

R E P O R T

ST. TAMMANY PARISH
COMMUNICATION DISTRICT NO. 1

DECEMBER 31, 2018

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1

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INDEPENDENT AUDITOR'S REPORT

May 13, 2019

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

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the report index.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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.

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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, 2018, 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 May 13, 2019 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, Hrapmann, Hogan & Maher, 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, 2018

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, 2018. 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, 2018, by \$9,489,616. The District's net position increased by \$1,072,663 or 12.74% from the prior year.
- The District's revenue decreased by \$9,268 or 0.20%, while expenses decreased by \$24,293 or 0.66% for the year ended December 31, 2018. The decrease in revenues is primarily due to a decrease in miscellaneous revenue. The decrease in expenses was primarily due to a decrease in inter-governmental payments for the radio system.
- The District continued construction on the building project to house the 911 operations. Costs incurred relating to the project totaled \$5,902,006 for the year ended December 31, 2018.

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, 2018

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, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current and other assets	\$ 5,867,612	\$ 11,092,972	\$ (5,225,360)
Capital assets	9,379,481	3,760,173	5,619,308
Total assets	15,247,093	14,853,145	393,948
Deferred outflows of resources	82,710	147,570	(64,860)

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Condensed Statements of Net Position
As of December 31, 2018 and 2017 (Continued)

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Current liabilities	\$ 4,590	\$ 461,440	\$ (456,850)
Long-term liabilities	5,725,000	6,102,351	(377,351)
Total liabilities	<u>5,729,590</u>	<u>6,563,791</u>	<u>(834,201)</u>
Deferred inflows of resources	<u>110,597</u>	<u>19,971</u>	<u>90,626</u>
Net position:			
Net investment in capital assets	1,115,725	929,783	185,942
Restricted	-	3,815,372	(3,815,372)
Unrestricted	<u>8,373,891</u>	<u>3,671,798</u>	<u>4,702,093</u>
Total net position	<u>\$ 9,489,616</u>	<u>\$ 8,416,953</u>	<u>\$ 1,072,663</u>

Current and other assets decreased by \$5,225,360 from the prior year. The decrease in current and other assets was primarily due to cash used for the construction of the new facility.

Capital assets increased by \$5,619,308 from the prior year. The increase in capital assets was primarily attributable to costs incurred for the construction of the new facility.

Current liabilities decreased by \$456,850 from the prior year. The decrease in current liabilities was primarily due to an accrual related to the construction of the new facility in the prior year.

Long-term liabilities decreased by \$377,351 from the prior year. The decrease in long-term liabilities was primarily attributable to the bond principal payment made in the current year and a decrease in net pension liability.

The District's net position increased \$1,072,663 from the prior year. The increase in the net position was primarily attributable to continued improvement in the results of operations in the current year.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018 and 2017</u>			
	<u>2018</u>	<u>2017</u>	<u>Change</u>
General revenues:			
Fees	\$ 4,608,599	\$ 4,602,171	\$ 6,428
Miscellaneous	9,406	28,035	(18,629)
Contributions	3,678	4,280	(602)
Interest income	102,506	98,971	3,535
Total revenues	<u>4,724,189</u>	<u>4,733,457</u>	<u>(9,268)</u>
Expenses:			
Public safety	3,489,796	3,507,204	(17,408)
Interest on long-term debt	161,730	168,615	(6,885)
Total expenses	<u>3,651,526</u>	<u>3,675,819</u>	<u>(24,293)</u>
Change in net position	1,072,663	1,057,638	15,025
Total net position, beginning of year	<u>8,416,953</u>	<u>7,359,315</u>	<u>1,057,638</u>
Total net position, end of year	<u>\$ 9,489,616</u>	<u>\$ 8,416,953</u>	<u>\$ 1,072,663</u>

The District's net position increased by \$1,072,663 or 12.74% from the previous year. This increase is primarily attributable to continued positive results from operations.

BUDGETARY HIGHLIGHTS

Budgetary information, presented on page 33, 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 \$30,211 and actual expenditures on budget basis were less than amended budgeted expenditures by \$530,407. The favorable budget variance was primarily due to actual capital outlay expenditures for construction of the new building being less than what was budgeted.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018, the District had investments in capital assets (net of accumulated depreciation) totaling \$9,379,481, which was an increase of \$5,619,308 from the prior year. The increase was primarily due to asset additions of \$5,910,936, which was offset by depreciation expense of \$291,628 in the current year.

LONG-TERM LIABILITIES

As of December 31, 2018, the District has \$5,725,000 in long-term liabilities, a decrease of \$377,351 from the prior year. The decrease is attributable to payments on the certificates of indebtedness during the current year of \$265,000. The District's proportionate share of the net pension liability related to its participation in the Parochial Employees' Retirement System also decreased by \$112,351 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 2018. 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 the Executive Director, 28911 Krentel Rd, Lacombe, LA 70445.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	<u>Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 5,097,414
Receivables	713,975
Capital assets not being depreciated	8,732,396
Capital assets, net of accumulated depreciation	647,085
Net pension asset	36,723
Intangible asset	<u>19,500</u>
Total assets	<u>15,247,093</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows of resources related to pensions	<u>82,710</u>
LIABILITIES:	
Payroll liabilities	<u>4,590</u>
Long-term liabilities:	
Due in one year	-
Due in more than one year:	<u>5,725,000</u>
Certificates of indebtedness	<u>5,725,000</u>
Total liabilities	<u>5,729,590</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows of resources related to pensions	<u>110,597</u>
NET POSITION:	
Net investment in capital assets	1,115,725
Unrestricted	<u>8,373,891</u>
TOTAL NET POSITION	<u>\$ 9,489,616</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, 2018

	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
GOVERNMENTAL ACTIVITIES:			
Public safety	\$ 3,489,796	\$ 3,678	\$ (3,486,118)
Interest on long-term debt	<u>161,730</u>	<u>-</u>	<u>(161,730)</u>
 Total expenses	 <u>\$ 3,651,526</u>	 <u>\$ 3,678</u>	 <u>(3,647,848)</u>
 GENERAL REVENUES:			
Fees:			
Cellular line			2,932,816
Land line			1,055,385
Prepaid cellular			604,033
Voice over IP			16,365
Miscellaneous revenue			9,406
Interest income			<u>102,506</u>
 Total general revenues			 <u>4,720,511</u>
 Change in net position			 1,072,663
 Net position, beginning of year			 <u>8,416,953</u>
 NET POSITION, END OF YEAR			 \$ <u>9,489,616</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, 2018

	<u>General Fund</u>
ASSETS:	
Cash and cash equivalents	\$ 5,097,414
Receivables	<u>713,975</u>
TOTAL ASSETS	\$ <u><u>5,811,389</u></u>
LIABILITIES:	
Payroll liabilities	\$ <u>4,590</u>
Total liabilities	<u>4,590</u>
FUND BALANCE:	
Committed for:	
Radio system	375,000
Equipment replacement	600,000
New facility equipment	1,690,358
Unassigned	<u>3,141,441</u>
Total fund balance	<u>5,806,799</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u><u>5,811,389</u></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, 2018

Total Fund Balance	\$	5,806,799
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.		9,379,481
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.		82,710
Deferred inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the governmental fund.		(110,597)
Net pension asset is not due in the current period and, therefore, is not reported in the governmental fund.		36,723
Bonds payable are not due and payable in the current period and, therefore, are not reported in the governmental fund.		<u>(5,725,000)</u>
Net Position of Governmental Activities	\$	<u><u>9,489,616</u></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, 2018

	<u>General Fund</u>
REVENUES:	
Fees:	
Cellular line	\$ 2,932,816
Land line	1,055,385
Prepaid cellular	604,033
Voice over IP	16,365
Interest income	102,506
Miscellaneous revenue	<u>9,406</u>
Total revenues	<u>4,720,511</u>
EXPENDITURES:	
Public safety:	
911 System	2,599,679
Personnel	424,033
General government	164,366
Capital outlay	5,910,936
Debt service:	
Principal retirement	265,000
Interest charges	<u>161,730</u>
Total expenditures	<u>9,525,744</u>
Net change in fund balance	(4,805,233)
Fund balance, beginning of year	<u>10,612,032</u>
Fund balance, end of year	<u>\$ 5,806,799</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, 2018

Net Change in Fund Balance - Governmental Fund \$ (4,805,233)

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	\$ 5,910,936	
Depreciation expense	<u>(291,628)</u>	5,619,308

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		265,000
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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.

(10,090)

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.

3,678

Change in Net Position of Governmental Activities		\$ <u><u>1,072,663</u></u>
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The accompanying notes are an integral part of these financial statements.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018

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, 2018

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 measureable 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 measureable at the month of collection. Accordingly, service charges incurred in December 2018 and remitted in 2018 have been reported as a receivable.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018, consisted 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 \$500.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 pension, 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, 2018

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 two 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, 2018

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 \$1,180,128, for the year ended December 31, 2018. 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, 2018, were \$2,680,128 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, 2018 totaling \$5,097,414. 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, 2018, the District's bank balances were \$5,202,837 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, 2018

3. CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2018 was as follows:

	December 31, 2017	Additions	Deletions	December 31, 2018
Capital assets not being depreciated:				
Land	\$ 236,477	\$ -	\$ -	\$ 236,477
Construction in progress	2,593,913	5,402,364	-	7,996,277
Equipment	-	425,809	-	425,809
Furniture	-	73,833	-	73,833
Total capital assets not being depreciated	<u>2,830,390</u>	<u>5,902,006</u>	<u>-</u>	<u>8,732,396</u>
Capital assets being depreciated:				
Equipment and 911 system	2,214,721	8,930	-	2,223,651
Building	581,192	-	-	581,192
Vehicles	109,460	-	(25,393)	84,067
Furniture and fixtures	180,434	-	-	180,434
Leasehold improvements	2,052,235	-	-	2,052,235
Total capital assets being depreciated	<u>5,138,042</u>	<u>8,930</u>	<u>(25,393)</u>	<u>5,121,579</u>
Less accumulated depreciation:				
Equipment and 911 system	(1,992,136)	(98,840)	-	(2,090,976)
Building	(498,357)	(22,487)	-	(520,844)
Vehicles	(66,063)	(14,475)	25,393	(55,145)
Furniture and fixtures	(180,434)	-	-	(180,434)
Leasehold improvements	(1,471,269)	(155,826)	-	(1,627,095)
Total accumulated depreciation	<u>(4,208,259)</u>	<u>(291,628)</u>	<u>25,393</u>	<u>(4,474,494)</u>
Total capital assets being depreciated, net	<u>929,783</u>	<u>(282,698)</u>	<u>-</u>	<u>647,085</u>
Total capital assets, net	<u>\$ 3,760,173</u>	<u>\$ 5,619,308</u>	<u>\$ -</u>	<u>\$ 9,379,481</u>

Depreciation expense incurred in the amount of \$291,628 during the year ended December 31, 2018 was charged to the public safety governmental function.

The District owns a 2.29 acre parcel of land which is held for the purpose of building a facility for its operations. The purchase price of the land and construction in progress on the facility incurred through the fiscal year ended December 31, 2018 was \$236,477 and \$7,996,277, respectively.

The District also purchased equipment and furniture for the new building in the amount of \$499,462. This equipment and furniture was not placed in service as of December 31, 2018.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018

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, 2018

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, 2018 was 11.50% of annual covered payroll. The District's contribution to the PERS for the year ended December 31, 2018 was \$35,748, which was recorded as a deferred outflow related to pensions.

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

As of December 31, 2018, the District reported a liability (asset) of \$(36,723) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017 and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability (asset) 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, 2017, the District's proportion was 0.05%.

For the year ended December 31, 2018, the District recognized pension expense of \$45,838. At December 31, 2018, 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, 2018

4. DEFINED BENEFIT PENSION PLAN: (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 23,772
Net difference between projected and actual earnings on pension plan investments	-	84,842
Changes of assumptions	46,350	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	612	1,983
Employer contributions subsequent to the measurement date	<u>35,748</u>	<u>-</u>
Total	<u>\$ 82,710</u>	<u>\$ 110,597</u>

Deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date of \$35,748 will be recognized as a reduction of the net pension liability (asset) during the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions of \$(60,635) will be recognized as pension expense (benefit) as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 5,437
2020	(6,278)
2021	(29,192)
2022	<u>(33,602)</u>
Total	<u>\$ (63,635)</u>

Actuarial Assumptions:

The total pension liability (asset) in the December 31, 2017 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, 2018

4. DEFINED BENEFIT PENSION PLAN: (Continued)

Actuarial Assumptions: (Continued)

Inflation	2.50%
Salary Increases	5.25%, including inflation
Mortality Rates	RP-2000 Employees Sex Distinct Tables for employees RP-2000 Healthy Annuitant Sex Distinct Tables for annuitants and beneficiaries RP-2000 Disabled Lives Mortality Table for disabled annuitants
Investment Rate of Return	6.75%, 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, 2010 through December 31, 2014. 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 RP-2000 Healthy Annuitant Mortality Sex Distinct Tables (set forward two years for males and set forward one year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disabled annuitants, the RP-2000 Disabled Lives Mortality Table set back five years for males and three years for females was selected. For active employees, the RP-2000 Employee Sex Distinct Tables set back four years for males and three years for females was used.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward-looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return was 7.62% for the year ended December 31, 2017.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

4. DEFINED BENEFIT PENSION PLAN: (Continued)

Actuarial Assumptions: (Continued)

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, 2017 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Fixed Income	35%	1.24%
Equity	52	3.57
Alternatives	11	0.69
Real Estate	2	0.12
	<u>100%</u>	<u>5.62</u>
Inflation		2.00
Expected Arithmetic Nominal Return		<u>7.62%</u>

The discount rate used to measure the total pension liability (asset) was 6.75%. 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 (asset).

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

The following presents the District's proportionate share of the net pension liability or net pension asset using the discount rate of 6.75%, 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, 5.75%, or one percentage-point higher, 7.75%, than the current rate:

	1.0% Decrease 5.75%	Current Discount Rate 6.75%	1.0% Increase 7.75%
District's proportionate share of the net pension liability (asset)	<u>\$ 181,060</u>	<u>\$ (36,723)</u>	<u>\$ (230,645)</u>

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

4. DEFINED BENEFIT PENSION PLAN: (Continued)

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, 2018, the District recognized revenue as a result of support received from non-employer contributing entities of \$3,678 for its participation in PERS.

Payables to the Pension Plan:

As of December 31, 2018, the District had no outstanding amount of contributions due to the pension plan for the year ended December 31, 2018.

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 not renewed and lease term is month-to-month. The agreement also calls for the District to pay for the monthly operating costs of the building. In 2018, the total rent expense paid to the St. Tammany Parish Council was \$152,309.

On May 21, 2007, the District entered into 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 \$300,000 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. On December 31, 2009, an addendum to the aforementioned agreement was made and entered into by both parties to increase the fee payable by the District by 5% making the annual sum \$315,000. In 2018, the District paid Fire District 12, \$315,000 under the agreement.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

5. COMMITMENTS: (Continued)

In 2013, the District entered into inter-governmental agreements with the St. Tammany Parish Sheriff, City of Covington, City of Mandeville, City of Slidell, and Town of Pearl River, whereby the District would pay an amount to help offset their 911 call taker expense. The term of each agreement was five years from the date of execution. The agreements expired during 2018 and the services continued to be paid on a month-to-month basis for the remainder of 2018 at the previous rates. The District evaluates the agreements annually to determine if a fee increase is necessary. In 2018, 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 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 2018, the District incurred an expense of \$19,074 related to this agreement. The future minimum payments required as a result of this agreement as of December 31, 2018 are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 19,444
2020	19,956
2021	20,482
2022	21,025
2023	21,584
2024 - 2025	<u>37,327</u>
Total	<u>\$ 139,818</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 2018, the District incurred expenses of \$750,000 related to this agreement.

The future minimum payments required as a result of this agreement as of December 31, 2018 are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 750,000
2020	750,000
2021	750,000
2022	750,000
2023	750,000
2024 - 2028	<u>3,750,000</u>
Total	<u>\$ 7,500,000</u>

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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. The amount received as a result of the issuance was \$6,500,000. Interest on the certificates bear an annual interest rate of 2.7% 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, 2018:

	<u>Balance</u> <u>2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>2018</u>	<u>Within</u> <u>One Year</u>
Certificates of Indebtedness	<u>\$ 5,990,000</u>	<u>\$ -</u>	<u>\$ (265,000)</u>	<u>\$ 5,725,000</u>	<u>\$ -</u>

During the year ended December 31, 2018, the District incurred interest expense on the certificates in the amount of \$161,730.

The annual debt service requirements of the certificates to maturity as of December 31, 2018 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 77,288	\$ 77,288
2020	270,000	150,930	420,930
2021	275,000	143,573	418,573
2022	285,000	136,013	421,013
2023	295,000	128,183	423,183
2024-2028	1,250,000	516,308	1,766,308
2029-2033	1,760,000	287,618	2,047,618
2034-2036	1,590,000	49,680	1,639,680
Total	<u>\$ 5,725,000</u>	<u>\$ 1,489,593</u>	<u>\$ 7,214,593</u>

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, 2018, the District carried insurance through various commercial carriers to cover all risks of loss. The District has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. BOARD COMPENSATION:

Members of the Board were not paid per diem for attending board meetings for the year ended December 31, 2018.

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, 2018

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
REVENUES:				
Line income:				
Cellular line	\$ 2,943,499	\$ 2,845,000	\$ 2,932,816	\$ 87,816
Land line	1,060,631	1,085,000	1,055,385	(29,615)
Prepaid cellular	692,619	625,000	604,033	(20,967)
Voice over IP	24,000	16,000	16,365	365
Interest income	55,000	105,000	102,506	(2,494)
Miscellaneous revenue	-	14,300	9,406	(4,894)
	<u>4,775,749</u>	<u>4,690,300</u>	<u>4,720,511</u>	<u>30,211</u>
EXPENDITURES:				
Public safety:				
911 System	3,305,400	2,620,236	2,599,679	20,557
Personnel	517,606	429,823	424,033	5,790
General government	136,000	143,232	164,366	(21,134)
Capital outlay	7,959,213	6,446,130	5,910,936	535,194
Debt service:				
Principal retirement	255,000	255,000	265,000	(10,000)
Interest charges	165,173	161,730	161,730	-
	<u>12,338,392</u>	<u>10,056,151</u>	<u>9,525,744</u>	<u>530,407</u>
Net change in fund balance	(7,562,643)	(5,365,851)	(4,805,233)	560,618
Fund balance, beginning of year	<u>10,612,032</u>	<u>10,612,032</u>	<u>10,612,032</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,049,389</u>	<u>\$ 5,246,181</u>	<u>\$ 5,806,799</u>	<u>\$ 560,618</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 FOUR YEARS ENDED DECEMBER 31, 2018

	<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%	0.06%
District's proportionate share of the net pension liability (asset)	\$ (36,723)	\$ 112,351	\$ 143,518	\$ 15,893
District's covered-employee payroll	\$ 305,695	\$ 323,526	\$ 311,806	\$ 313,964
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(12.01)%	34.73%	46.03%	5.06%
Plan fiduciary net position as a percentage of the total pension liability	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 FOUR YEARS ENDED DECEMBER 31, 2018

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

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, 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, 2018

Agency Head: Rodney Hart, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 92,049
Benefits - insurance	38,179
Benefits - retirement	10,120
Benefits - cell phone	657
Car allowance	<u>740</u>
Total	<u>\$ 141,745</u>



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

May 13, 2019

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, 2018, 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 May 13, 2019.

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.

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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 weaknesses. However, material weaknesses may exist that have not been identified.

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, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

ST. TAMMANY PARISH COMMUNICATION DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Summary of Independent Auditor's Results

1. Type of report issued on the financial statements.	Unmodified
2. Did the audit disclose any material weaknesses in internal control over financial reporting?	No
3. Did the audit disclose any significant deficiencies in internal control over financial reporting?	No
4. Did the audit disclose any noncompliance which is material to the financial statements of the organization?	No

Management Letter

None

Financial Statement Audit Findings

None

Prior Year Audit Findings

None

ST. TAMMANY PARISH COMMUNICATION
DISTRICT NO. 1

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

DECEMBER 31, 2018



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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

May 13, 2019

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, 2018. Management of the District is responsible for the control and compliance areas identified in the required agreed-upon procedures. 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

- 1) We obtained the District's written policies and procedures and determined whether those written policies and procedures address each of the following financial/business functions, as applicable:
 - a) **Purchasing**, including how vendors are added to the vendor list.
 - b) **Contracting**, including standard terms and conditions.

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- c) ***Travel and expense reimbursement***, including dollar thresholds by category of expense.
- d) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- e) ***Debt Service***, including debt reserve requirements.
- f) ***Bank Reconciliations***, including (1) monthly bank statement reconciliations.

Upon applying the procedures above, we noted that the District's ethics policy did not specifically include a system to monitor possible ethics violations.

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

- 2) We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. We obtained management's representation that the listing was complete.

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

- 3) Using the listing prepared by management, we randomly selected five cards that were used during the fiscal period. We obtained the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. We randomly selected one monthly statement or combined statement for each card and:
 - a) Determined whether there was evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.
 - b) Determined whether finance charges and/or late fees were assessed on the selected statements.

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

- 4) Using the monthly statements or combined statements selected under #2 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported

by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

- a) For each transaction, we determined whether the transaction was supported by:
 - i. An original itemized receipt (or equivalent documentation for fuel card purchases).
 - ii. Documentation of the business/public purpose. For meal charges, documentation of the individuals participating.
 - iii. Documentation of the individuals participating in the meals (applies to meal charges only).

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

Intergovernmental Agreements

- 5) We obtained a listing of all Intergovernmental Agreements to which the District is a party and obtained management's representation that the listing was complete.

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

- 6) We selected the two agreements with the largest monetary value and:
 - a) Determined whether the agreement clearly documented evidence that the agreement has been reviewed by the District's legal counsel.

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

Ethics

- 7) We obtained a listing of employees (and elected officials) and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain ethics documentation from management, and:
 - a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period; and
 - b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

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

May 13, 2019

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*. 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, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

St. Tammany Parish Communications District

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May 29, 2019

Duplantier, Hrapmann, Hogan & Maher, LLP, CPA's
1615 Poydras Street, Suite 2100
New Orleans, LA 70112

Re: Ethics Policy

The St. Tammany Parish Communications District currently has a written ethics policy requiring each employee to complete an on-line course and read and sign the districts "code of ethics" policy, annually.

To enhance this policy, St. Tammany Parish Communications District's management will monitor all employees to ensure this policy is adhered to.

Sincerely,

A handwritten signature in blue ink that reads "Rodney Hart".

Rodney Hart
Executive Director, STPCD