

DESOTO PARISH COMMUNICATIONS DISTRICT
(a component unit of DeSoto Parish Police Jury)

ANNUAL FINANCIAL REPORT
DECEMBER 31, 2018

DeSoto Parish Communications District
Annual Financial Report
December 31, 2018

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DESOTO PARISH COMMUNICATIONS DISTRICT
264 OAK STREET
MANSFIELD, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the DeSoto Parish Communications District, Louisiana (the "District"), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the DeSoto Parish Communications District as of and for the year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements and supplementary information provided in this report in assessing the efficiency and effectiveness of our stewardship of public resources.

The District was determined to be a component unit of the DeSoto Parish Police Jury. The accompanying financial statements present information only on the funds maintained by the DeSoto Parish Communications District.

Financial Highlights

The DeSoto Parish Communications District experienced an increase in its net position of \$84,435 during the year ended December 31, 2018. At December 31, 2018, the total assets and deferred outflows of the District exceeded its liabilities and deferred inflows by \$4,045,365 compared to \$3,960,930 at December 31, 2017 (as restated).

The District's total general and program revenues were \$1,298,508 during the year ended December 31, 2018, compared to \$1,337,274 during the year ended December 31, 2017. This is a decrease of \$38,766.

Ad valorem tax revenue (property taxes) decreased \$14,902 to \$861,659 at December 31, 2018, from \$876,561 in December 31, 2017.

The District's governmental funds report total ending fund balance this year of \$1,982,497. This compares to the prior year ending fund balance of \$2,308,937 (as restated), showing a decrease of \$326,440 for the current year.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the DeSoto Parish Communications District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District's governmental operations, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements illustrate how general government services, like public safety, were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the DeSoto Parish Communications District's finances in a manner similar to a private-sector business. The government-wide financial statements include two statements:

- The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, some revenues and some expenses that are reported in this statement will not result in cash flows until future years.

Fund Financial Statements

The services provided by the District are financed through a governmental fund. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District conducts its day-to-day operations through a governmental fund, the General Fund. These statements provide a short-term view of the District's finances and assists in determining whether there will be adequate financial resources available to meet the current needs of the District.

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. The notes to the financial statements can be found immediately following the fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The District adopts an annual budget for the general fund. A budgetary comparison statement is provided for the general fund to demonstrate budget compliance. Also included are pension schedules required by GASB 68.

Other Supplementary Information

The schedule of compensation, benefits, and other payments to agency head is presented to fulfill the requirements of Louisiana Revised Statute 24:513(A)(3). There is also supplementary information to comply with Louisiana Revised Statute 33:9109E.

A summary of the basic government-wide financial statements is as follows:

Summary of Statement of Net Position

	<u>2018</u>	<u>2017</u>
ASSETS:		
Assets	\$2,014,843	\$2,401,321
Capital Assets, Net of		
Accumulated Depreciation	2,627,830	2,737,478
Right of Use Assets, Net of		
Accumulated Amortization	830,463	0
Net Pension Asset	<u>47,778</u>	<u>0</u>
Total Assets	<u>\$5,520,914</u>	<u>\$5,138,799</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred pensions	\$ <u>72,481</u>	\$ <u>95,029</u>
LIABILITIES:		
Accounts Payable	\$ 6,242	\$ 13,765
Accrued Payroll & Related Liabilities	26,104	24,959
Accrued Interest	6,972	9,918
Certificates of Indebtedness	745,000	1,103,000
Capital Lease Liability	682,254	0
Net Pension Liability	<u>0</u>	<u>83,752</u>
Total Liabilities	<u>\$1,466,572</u>	<u>\$1,235,394</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred pensions	\$ <u>81,458</u>	\$ <u>16,273</u>
NET POSITION:		
Net Investment in Capital Assets	\$1,882,830	\$1,634,478
Restricted for Debt Service	334,924	329,762
Unrestricted	<u>1,827,611</u>	<u>1,996,690</u>
Total Net Position	<u>\$4,045,365</u>	<u>\$3,960,930</u> (Restated)

- The District's assets exceeded its liabilities by \$4,045,365 (net position) for the year. This is an increase of \$84,435 from prior year.
- Unrestricted net position of \$1,827,611 represents the portion available to meet the ongoing obligations to the citizens of DeSoto Parish.

Summary of Statement of Activities

	<u>2018</u>	<u>2017</u>
REVENUES:		
Program Revenues-		
Charges for Services	\$ 422,637	\$ 391,939
General Revenues-		
Ad Valorem Taxes	861,659	876,561
Other General Revenues	13,219	53,138
Proceeds from Sale of Assets	0	14,633
Interest Income	<u>993</u>	<u>1,003</u>
Total Revenues	\$1,298,508	\$1,337,274
EXPENSES:		
Public Safety	<u>1,214,073</u>	<u>1,052,194</u>
Change in Net Position	<u>\$ 84,435</u>	<u>\$ 285,080</u>

- Program revenues cover 35% of the District's operating expenses for the year ended December 31, 2018. This means the District's taxpayers and other general revenues funded the remainder of its operations during the year.
- Total revenues decreased by \$38,766 over the previous year. Approximately 66% (\$861,659) of the District's revenues for 2018 came from property taxes, 33% (\$422,637) from telephone tariff charges and permit fees, 1% (\$13,219) from other state and local sources, and 0.08% (\$993) from investment earnings. Ad valorem tax revenue in the District decreased by \$14,902.
- The function of the District is public safety. Total expenses increased \$161,879 or 15% from the prior year. Of the total costs, depreciation on the equipment and buildings was \$133,384 or 11% of total expenses.

General Fund Budgetary Highlights

Formal budgetary integration is employed as a management control device during the fiscal year. The budget policy of the District complies with state law, as amended and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA – R.S. 39:1301 et seq.). The District amended the original budget primarily to accommodate for increased wireless telephone service charges and increased operating expenses. Actual revenues exceeded budgeted revenues by \$12,420 and actual expenditures were \$7,079 less than budgeted expenditures. The District is in compliance with the Louisiana Local Government Budget Act.

Capital Assets and Debt Administration

The DeSoto Parish Communications District's investment in capital assets for its governmental activities as of December 31, 2018, totaled \$1,882,830 (net of accumulated depreciation of \$650,232).

The District has \$745,000 in certificates of indebtedness outstanding as of December 31, 2018.

Economic Factors and Next Year's Budget

For the fiscal year ending December 31, 2018, the following factors were considered when the budget was prepared:

- Ad valorem revenues are expected to decrease due to a millage renewal of 1.02 mils for 2019, down from 1.26 mils in 2018.
- Permit revenues are expected to increase, and will offset the potential loss of ad valorem revenues.
- The District does not expect to receive significant grant monies.

After consideration of these and other factors, it was decided that the budget for FY 2019 should not change significantly from the FY 2018 budget.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to the DeSoto Parish Communications District, 264 Oak Street, Mansfield, Louisiana 71052.

T | C | B | T
THOMAS, CUNNINGHAM, BROADWAY & TODTENBIER
Certified Public Accountants

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INDEPENDENT AUDITOR’S REPORT

To the Board of Commissioners
DeSoto Parish Communications District
Mansfield, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the DeSoto Parish Communications District (the “District”), a component unit of the DeSoto Parish Police Jury, 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 table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each 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.

Emphasis of Matter

As described in Note L to the financial statements, as of December 31, 2018, the District has adopted the provisions of GASB Statement 87 – *Leases*. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary & Other Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule, Schedule of Employer's Share of Net Pension Liability, and Schedule of Employer Contributions as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is presented for purposes of additional analysis and 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.

The Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer is required by Louisiana R.S. 24:513 A.(3). The supplementary information for communication districts is required by Louisiana R.S. 33:9109E. The Schedule and information are listed as required supplementary information in the Table of Contents and presented for purposes of additional analysis. This schedule and information are not a required part of the basic financial statements.

We have applied certain limited procedures to the Management's Discussion and Analysis 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 introductory section because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Budgetary Comparison Schedule, Schedule of Employer's Share of Net Pension Liability, Schedule of Employer Contributions, the Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer, and the Supplementary Information in Accordance with Louisiana R.S. 33:9109E are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 September 4, 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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Louisiana Legislative Auditor, we have issued a report, dated September 4, 2019, on the results of our statewide agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's statewide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway, & Todtenbier, CPA's

September 4, 2019
Natchitoches, Louisiana

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

DeSoto Parish Communications District
Statement of Net Position
December 31, 2018

	Governmental <u>Activities</u>
ASSETS:	
Current Assets-	
Cash and cash equivalents	\$ 759,123
Ad valorem taxes receivable	837,760
Other accounts receivable	82,686
Other current assets	<u>350</u>
Total Current Assets	<u>\$1,679,919</u>
Restricted Assets-	
Cash & Cash Equivalents	<u>\$ 334,924</u>
Non-current Assets-	
Capital assets (net of depreciation)	\$2,627,830
Right of Use Assets (net of amortization)	830,463
Net Pension Asset	<u>47,778</u>
Total Non-current Assets	<u>\$3,506,071</u>
Total Assets	<u>\$5,520,914</u>
Deferred Outflows of Resources	<u>\$ 72,481</u>
LIABILITIES:	
Current-	
Accounts payable	\$ 6,242
Accrued payroll	25,343
Accrued interest	6,972
Payroll liabilities	761
Certificates of indebtedness, current	368,000
Capital Lease Liability, current	<u>165,532</u>
Total Current Liabilities	<u>\$ 572,850</u>
Noncurrent-	
Certificates of indebtedness, noncurrent	\$ 377,000
Capital Lease Liability, noncurrent	<u>516,722</u>
Total Noncurrent Liabilities	<u>\$ 893,722</u>
Total Liabilities	<u>\$1,466,572</u>
Deferred Inflows of Resources	<u>\$ 81,458</u>
NET POSITION:	
Net Investment in Capital Assets	\$1,882,830
Restricted for debt service	334,924
Unrestricted	<u>1,827,611</u>
Total Net Position	<u>\$4,045,365</u>

The accompanying notes are an integral part of this statement.

DeSoto Parish Communications District
Statement of Activities
December 31, 2018

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges</u>	<u>Operating Grants</u>	<u>Revenue and Changes</u>
		<u>for</u>	<u>and</u>	<u>in Net Position</u>
		<u>Services</u>	<u>Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Public Safety	<u>\$1,214,073</u>	<u>\$422,637</u>	<u>\$0</u>	<u>\$ (791,436)</u>
		General Revenues:		
				\$ 861,659
				7,473
				924
				4,822
				<u>993</u>
			Total General Revenues	<u>\$ 875,871</u>
			Change in Net Position	\$ 84,435
			Net Position January 1, 2018-Restated (See Note 8)	<u>3,960,930</u>
			Net Position December 31, 2018	<u>\$4,045,365</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

DeSoto Parish Communications District
Balance Sheet-Governmental Fund
December 31, 2018

Assets:

Cash and cash equivalents	\$ 759,123
Ad valorem taxes receivable	837,760
Other accounts receivable	82,686
Other current assets	350
Restricted cash and cash equivalents	<u>334,924</u>
Total Assets	<u>\$2,014,843</u>

Liabilities:

Accounts Payable	\$ 6,242
Accrued payroll	25,343
Payroll Liabilities	<u>761</u>
Total Liabilities	<u>\$ 32,346</u>

Fund Balance:

Nonspendable	\$ 350
Restricted	334,924
Unassigned	<u>1,647,223</u>
Total Fund Balance	<u>\$1,982,497</u>
Total Liabilities and Fund Balance	<u>\$2,014,843</u>

The accompanying notes are an integral part of this statement.

DeSoto Parish Communications District
Reconciliation of the Governmental Fund
Balance Sheet to the Statement of Net Position
December 31, 2018

Total Governmental Fund Balance at December 31, 2018	\$1,982,497
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Amounts reported for Governmental Activities
in the Statement of Net Position are different because:

Capital Assets, Right of Use Assets and Net Pension Assets used in
Governmental Activities are not current financial resources and,
therefore, are not reported in the this fund financial statement but
are reported in the governmental activities of the Statement of Net
Position-

Capital Assets	3,278,062
Less: Accumulated Depreciation	(650,232)
Right of Use Assets	844,539
Less: Accumulated Amortization	(14,076)
Net pension assets	47,778

Long-Term Liabilities are not due and payable in the current
period and are not reported in the fund financial statements
but are included in the governmental activities of the
Statement of Net Position-

Certificates of Indebtedness	(745,000)
Accrued interest payable	(6,972)
Capital Lease Liabilities	(682,254)

Deferred outflows and inflows of resources related to pensions
are applicable to future periods and, therefore, are not reported
in the funds:

Deferred outflows of resources related to pensions	72,481
Deferred inflows of resources related to pensions	<u>(81,458)</u>

Total Net Position of Governmental Activities at December 31, 2018	<u>\$4,045,365</u>
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The accompanying notes are an integral part of this statement.

DeSoto Parish Communications District
Statement of Revenues, Expenditures and Changes in Fund Balance-
Governmental Fund
Year Ended December 31, 2018

REVENUES:	
Ad valorem taxes	\$ 861,659
Intergovernmental-	
State revenue sharing	7,473
Telephone service charges	400,857
Permit fees	21,780
Miscellaneous income	923
Interest income	<u>993</u>
Total Revenues	<u>\$ 1,293,685</u>
EXPENDITURES:	
Current-	
Public Safety-	
Personnel and related benefits	\$ 734,469
Operating expenses	1,295,740
Training and travel	11,544
Debt Service-	
Principal	358,000
Interest	41,174
Capital Outlay	<u>23,736</u>
Total Expenditures	<u>\$ 2,464,663</u>
Deficiency of Revenues over Expenditures	\$(1,170,978)
Other Financing Sources:	
Proceeds from capital leases	<u>844,538</u>
Net Change in Fund Balance	\$ (326,440)
Fund Balance-Beginning of Year-RESTATED (See Note 8)	<u>2,308,937</u>
Fund Balance-End of Year	<u>\$ 1,982,497</u>

The accompanying notes are an integral part of this statement.

DeSoto Parish Communications District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of the Governmental Fund
to the Statement of Activities
for the Year Ended December 31, 2018

Net Change in Fund Balance-Governmental Fund \$(326,440)

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

Capital outlays are reported in governmental funds as expenditures.
However, in the Statement of Activities, the cost of those assets is
allocated over their estimated useful lives as depreciation expense.
The cost of capital assets recorded in the current period is 23,736

Depreciation expense on capital assets is reported in the Government-
wide financial statements, but does not require the use of current
financial resources and is not reported in the fund financial statements.
Current year depreciation expense is (133,384)

Governmental Funds report Capital Lease acquisitions as expenditures.
However, in the Statement of Activities, the cost of these assets is
allocated over their estimated useful lives as amortization expense.
The cost of capital lease acquisitions recorded in the current period is 844,538

Amortization expense on the Right of Use Assets is reported in the
Government-wide financial statements, but does not require the use
of current financial resources and is not reported in the fund financial
statements. Current year amortization expense is (14,076)

Payments made on Long-term Debt (bonds and leases) are shown as
expenditures in the Governmental Funds, but the payments reduce
Long-term Liabilities in the Statement of Net Position. Principal
payments on long-term debt are:

Principal payments on bonds 358,000
Principal payments on capital leases 162,285

Proceeds of long-term debt (leases) are shown as revenues in the
governmental funds, but the debt increases long-term liabilities
in the Statement of Net Position. Proceeds of long-term debt are (844,538)

(continued on next page)

DeSoto Parish Communications District
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of the Governmental Fund
to the Statement of Activities (continued)
for the Year Ended December 31, 2018

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

Some revenues reported in the Statement of Activities do not provide current financial resources and these are not reported as revenues in governmental funds. Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These timing differences are summarized below:

Non-Employer Pension Revenue	4,822
District pension contributions	6,546
Accrued interest expense on long-term debt	<u>2,946</u>
Total Change in Net Position, per Statement of Activities	<u>\$ 84,435</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2018

Introduction:

DeSoto Parish Communications District (the “District”) was created by the DeSoto Parish Police Jury, as authorized by Louisiana Revised Statute 33:9101 on September 11, 1991, and was approved by the citizens of DeSoto Parish in a special election held November 16, 1991. The District is responsible for maintaining and operating the parish-wide Emergency 911 system and equipment, and providing emergency dispatch services to approximately 26,000 residents in DeSoto Parish. The District is governed by a seven-member board appointed in accordance with Louisiana Revised Statute 33:9103. Board members serve without compensation. The District is staffed by an administrator, an office manager, approximately 10 full-time dispatchers, and two to three occasional part-time dispatchers.

1. Summary of Significant Accounting Policies:

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governmental units. Such accounting and reporting policies also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Governmental Audit Guide*.

A. Reporting Entity-

The accompanying financial statements present the District’s funds and activities. As required by GAAP, these financial statements present the District as a component unit of the DeSoto Parish Police Jury. Based on the criteria listed below, the Police Jury is considered a primary government. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. A primary government is financially accountable for an organization if (a) it appoints a voting majority of the organization’s governing board; (b) it is able to impose its will on the organization; or (c) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government. Based upon these criteria, the District is considered to be a component unit of the DeSoto Parish Police Jury and is disclosed as such in the Police Jury’s financial statements. There are no component units included in the accompanying financial statements.

B. Basis of Presentation-

The District’s Basic Financial Statements have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Basic Financial Statements consist of Government-wide Financial Statements, including a Statement of Net Position and a Statement of Activities, and Fund Financial Statements, which provide a more detailed level of financial information. Both the Government-wide and the Fund Financial Statements categorize activities as either governmental activities or business-type activities.

The District uses funds to maintain its financial records during the year. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2018

1. Summary of Significant Accounting Policies (continued):

C. Fund Accounting-

The financial transactions of the District are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balance accounts that includes its assets, liabilities, fund equity, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The District uses the following fund categories and fund types:

Governmental Funds:

Governmental funds account for the District's general governmental activities, including the collection and disbursement of specific and legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt.

Governmental funds are divided into major and nonmajor funds. Major funds are funds that meet certain dollar tests of their assets, liabilities, revenues, and expenditures. Major funds are larger, more significant funds. Nonmajor funds are the governmental funds that do not meet the dollar tests for major funds. The District has only one governmental fund.

Major Fund-

General Fund – The General Fund is the general operating fund of the District. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund.

D. Measurement Focus/Basis of Accounting-

Basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

The District's basic financial statements consist of (a) government-wide financial statements, including a statement of net position and a statement of activities, and (b) fund financial statements, which provide a more detailed level of financial information.

Accrual Basis - Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities display information about the District as a whole. Both of these statements have been prepared using the economic measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Non-exchange transactions are recognized when the District has an enforceable legal claim to the revenues, expenses, gains, losses, assets and liabilities.

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2018

1. Summary of Significant Accounting Policies (continued):

Modified Accrual Basis - Fund Financial Statements (FFS)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when they are 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 collected within 60 days after year-end. Expenditures are generally recorded under the modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule are that (1) unmatured principal and interest on long-term debt, if any, are recorded when due and (2) claims and judgments and compensated absences are recorded as expenditures when paid with expendable available financial resources.

E. Cash and Cash Equivalents-

For purposes of the Statement of Net Position, cash includes amounts in demand accounts and interest-bearing demand deposits. Under state law, the District may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The District may invest in United States bonds, treasury notes and bills, government-backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a non-profit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

F. Accounts Receivable-

Major receivables for the governmental activities include ad valorem taxes, telephone tariff charges and state revenue sharing revenues. Substantially all receivables are considered to be fully collectible, and no allowance for uncollectibles is used.

G. Capital Assets-

Capital assets, which include property, plant, and equipment, are reported in the governmental activities in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$1,000 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of that asset or materially extend the life of that asset are not capitalized.

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2018

1. Summary of Significant Accounting Policies (continued):

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of useful lives by type of asset is as follows:

Computers and Equipment	5-10 years
Furniture & Fixtures	20 years
Vehicles	5 years

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.

H. Deferred Outflows/Inflows of Resources-

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position reports a separate section for Deferred Inflows of Resources. This separate financial statement element represent an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District recognizes differences between expected and actual factors in total pension liability measurements, changes in assumptions about future factors in the total pension liability measurements, and the differences between projected and actual earnings on pension plan investments within these financial statement sections.

I. Equity Classifications-

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net resources with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.
- c. Unrestricted net position - All other net resources that do not meet the definition of "restricted" or "net investment in capital assets".

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2018

1. Summary of Significant Accounting Policies (continued):

When an expense is incurred for the purposes for which both restricted and unrestricted net position is available, management applies unrestricted resources first, unless a determination is made to use restricted resources. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by management at the incurrence of the expense.

In the fund statements, governmental fund equity is classified as fund balance and displayed in five components. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- a. Nonspendable fund balance - amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact;
- b. Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- c. Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- d. Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- e. Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

The District has no committed or assigned fund balances as of December 31, 2018. The General Fund has an unassigned fund balance of \$1,647,223. If applicable, the District would typically use restricted fund balances first, followed by committed resources and assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first and to defer the use of these other classified funds.

J. 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.

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2018

1. Summary of Significant Accounting Policies (continued):

K. Budget-

Prior to the beginning of each fiscal year, the District adopts a budget for the next fiscal year. The budget is open for public inspection. All budgetary appropriations lapse at the end of the fiscal year. The budget is prepared on the modified accrual basis of accounting.

L. Impact of Recently Issued Accounting Principles-

As of January 1, 2018, the District implemented Governmental Standards Board (GASB) Statement 87 – *Leases*, which recognizes certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources and outflows of resources based on the payment provisions of the contract. A single model for lease accounting based on the fundamental principle that leases are financings of the right to use an underlying asset is established. This standard resulted in a cumulative change in accounting principal. There was no restatement of the net position of the District as a result of this change.

2. Cash and Cash Equivalents:

At December 31, 2018, the District has cash and cash equivalents totaling \$1,094,047 (book balance), which includes \$845,412 in non-interest bearing accounts and \$248,635 in a money market account.

The cash and interest-bearing deposits of the District are subject to the following risks:

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) 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 or exceed 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. Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the District's name.

At December 31, 2018, the District has \$1,109,275 in deposits (collected bank balances). These deposits are secured from risk by \$650,525 of federal deposit insurance, and the remaining \$458,750 is secured with pledged marketable securities by the custodial banks.

3. Other Accounts Receivable:

The following is a summary of receivables (excluding ad valorem taxes) at December 31, 2018:

Telephone tariff charges – landlines	\$12,407
Telephone tariff charges – wireless	<u>70,279</u>
Total Other Receivables	<u>\$82,686</u>

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2018

4. Levied Taxes:

The DeSoto Parish Communications District levies taxes on real and business property located within the boundaries of the District. Property taxes are levied by the District on property values assessed by the DeSoto Parish Tax Assessor and approved by the State of Louisiana Tax Commission. The DeSoto Parish Sheriff's Office bills and collects property taxes for the District. Collections are remitted to the District monthly. The District recognizes property tax revenues when levied.

The property tax calendar:

Assessment date	January 1, 2018
Levy date	June 30, 2018
Tax bills mailed	October 15, 2018
Total taxes are due	December 31, 2018
Penalties and interest added	January 31, 2019
Tax sale	May 15, 2019

The District has authorized ad valorem tax millage of 1.26 mils and levied taxes of 1.26 mils for 2018. Revaluation of all property is required to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2016. Total assessed value was \$734,167,721 in 2018. Louisiana state law exempts the first \$75,000 of assessed value of a taxpayer's primary residence from parish property taxes. This homestead exemption was a total of \$42,118,563 in 2018. Total of ad valorem tax revenues recognized in 2018 by the District was \$861,659.

The following are the principal taxpayers for the parish and their 2018 assessed valuations:

		2018 Assessed Valuation	2018 Assessed Tax	Percent of Total Assessed Valuation
International Paper Co.	Manufacturer	\$ 78,665,005	\$ 5,572,683	10.71%
EXCO Operating Company	Oil & Gas	54,843,881	5,231,559	7.47%
Chesapeake Operating, LLC	Oil & Gas	48,858,548	4,660,616	6.65%
Southwestern Electric Power	Utility	40,262,621	2,947,454	5.48%
Cleco Power, LLC	Utility	34,420,324	2,260,534	4.69%
Indigo Minerals, LLC	Oil & Gas	27,305,852	2,604,705	3.72%
Louisiana Midstream Gas Service	Oil & Gas	27,014,305	2,576,895	3.68%
Acadian Gas Pipeline System	Oil & Gas	25,320,360	2,415,309	3.45%
Covey Park Operating, LLC	Oil & Gas	24,974,877	2,382,353	3.40%
Enterprise Gathering, LLC	Oil & Gas	23,853,024	2,275,340	3.25%
Total		<u>\$385,518,797</u>	<u>\$32,927,448</u>	<u>52.51%</u>

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2018

5. Capital Assets:

Capital asset balances and activity for the year ended December 31, 2018, is as follows:

Governmental Activities	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
Capital assets not depreciated:				
Land	\$ 162,860	\$ 0	\$ 0	\$ 162,860
Construction in progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total capital assets not depreciated:	\$ 162,860	\$ 0	\$ 0	\$ 162,860
Capital assets being depreciated:				
Buildings and improvements	\$2,222,360	\$ 15,449	\$ 0	\$2,237,809
Computers and equipment	713,272	8,287	0	721,559
Furniture and fixtures	98,447	0	0	98,447
Vehicles	<u>57,387</u>	<u>0</u>	<u>0</u>	<u>57,387</u>
Total capital assets being depreciated:	\$3,091,466	\$ 23,736	\$ 0	\$3,115,202
Less accumulated depreciation:				
Buildings and improvements	\$ 18,550	\$ 74,477	\$ 0	\$ 93,027
Computers and equipment	459,492	37,964	0	497,456
Furniture and fixtures	13,876	9,466	0	23,342
Vehicles	<u>24,930</u>	<u>11,477</u>	<u>0</u>	<u>36,407</u>
Total accumulated depreciation	<u>\$ 516,848</u>	<u>\$ 133,384</u>	<u>\$ 0</u>	<u>\$ 650,232</u>
Total capital assets being depreciated, net	<u>\$2,574,618</u>	<u>\$(109,648)</u>	<u>\$ 0</u>	<u>\$2,464,970</u>
Governmental activities capital assets, net	<u>\$2,737,478</u>	<u>\$(109,648)</u>	<u>\$ 0</u>	<u>\$2,627,830</u>

Depreciation expense of \$133,384 was charged to Public Safety.

6. Certificates of Indebtedness:

In 2016, the District issued \$1,452,000 in certificates of indebtedness for the purpose of constructing a new administrative and dispatch building. A bank purchased \$1,089,000 of the certificates at a rate of 2.990% and the Louisiana Public Facilities Authority purchased \$363,000 at a rate of 1.495%. The certificates are secured by and payable from a pledge and dedication of the excess of annual revenues of the District above statutory, necessary and usual charges in each of the fiscal years during which the certificates are outstanding. The District made \$358,000 in principal payments in the year ended December 31, 2018.

The following is a summary of changes in long-term debt for the year ended December 31, 2018:

	Balance <u>01-01-18</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12-31-18</u>
Certificates of Indebtedness	<u>\$1,103,000</u>	<u>\$0</u>	<u>\$358,000</u>	<u>\$745,000</u>

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2018

The scheduled maturities of the certificates of indebtedness are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$368,000	\$14,733	\$382,733
2020	<u>377,000</u>	<u>4,956</u>	<u>381,956</u>
Total	<u>\$745,000</u>	<u>\$19,689</u>	<u>\$764,689</u>

Total interest expense on certificates of indebtedness for the year ended December 31, 2018 was \$24,226.

7. Capital Leases:

In 2018, the District entered into two leasing agreements with AT&T Capital Services, Inc. for equipment, software, maintenance, and services needed for the 911 operating system. The terms of the leases were for 60 months, payable in five annual installments of \$179,176, at an implied rate of 2%. Under GASB Statement 87, these capital leases are recognized as right of use assets at the present value of future lease payments, amortized over the term of the lease, and lease liabilities.

Right of use assets and amortization activity as of and for the year ended December 31, 2018, is as follows:

Governmental Activities	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
Right of Use Assets- Capital Leases	\$ 0	\$844,539	\$ 0	\$844,539
Less accumulated amortization: Capital Leases	<u>0</u>	<u>14,076</u>	<u>0</u>	<u>14,076</u>
Governmental activities Right of Use Assets, net	<u>\$ 0</u>	<u>\$830,463</u>	<u>\$ 0</u>	<u>\$830,463</u>

At December 31, 2018, amortization expense of \$14,076 was charged to Public Safety.

The changes in capital lease liabilities for December 31, 2018 are as follows:

Beginning Capital Lease Liabilities	\$ 0
Additions	844,539
Deductions	<u>(162,285)</u>
Ending Capital Lease Liabilities	<u>\$ 682,254</u>

Total interest expense on capital leases for the year ended December 31, 2018 was \$16,948.

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2018

7. Capital Leases (continued):

The annual debt service requirements to maturity for capital lease liabilities are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$165,531	\$13,645	\$179,176
2020	168,842	10,334	179,176
2021	172,218	6,958	179,176
2022	<u>175,663</u>	<u>3,513</u>	<u>179,176</u>
TOTAL	<u>\$682,254</u>	<u>\$34,450</u>	<u>\$716,704</u>

8. Restatement of Net Position and Fund Balance:

For the year ended December 31, 2017, ad valorem receivables, deferred revenue, and net pension liability were misstated. As a result, both net position and fund balances were restated as follows:

	<u>Government- Wide</u>	<u>Governmental Funds</u>
December 31, 2017, as previously reported	\$3,982,161	\$2,234,975
Prior period adjustments:		
Ad valorem receivables	(53,660)	(53,660)
Deferred revenue	0	127,622
Net Pension Liability	<u>32,429</u>	<u>0</u>
December 31, 2017, as restated	<u>\$3,960,930</u>	<u>\$2,308,937</u>

9. Pension Plan:

Plan Description

The District contributes to Plan B of the Parochial Employees' Retirement System of Louisiana (System) which is a cost-sharing multiple employer defined benefit pension plan established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana to provide retirement benefits to all employees of any parish in the State of Louisiana or any governing body or a parish which employs and pays persons serving the parish. Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised the System to create Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date. The System is governed by Louisiana Revised Statutes, Title 11, Section 1901 through 2025, specifically, and other general laws of the State of Louisiana. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System, which can be obtained at www.persla.org.

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

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2018

9. Pension Plan (continued):

Benefits Provided

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

Retirement

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

For employees hired prior to January 1, 2007:

- At age 55 after 30 years of creditable service
- At age 60 after 10 years of creditable service
- At age 65 after 7 years of creditable service

For employees hired after January 1, 2007:

- At age 55 after 30 years of creditable service
- At age 62 after 10 years of creditable service
- At age 67 after 7 years of creditable service

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

Survivor's Benefits

Upon the death of any member of Plan B with ten years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes. Any member of Plan B with twenty or more years of creditable service who is not eligible for normal retirement, the plan provides for an automatic Option 2 benefit for the surviving spouse when he/she reaches age 50 and until remarriage, if the remarriage occurs before age 55.

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

Deferred Retirement Option Plan

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

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2018

9. Pension Plan (continued):

In lieu of terminating employment and accepting a service retirement, any member of Plan B who is eligible to retire may elect to participate in DROP in which they 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/her 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 DROP on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in DROP 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 DROP 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 DROP are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

Disability Benefits

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

Cost-of-Living Increases

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age 65 equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (L.A.R.S. 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2018

9. Pension Plan (continued):

Contributions

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2017, the actuarially determined contribution rate was 6.75% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2017 was 8.00% for Plan B.

According to state statute, the System also receives $\frac{1}{4}$ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contribution revenue for the current year is \$4,822.

The District's contractually required composite contribution rate for the year ended December 31, 2018 was 7.50% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the District were \$40,003 for the year ended December 31, 2018.

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

At December 31, 2018, the District reported an asset of \$(47,778) for its proportionate share of the Net Pension Asset. The Net Pension Asset was measured as of December 31, 2017 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. At December 31, 2017, the District's proportion was .379732%, which was a decrease of .01575% from its proportion measured as of December 31, 2016. For the year ended December 31, 2018, the District recognized pension expense of \$32,515 plus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions of \$941.

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2018

9. Pension Plan (continued):

At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$24,882
Changes in assumption	28,111	0
Net difference between projected and actual earnings on pension plan investments	0	56,232
Changes in employer's proportion of beginning net pension liability	104	319
Differences between employer contributions and proportionate share of employer contributions	4,263	25
Subsequent Period Contributions	40,003	0
Total	\$72,481	\$81,458

The deferred outflows of resources related to pensions resulting from Jackson Parish Sales Tax contributions subsequent to the measurement date in the amount of \$4,955, will be recognized as a reduction of the net pension assets in the year of December 31, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ended December 31:	
2019	\$ (1,183)
2020	(6,407)
2021	(19,597)
2022	(21,793)
Total	\$(48,980)

Actuarial Assumptions

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

Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2018

9. Pension Plan (continued):

Actuarial Assumptions:

Expected Remaining Service Lives	4 years.
Investment Rate of Return	6.75%, net of investment expense, including inflation.
Inflation Rate	2.50% per annum.
Mortality	RP-2000 Employee Sex Distinct Table was selected for employees. RP-2000 Healthy Annuitant Sex Distinct Tables were selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants. Experience study performed on plan data for the period January 1, 2010 through December 31, 2014.
Projected Salary Increases	5.25% (2.50% Inflation, 2.75% Merit)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

The discount rate used to measure the total pension liability was 6.75% for Plan B. 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 Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System'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 projected benefit payments to determine the total pension liability.

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 is 7.62% for the year ended December 31, 2017. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2017 are summarized in the following table:

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2018

9. Pension Plan (continued):

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

Sensitivity of the Employer'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 Asset using the discount rate of 6.75%, as well as what the District's proportionate share of the Net Pension (Asset) Liability 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%)
Employer's proportionate share of net pension liability	\$101,807	\$(47,778)	\$(173,957)

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 of Louisiana Annual Financial Report at www.persla.org.

10. Commitments and Contingencies:

At December 31, 2018, there are no known lawsuits pending for damages against the District. The District is aware of potential litigation or claims for damages arising from certain employment contracts between the District and former employees. No loss contingency has been accrued in the financial statements because the amount of any potential loss, over and above insurance coverage limits, cannot be reasonably estimated.

DeSoto Parish Communications District
Notes to Financial Statements
December 31, 2018

11. Compensation Paid to Board Members

The members of the Board of Commissioners of the District receive no compensation for their services.

12. Subsequent Events:

Management has evaluated events through September 4, 2019, the date which the financial statements were available for issue.

On January 29, 2019, the DeSoto Parish Police Jury adopted an ordinance designating the Police Jury as the governing authority of the DeSoto Parish Communications District. The Board of Commissioners of the DeSoto Parish Communications District was abolished and all powers and duties of the Board were assumed by the DeSoto Parish Police Jury. In May of 2019, the administrator position for the District was eliminated.

An interim Cooperative Endeavor Agreement was executed between the DeSoto Parish Police Jury (acting in its capacity as the governing authority of the DeSoto Parish Communications District) and the DeSoto Parish Sheriff's Office, effective May 17, 2019, for the purpose of improving 911 communications and general operations by consolidating 911, Fire, EMS and Law Enforcement operations. In accordance with the Agreement, the Police Jury/District will continue to provide and maintain physical facilities for the Sheriff's Office personnel to perform 911 communications and general operations, to provide unrestricted access for the designated Sheriff's Office deputies to the 911 physical facilities, fixtures, furnishings, and equipment, and to provide and pay for overhead expenditures. The Police Jury/District shall also maintain responsibility for payment of leases and debt service. In exchange for the above functions, the Sheriff's Office will designate and compensate one or more deputies to monitor, evaluate, and supervise the 911 communications and operations, including personnel. Effective with this agreement, all former employees of the DeSoto Parish Communications District became the employees of the DeSoto Parish Sheriff's Office for purposes of payroll and related benefits.

REQUIRED SUPPLEMENTARY INFORMATION- PART II

DeSoto Parish Communications District
General Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2018

	Budget		Actual	Adjust to Budgetary Basis	Actual (Budgetary Basis)	Variance- Favorable (Unfavorable)
	Original	Final				
REVENUES:						
Ad valorem taxes	\$ 860,000	\$ 849,427	\$ 861,659	\$ 0	\$ 861,659	\$ 12,232
Intergovernmental-						
State revenue sharing	7,500	7,473	7,473	0	7,473	0
Telephone service charges	365,000	401,250	400,857	0	400,857	(393)
Permit Revenue	0	21,200	21,780	0	21,780	580
Miscellaneous revenue	700	923	923	0	923	0
Interest income	900	992	993	0	993	1
Total Revenues	\$1,234,100	\$1,281,265	\$ 1,293,685	\$ 0	\$1,293,685	\$ 12,420
EXPENDITURES:						
Current-						
Public Safety-						
Salaries/Benefits	\$ 805,200	\$ 797,866	\$ 734,469	\$ 0	\$ 734,469	\$ 63,397
Operating Expenses	378,900	422,952	1,295,740	(844,538)	451,202	(28,250)
Training and Travel	5,000	11,574	11,544	0	11,544	30
Debt Service-						
Principal	358,000	358,000	358,000	0	358,000	0
Interest	24,500	24,283	41,174	0	41,174	(16,891)
Capital Outlay	0	12,529	23,736	0	23,736	(11,207)
Total Expenditures	\$1,571,600	\$1,627,204	\$ 2,464,663	\$(844,538)	\$1,620,125	\$ 7,079
Excess (Deficiency) of Revenues over Expenditures	\$ (337,500)	\$ (345,939)	\$(1,170,978)	\$ 844,538	\$ (326,440)	\$ 19,499
Other Financing Sources:						
Proceeds of Capital Leases	0	0	844,538	(844,538)	0	0
Excess(Deficiency) of Revenues and Other Financing Sources over Expenditures	\$ (337,500)	\$ (345,939)	\$ (326,440)	\$ 0	\$ (326,440)	\$ 19,499
Fund Balance-Beginning of Year						
-Restated (See Note 8)	2,308,937	2,308,937	2,308,937	0	2,308,937	0
Fund Balance-End of Year	\$1,971,437	\$1,962,998	\$ 1,982,497	\$ 0	\$ 1,982,497	\$ 19,499

See independent auditor's report.

DeSoto Parish Communications District
Notes to Budgetary Comparison Schedule
For the Year Ended December 31, 2018

General Budget Policies

The Communications District is required by state law to adopt an annual budget. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

A proposed budget is prepared by the governing board in November and made available for public inspection no later than 15 days prior to December 31 of each year. In open meeting prior to December 31, the budget is adopted and becomes part of the official minutes of the Communications District. The proposed budget for the General Fund is prepared on the modified accrual basis of accounting.

Once a budget is approved, it can be amended by approval of a majority of the Board. Amendments are presented at a regular open meeting for Board approval. The budget was amended once during the year.

Budget Basis of Accounting

The general fund budget is prepared on the modified accrual basis of accounting. Budgeted amounts are as originally adopted or as amended by the Board. Legally, the Board must adopt a balanced budget, that is, total budgeted revenues and other financing sources including fund balance must equal or exceed total budgeted expenditures and other financing uses.

The Louisiana Local Government Budget Act provides that “the total proposed expenditures shall not exceed the total of estimated funds available for the ensuing year.” The “total estimated funds available” is the sum of the respective estimated fund balances at the beginning of the year and the anticipated revenues for the current year. Amendments to the adopted budget are required if total revenues fail to meet budgeted revenues by 5% or more, and/or total actual expenditures exceed total budgeted expenditures by 5% or more.

See independent auditor’s report.

DeSoto Parish Communications District
Schedule of Employer's Share of Net Pension Liability
For the Year Ended December 31, 2018

<u>Year</u>	<u>Employer's Proportion of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability</u>
Parochial Employees Retirement System (PERS)					
2015	0.40507%	\$ 1,125	\$364,750	0.31%	99.89%
2016	0.37948%	\$ 67,564	\$393,901	17.15%	93.48%
2017	0.39548%	\$ 51,376	\$454,564	11.30%	95.50%
2018	0.37973%	\$(47,778)	\$533,369	-8.96%	104.02%

* Amounts presented were determined as of the measurement date (previous fiscal year end).

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

See independent auditor's report and notes to the financial statements.

DeSoto Parish Communications District
Schedule of Employer's Contributions
For the Year Ended December 31, 2018

<u>Year</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
Parochial Employees' Retirement System (PERS)					
2015	\$32,826	\$32,826	\$0	\$364,750	9.00%
2016	\$31,512	\$31,512	\$0	\$393,901	8.00%
2017	\$36,365	\$36,365	\$0	\$454,564	8.00%
2018	\$40,003	\$40,003	\$0	\$533,369	7.50%

* Amounts presented were determined as of the end of the fiscal year.

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

Notes to Required Supplementary Information

Changes of Benefit Terms

There were no changes of benefit terms for the year ended December 31, 2018.

Changes of Assumptions

There were no changes of assumptions for the year ended December 31, 2018.

See independent auditor's report and notes to the financial statements.

DeSoto Parish Communications District
Schedule of Compensation, Benefits and Other Payments to
Agency Head or Chief Executive Officer
For the Year Ended December 31, 2018

Agency Head Name: Bruce Vanderhoeven, Administrator

<u>Purpose</u>	<u>Amount</u>
Salary	\$70,000
Benefits-Insurance	592
Benefits-Retirement	210
Vehicle provided by District	650
Car allowance	0
Vehicle provided by government	0
Cell phone	0
Dues	0
Vehicle rental	0
Per Diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conferences	100
Housing	0
Unvouchered expenses	0
Special meals-Chamber	0
Other	<u>0</u>
Total	<u>\$71,552</u>

See independent auditor's report.

DeSoto Parish Communications District
Supplementary Information in Accordance with
Louisiana Revised Statute 33:9109E
For the Year Ended December 31, 2018

The Communications District assesses a 9-1-1 surcharge fee for cellular and other wireless services. The assessment of the wireless 9-1-1 surcharge fee was approved to fund, along with other funding sources, implementation of FCC ordered enhancements to the E-911 systems. As of December 31, 2018, the District has implemented Phases I and II of the enhancements required by the FCC.

Total revenues derived from wireless service providers in DeSoto Parish for the year ended December 31, 2018 was \$400,857.

See independent auditor's report.

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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*

To the Board of Commissioners
DeSoto Parish Communications District
DeSoto Parish, 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 and the *Louisiana Governmental Audit Guide*, the financial statements of the governmental activities and major fund of the DeSoto Parish Communications District (the “District”), a component unit of the DeSoto Parish Police Jury, 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, and have issued our report thereon dated September 4, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’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 the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 the District'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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

DeSoto Parish Communications District's Response to Findings

DeSoto Parish Communications District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 25:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Thomas, Cunningham, Broadway & Todtenbier, CPA's

Thomas, Cunningham, Broadway, & Todtenbier, CPA's

September 4, 2019
Natchitoches, Louisiana

DeSoto Parish Communications District
Schedule of Audit Findings
Year Ended December 31, 2018

I. SUMMARY OF AUDIT RESULTS

The following summarize the audit results:

1. An unmodified opinion was issued on the financial statements of the DeSoto Parish Communications District as of and for the year ended December 31, 2018.
2. The audit disclosed no material weaknesses in internal control.
3. The audit disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*.

II. FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

2018-001 Late Submission of Report

Criteria – Louisiana state law requires that the District have an annual audit performed and submitted to the Legislative Auditor within six (6) months after the close of the fiscal year.

Condition – For the year ended December 31, 2018, the District did not submit the annual audit within six (6) months after the close of their fiscal year.

Effect – The District is not in compliance with state law.

Cause – The governing body of the District was abolished in January, 2019. Due to the change in management, the accounting records of the District were not available for the auditors to begin work in a timely manner.

Recommendation – The District should institute procedures to ensure that the books and records are prepared, reconciled and available for the auditors within 45 days after the end of their fiscal year.

Management's Response – The District will implement procedures to ensure that the accounts and records are prepared for the auditors to begin their review in a timely manner.

DeSoto Parish Communications District
Schedule of Audit Findings (continued)
Year Ended December 31, 2018

III. PRIOR YEAR AUDIT FINDINGS

2017-01 Noncompliance with Louisiana Local Government Budget Act

Criteria – Louisiana R.S. 39:1301 et seq., Louisiana Local Government Budget Act, requires the agency head of the local government to notify the governing authority when actual revenues and other sources or expenditures and other uses fail to meet budget expectations by 5% or more. Amendments to the adopted budget are required if total revenues and other sources fail to meet budgeted revenues by 5% or more. Total expenses and other uses were greater than budgeted expectations by \$159,550 or 11%.

Condition – The 2017 budget was not properly amended for expenditures and other financing uses.

Status – As of December 31, 2018, this finding was cleared.

2017-02 Noncompliance with Surplus Property Procedures or Statutes

Criteria – Louisiana R.S. 49:125 requires the notice of the sale of surplus property should be published at least once, at least 15 days prior to the sale of the surplus property.

Condition – Surplus property sold during the year was not properly advertised for the appropriate length of time required (15 days).

Status – As of December 31, 2018, this finding was cleared.

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**INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING
STATEWIDE AGREED-UPON PROCEDURES**

To the Board of Commissioners
DeSoto Parish Communications District
Mansfield, Louisiana

We have performed the procedures enumerated below, which were specified and agreed to by the Board of Commissioners of DeSoto Parish Communications District (the District) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA’s Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year ended December 31, 2018. The District’s management is responsible for those C/C areas identified in the SAUPs.

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

Our procedures and associated findings are enumerated below.

Written Policies and Procedures

1. Obtain and inspect the entity’s written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity’s operations):
 - ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - ***Disbursements***, including processing, reviewing, and approving
 - ***Receipts/Collections***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management’s actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation.

- **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)
- **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- **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. Note: Ethics requirements are not applicable to nonprofits.
- **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

RESULTS: No exceptions were noted as a result of these procedures.

Board (or Finance Committee, if applicable)

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.
 - For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

RESULTS: No exceptions were noted in this category in the prior year; therefore, no procedures were required in the current year. The prior year general fund unrestricted fund balance was not negative.

Bank Reconciliations

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

Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

RESULTS: No exceptions were noted as a result of these procedures.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedure, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - Employees that are responsible for cash collections do not share cash drawers/registers.
 - Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit.
 - Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, are not responsible for collecting cash, unless another employee verifies the reconciliation.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:
 - Observe that receipts are sequentially pre-numbered.
 - Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - Trace the deposit slip total to the actual deposit per the bank statement.
 - Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - Trace the actual deposit per the bank statement to the general ledger.

RESULTS: No exceptions were noted as a result of these procedures.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - At least two employees are involved in processing and approving payments to vendors.
 - The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
 - Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- Observe that the disbursement matched the related original invoice/billing statement.
- Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

RESULTS: No exceptions were noted as a result of these procedures.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, select one monthly bank statement), obtain supporting documentation, and:
 - Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.
 - Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

RESULTS: We noted that late fees were assessed on all of the selected statements.

MANAGEMENT'S RESPONSE: The District will implement additional accounts payable procedures to ensure that credit card statements are processed and paid in a timely manner.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

- Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

RESULTS: No exceptions were noted as a result of these procedures.

Contracts

15. Obtain from management a listing of all agreement/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- Observe that the contract was bid in accordance with Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
- If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- 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.

RESULTS: No exceptions were noted in this category in the prior year; therefore, no procedures were required during the current year.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- Observe that all selected employees/officials documented their daily attendance and leave (e.g. vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

- Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/official's cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

RESULTS: No exceptions were noted in this category in the prior year; therefore, no procedures were required during the current year.

Ethics (excluding nonprofits)

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
- Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - 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.

RESULTS: No exceptions were noted as a result of these procedures.

Debt Service (excluding nonprofits)

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

Not applicable – No bonds/notes were issued during the fiscal period.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

RESULTS: No exceptions were noted as a result of these procedures.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Per discussion with the management, there were no funds or assets misappropriated during the period.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

The required notice was posted on the Police Jury's premises.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the Statewide Agreed-Upon Procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of DeSoto Parish Police Jury and the Louisiana Legislative Auditor, and is not intended to be, and should not be, used by anyone other than the specified parties.

Respectfully,

Thomas, Cunningham, Broadway + Todtenbier, CPA's
Thomas, Cunningham, Broadway, & Todtenbier
Certified Public Accountants

September 4, 2019
Natchitoches, Louisiana