity has at least two physical locations) that meet the asset capitalization threshold (e.g., vehicles, office furniture, lawn mowers). Observe that each asset is tagged and trace to the listing from #3 above. Observe that each asset is included on the listing and agree the information on the listing to the location, description, manufacturer, model, and serial number of the asset.

Upon applying the procedures above, we noted all of the assets selected for testing that should have been tagged were not tagged.

Management's Response: Effective immediately, the District will implement an annual inventory policy of all equipment along with asset tagging of all property.

Information Technology Disaster Recovery/Business Continuity

- 7) Obtain and inspect the entity's written policies and procedures over information technology disaster recovery/business continuity (or the equivalent contractual terms if IT services are outsourced) and observe that they address (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.

No findings were noted as a result of applying the procedure above.

- 8) We performed the following procedure and discussed the results with management:
 - a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

- b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
- c) Obtain a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have active antivirus software and that the antivirus, operating system, and accounting system software are the most recent versions available (i.e. up-to-date).

No findings were noted as a result of applying the procedures above.

Sexual Harassment

- 9) Obtain and inspect the entity's written sexual harassment policies and procedures and observe that they address all requirements of Louisiana Revised Statutes (R.S.) 42:342-344, including agency responsibilities and prohibitions; annual employee training; and annual reporting requirements.

Upon applying the procedures above we noted that the District's sexual harassment policies and procedures did not include procedures relating to annual reporting requirements.

Management's Response: *Effective immediately the District will update the sexual harassment policy to include the annual reporting requirements as defined by State statutes.*

- 10) Obtain a listing of employees/elected officials/board members employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/elected officials/board members, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/elected official/board member completed at least one hour of sexual harassment training during the calendar year.

No findings were noted as a result of applying the procedure above.

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

Upon applying the procedures above, we noted that the District's did not post its sexual harassment policy and complaint procedure on its website.

August 17, 2020

Management's Response: *The sexual harassment policy and complaint procedure will be posted in a conspicuous location on the District's premises.*

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

No findings were noted as a result of applying the procedures above.

We were not engaged to perform, and did not conduct an audit, the objective of which would be the expression of an opinion on the control and compliance areas identified in the required agreed-upon procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of St. Tammany Parish Communication District No. 1 and the Legislative Auditor is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Sharpner, Hogan and Oakes, LLP

New Orleans, Louisiana