

ANNUAL FINANCIAL REPORT

ORLEANS PARISH
COMMUNICATION DISTRICT
(A Component Unit of the City of New Orleans, Louisiana)

DECEMBER 31, 2017 AND 2016

ORLEANS PARISH
COMMUNICATION DISTRICT

DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

June 27, 2018

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We have audited the accompanying financial statements of the Orleans Parish Communication District (the District), a component unit of the City of New Orleans, as of and for the years ended December 31, 2017 and December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the index to annual financial report.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2017 and December 31, 2016, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplementary information as listed in the index to annual financial report, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The other supplementary information as listed in the index is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information as listed in the index is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying

accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information as listed in the index is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016

This section of the Orleans Parish Communication District's (the District) annual financial report provides important background information and management's analysis of the District's financial performance during the fiscal years that ended on December 31, 2017 and 2016. Please read this section in conjunction with the financial statements and the notes to the financial statements beginning on page 10 in this report.

Financial Highlights:

- * During 2017 and 2016, the District received \$9,476,778 and \$6,172,370, respectively, from the City of New Orleans to fund operations of the 9-1-1 System in conjunction with the Cooperative Endeavor Agreement.
- * Operating revenues for the year ended December 31, 2017 increased over 2016 by \$949,164 while operating expenses for the year ended December 31, 2017 increased over 2016 by \$3,784,297. The increase in operating revenues is attributable to rate increases of wireless 9-1-1 charges effective August and October 2016. Operating expense increase is mainly attributable to an increase in salaries and benefits for the 9-1-1 center operations.
- * Capital expenditures for 2017 were \$46,721. Primarily, these expenditures were for a call control integration system and computer equipment for the call center.

Overview of the Financial Statements:

This financial report consists of the following basic parts: management's discussion and analysis (this section), the financial statements, and the notes to the financial statements.

The financial statements contained in this report are presented using Governmental Accounting Standards Board (GASB) accounting principles. These financial statements provide overall information about the District's financial activities on both a short-term and long-term basis. The statements of net position present information about its assets (resources) and liabilities (the amounts obligated to its creditors). The statements of revenues, expenses, and changes in fund net position present information about the current year's and prior year's revenues and expenses. These statements can be used to measure operating improvements or deterioration for the past year. These statements also provide useful information for determining whether the District's service revenue and other revenue sources were sufficient for the District to recover all of its costs. The final financial statements in this report are the statements of cash flows, which provide information about the District's cash from operations, investing, and financing activities. In addition, these statements provide useful information to answer questions such as where cash came from, what cash was used for, and what was the change in cash balance during the reporting period.

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016

Financial Analysis of the District:

The statements of net position and the statements of revenues, expenses, and changes in fund net position report information about the District's activities. These two statements report the net position of the District and changes in them. Increases and decreases in the District's net position are one of a number of indicators of whether its overall financial health is improving or deteriorating. However, other nonfinancial factors such as wireless communication growth should also be considered.

Net Position:

A summary of the District's statements of net position is presented below:

Condensed Statements of Net Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Current Assets	\$ 6,911,117	\$ 6,411,779
Capital Assets - Net	16,886,172	17,984,251
Total Assets	<u>23,797,289</u>	<u>24,396,030</u>
Deferred outflows of resources	<u>10,165,622</u>	<u>7,384,099</u>
Total Assets and Deferred Outflows	<u>\$ 33,962,911</u>	<u>\$ 31,780,129</u>
Current Liabilities	\$ 2,046,529	\$ 2,051,567
Noncurrent Liabilities	15,380,351	12,118,866
Total Liabilities	<u>17,426,880</u>	<u>14,170,433</u>
Deferred inflows of resources	<u>616,794</u>	<u>288,826</u>
Net Position		
Net investment in capital assets	15,121,172	15,394,251
Restricted for Debt Service	936,348	936,410
Unrestricted	(138,283)	990,209
Total Net Position	<u>15,919,237</u>	<u>17,320,870</u>
Total Liabilities, Deferred Inflows and Fund Net Position	<u>\$ 33,962,911</u>	<u>\$ 31,780,129</u>

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016

Summary of Revenues, Expenses and Changes in Fund Net Position:

The following table presents a summary of the District's revenues and expenses for the calendar years ended December 31, 2017 and 2016:

Condensed Statement of Revenues, Expenses and Changes in Fund Net Position <u>For the Years Ended December 31, 2017 and 2016</u>		
	<u>2017</u>	<u>2016</u>
Operating Revenues	\$ 6,029,220	\$ 5,080,056
Operating Expenses	16,891,682	13,107,386
Operating Loss	<u>(10,862,462)</u>	<u>(8,027,330)</u>
Nonoperating Revenues (Expenses):		
Intergovernmental revenue	9,476,778	6,172,370
Interest Income	32,278	23,554
Interest Expense	(106,912)	(137,824)
Other Income	36,759	22,662
Rental Income	21,926	30,296
Total Nonoperating Revenues (Expenses)	<u>9,460,829</u>	<u>6,111,058</u>
Change in Net Position	(1,401,633)	(1,916,272)
Total Net Position, Beginning of Year	17,320,870	19,237,142
Total Net Position, End of Year	<u>\$ 15,919,237</u>	<u>\$ 17,320,870</u>

Current Operations and Accomplishments:

On April 24, 2016, the OPCD implemented the transfer of City employees from NOFD and NOEMS Communication Divisions to the OPCD. The following Sunday, May 1, 2016, the NOPD Communication Division employees were transferred. This consolidated all public safety communications for agency field operations within the OPCD. All 9-1-1 call processing and radio dispatching to the field moved within the OPCD.

The OPCD increased in size from about 16 employees to about 160 employees. The OPCD Board promoted the Training Coordinator to the Director of Operations and hired an HR Manager. The agencies maintained their previous Communication Division Commanders to act as Agency Coordinators in an exchange of information between the newly formed consolidated center and the agencies the OPCD serve.

Integration was a challenge due to the large increase of employees, training, the initial setup of the new ADP Payroll system, and monitoring of finances.

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016

Current Operations and Accomplishments: (Continued)

All Operations employees went through training with Paramount Call-Taking Protocol from Priority Dispatch. Tele-communicators learned to accept and process emergency 9-1-1 calls from all three disciplines: Police, Fire, and EMS. As employees learn how to dispatch for each discipline, the employees earn the opportunity for promotion.

Two (2) redundant generators in the 9-1-1 center provide electrical power when commercial power is lost. Only one generator provides all the needs of the building with a second generator as redundancy if one generator is unable to operate. An analogy would be a vehicle with two (2) spare tires in case of flats. Both redundant generators were grossly oversized by the architect and electrical engineers when the building was originally designed. The building's electrical needs do not place a sufficient load on the generators creating a detrimental effect known as "wet stacking." The electrical needs only place about a 12% capacity on either generator. The generators do not reach a high enough temperature for the diesel fuel to burn properly causing a term described as "slobbering." The condition is analogous would be like purchasing a new vehicle, starting it periodically, but never placing it in gear. Over time, the vehicle's engine would begin to experience mechanical problems since it would not operate as designed.

Following the advice of electrical engineers and generator professionals, the OPCD bid the purchase and installation of an electrical load bank. This piece of equipment is a large resistor, like a large electrical heater, outside of the 9-1-1 center, which places additional electrical load so the generators can eliminate the "wet stacking" effect. This project was completed to prevent damage to the generators. A civil action has been filed against the architect and electrical engineers for improperly designing the generators and the electrical system that supports them. Depositions were taken in July and August 2017, and again in June 2018 and the dispute is set to be heard before a three-member arbitration panel in September 2018.

Communication continued with Marco Outdoor Advertising, the New Orleans Building Corporation, the Fireman's Charitable and Benevolent Association, Amtrak Railroad, and the OPCD to construct a large electronic billboard on land the OPCD has leased from the FCBA, next to I-10, to assist the City in complying with a contract between the NOBC and Marco from several decades earlier. Obtaining proper authorizations has been an ongoing process and continued through 2016. An agreement on this project was reached in 2017.

Plans and Projects:

The City's Real Time Crime Center (RTCC) has offered generous space for the OPCD back-up center's location. Funding will be needed to expand the Computer Aided Dispatch system, radio connectivity, audio logging, UPS and other computer and network systems to the RTCC so an adequate facility is available for continuity of operations. Current operations call for a manual system with diminished capability.

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016

Financial Issues:

In 2016, the Louisiana Legislature allowed an increase in the wireless 9-1-1 rates from \$.85 to \$1.25 per unit. The authority in each parish also needed to determine a need for the increase and to approve the increase before it would become effective in each individual parish. The OPCD Board approved this increase.

This legislation also established the rate for VoIP telephone service at \$1.25. It is known that some businesses in Orleans Parish stopped paying their 9-1-1 fee for landline service, which is set at \$2.00, and began remitting at the lower \$1.25 VoIP rate. Winbourne Consultants will review this issue in their revenue true-up with the carriers.

The legislature also approved raising the percentage on pre-paid minutes for the 9-1-1 fee at the point of sale from 2% to 4%. This money is forwarded by retailers to the Louisiana Department of Revenue for distribution quarterly to each parish according to the population from the most recent ten-year U.S. census.

This is much needed revenue due to the increased cost of consolidation. OPCD is now responsible for call taking, dispatching, training, audio logging and supervisory personnel (Operations "OPS") in addition to the historical technology and facilities for the Public Safety Answering Point. The City is contracted by the Consolidation Cooperative Endeavor Agreement to provide an annual appropriation to the OPCD for OPCD OPS personnel and other operating costs of OPCD OPS. The financial allocation provided by the City of New Orleans does not cover the full cost of the call center OPS personnel and its other operating costs.

Of many things to consider regarding the consolidation of OPS personnel is the payment of accrued annual and sick leave for retiring or terminating personnel for leave accrued after consolidation. The OPCD is considering the creation and maintenance of a reserve for these payments.

In order to provide quality E9-1-1 service to the public, OPCD has invested in cutting-edge technology, such as the West (previously Intrado) VIPER IP-Capable E9-1-1 Call-Taking System and the Motorola Computer Aided Dispatch (CAD) system. This has prepared the OPCD for future development of Next Generation (NG-911) which will have the capability to receive pictures, video, crash notification information, and any other source of data useful for dispatching emergency services.

In order to prepare for the future of 9-1-1, and in order to continue providing E9-1-1 service to the public, the OPCD Board of Commissioners must create an Equipment Replacement Plan so that when this equipment needs replacing, OPCD has the funds to do so. The Board of Commissioners should create a budgetary set-aside that can be used only to replace E9-1-1 equipment (such as VIPER or CAD) as it wears out or becomes functionally obsolete. The ability to keep pace with technological advancements has allowed the OPCD to purchase the equipment that is needed to meet the public's requirements for E9-1-1 service. OPCD has only been able to remain resilient because previous Boards had looked ahead and were willing to set funds aside to do so. Had previous Boards not done so, the OPCD may not have been in a position to construct the multiple 9-1-1 centers structures after Hurricane Katrina. The OPCD was able to act quickly with its financial reserve. For an equipment

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016

Financial Issues: (Continued)

replacement plan, the OPCD Board will need to contribute annually in the amount equal to a percentage of the replacement costs of each piece of equipment.

In addition to funding now for the future replacement of our 9-1-1 equipment, the Board of Commissioners must fund an adequate disaster recovery center. Although the McDaniels 9-1-1 Center is built for sustainability and survivability, OPCD must plan for the possibility that the building or site may not be inhabitable, or that 9-1-1 telephone calls cannot be sent to the center by our 9-1-1 provider. In such scenarios, the OPCD must have a secure site to continue providing full and complete enhanced 9-1-1 service to the citizens of New Orleans.

Contacting the District's Financial Management:

This financial audit report is designed to provide individuals with a general overview of OPCD's finances, and to demonstrate to the public that the OPCD is accountable for the funds it receives from the public. For additional information, please contact Stephen J. Gordon, Executive Director, Orleans Parish Communication District, 118 City Park Avenue, New Orleans, LA 70119, and (504) 671-3911.

ORLEANS PARISH COMMUNICATION DISTRICT
 NEW ORLEANS, LOUISIANA
 STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 5,296,002	\$ 4,989,561
Accounts receivable	952,908	783,300
Prepaid expenses	271,634	248,345
Due from other governments	390,573	390,573
Total current assets	6,911,117	6,411,779
Capital assets:		
Capital assets (net of accumulated depreciation)	16,886,172	17,984,251
Total capital assets	16,886,172	17,984,251
Total assets	23,797,289	24,396,030
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	10,165,622	7,384,099
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 33,962,911	\$ 31,780,129
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 733,020	\$ 819,641
Bonds payable	860,000	825,000
Bonds interest payable	25,449	37,137
Accrued payroll expenses	428,060	369,789
Total current liabilities	2,046,529	2,051,567
Noncurrent liabilities:		
Bonds payable (net of current portion)	905,000	1,765,000
Accrued leave	883,340	789,681
Net pension liability	13,592,011	9,564,185
Total noncurrent liabilities	15,380,351	12,118,866
Total liabilities	17,426,880	14,170,433
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	616,794	288,826
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	18,043,674	14,459,259
<u>NET POSITION</u>		
Net investment in capital assets	15,121,172	15,394,251
Restricted for debt service	936,348	936,410
Unrestricted	(138,283)	990,209
Total fund net position	15,919,237	17,320,870
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND NET POSITION	\$ 33,962,911	\$ 31,780,129

See accompanying notes.

ORLEANS PARISH COMMUNICATION DISTRICT
 NEW ORLEANS, LOUISIANA
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES:		
Charges for services	\$ 6,029,220	\$ 5,080,056
Total operating revenues	<u>6,029,220</u>	<u>5,080,056</u>
OPERATING EXPENSES:		
Contractual services, supplies, materials, and other	2,660,144	2,421,323
Personnel services	13,086,738	9,230,808
Depreciation	1,144,800	1,455,255
Total operating expenses	<u>16,891,682</u>	<u>13,107,386</u>
OPERATING LOSS	<u>(10,862,462)</u>	<u>(8,027,330)</u>
NONOPERATING REVENUES (EXPENSES):		
Intergovernmental revenue	9,476,778	6,172,370
Interest income	32,278	23,554
Interest expense	(106,912)	(137,824)
Miscellaneous income	36,759	22,662
Rental income	21,926	30,296
Total nonoperating revenues (expenses)	<u>9,460,829</u>	<u>6,111,058</u>
CHANGE IN NET POSITION	(1,401,633)	(1,916,272)
TOTAL NET POSITION - Beginning of year	<u>17,320,870</u>	<u>19,237,142</u>
TOTAL NET POSITION - End of year	<u>\$ 15,919,237</u>	<u>\$ 17,320,870</u>

See accompanying notes.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for services	\$ 5,859,608	\$ 4,992,744
Cash paid for goods and services	(1,195,778)	(1,128,280)
Payments for salaries and related expenses	<u>(12,934,808)</u>	<u>(8,370,083)</u>
Net cash provided or (used) by operating activities	<u>(8,270,978)</u>	<u>(4,505,619)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Intergovernmental revenue	9,476,778	6,172,370
Interest paid	(118,600)	(148,814)
Purchase of capital assets	(46,721)	(508,929)
Principal payments on bonds	(825,000)	(785,000)
Miscellaneous receipts	58,684	52,958
Net cash provided or (used) by capital and related financing activities	<u>8,545,141</u>	<u>4,782,585</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	<u>32,278</u>	<u>23,554</u>
Net cash provided by investing activities	<u>32,278</u>	<u>23,554</u>
NET INCREASE (DECREASE)	306,441	300,520
Cash and cash equivalents, January 1	<u>4,989,561</u>	<u>4,689,041</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 5,296,002</u>	<u>\$ 4,989,561</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED OR (USED) BY OPERATING ACTIVITIES:		
Operating loss	<u>\$ (10,862,462)</u>	<u>\$ (8,027,330)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,144,800	1,455,255
Change in net pension liability	1,574,271	985,191
Decrease/(Increase) in accounts receivable	(169,608)	(87,314)
Decrease/(Increase) in prepaid expenses	(23,289)	85,552
Decrease/(Increase) in due from other governments	-	(390,573)
Increase/(Decrease) in accounts payable	(86,620)	612,875
Increase/(Decrease) in accrued payroll expenses	58,271	305,068
Increase/(Decrease) in accrued leave	93,659	555,657
Total adjustments	<u>2,591,484</u>	<u>3,521,711</u>
NET CASH PROVIDED OR (USED) BY OPERATING ACTIVITIES	<u>\$ (8,270,978)</u>	<u>\$ (4,505,619)</u>

See accompanying notes.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

The Orleans Parish Communication District, which services all of Orleans Parish, was created effective July 13, 1982, pursuant to Act No. 155 of the 1982 Regular Session of the Louisiana Legislature.

The District was created for the purpose of establishing a local emergency telephone service, establishing a primary emergency telephone number, providing for the governing body of the District, and authorizing the governing authority of such district to levy an emergency telephone tax. This act was amended by Act No. 1029 in 1999 to provide for the creation of multi-parish communications districts, to provide relative to the rate of the emergency telephone service charge on landline phones and to authorize the levy of an emergency telephone service charge on certain wireless communications systems.

The District and the City of New Orleans (City) entered into a Cooperative Endeavor Agreement on January 1, 2003 that allowed the City to provide pension and health benefits to District employees, while the District provided funding support for call takers, administrative, and maintenance support for the 9-1-1 system, building, and personnel. Effective April 13, 2016, the District and the City of New Orleans entered into another Cooperative Endeavor Agreement that terminated all previous Cooperative Endeavor Agreements and consolidated operations of the 9-1-1 System. The consolidation resulted in the physical and organizational placement of all emergency communication functions into one facility as one organization supporting the New Orleans Police Department, New Orleans Fire Department, New Orleans Emergency Management Services, and New Orleans Homeland Security and Preparedness using common systems. All City personnel assigned to the 9-1-1 call center by various City departments are now assigned to the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity:

For financial reporting purposes the District is a component unit of the City of New Orleans, Louisiana (the City). The accompanying financial statements present information only as to the transactions of the District and are not intended to present fairly the financial position and results of operations of the City of New Orleans, Louisiana.

Proprietary Fund Type:

The proprietary fund is used to account for the District's ongoing operations and activities which are similar to those often found in the private sector. The District maintains one proprietary fund type – the enterprise fund. The enterprise fund is used to account for operations: a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Proprietary Fund Type: (Continued)

b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Net position is segregated into amounts invested in capital assets (net of related debt), restricted for debt service, and unrestricted.

Basis of Accounting:

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) and deferred outflows of resources and deferred inflows of resources are included on the Statements of Net Position. The Statements of Revenues, Expenses, and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Cash and Cash Equivalents:

For purposes of the Statement of Cash Flows, cash and cash equivalents include all highly-liquid investments with an original maturity of three months or less when purchased.

Allowance for Doubtful Accounts:

The District considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. Uncollectible amounts are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable.

Property, Plant, and Equipment:

Property, plant, and equipment associated with the activity of the District are recorded as assets of the District. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed when occurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation of these assets is computed using the straight-line method over the estimated useful lives of the assets.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Compensated Absences:

All full-time classified employees of the District are permitted to accrue a maximum of 90 days of vacation (annual leave) and an unlimited number of days of sick leave (accumulated at a maximum of 24 days per year). In addition, all employees earn bonus and annual sick leave based on the work week schedule and years of service. Upon termination of employment, an employee is paid for accrued annual leave based upon his or her current hourly rate of pay and for accrued sick leave on a formula basis.

Vacation (annual leave) and sick pay (sick leave) are accrued when incurred in the District.

Restricted Resources:

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Classification of Revenues:

The District has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues:

Operating revenues include activities that have the characteristics of exchange transactions, such as charges for services.

Non-operating Revenues:

Non-operating revenues include other activities, such as interest earned on cash equivalents, rental income, and intergovernmental revenue.

Risk Management:

The District is exposed to various risks of loss related to torts such as theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance to insure against these types of losses.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources:

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure/expense) until that future time.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Pensions:

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

2. CASH AND CASH EQUIVALENTS:

Cash:

At December 31, 2017 and 2016, the District has cash (book balances) totaling \$4,119,369 and \$3,470,097, respectively, and \$4,463,339 and \$3,645,937, respectively, in deposits (collected bank balances) at three financial institutions (the banks). At December 31, 2017 and 2016, these deposits are secured from risk by \$250,000 of Federal Deposit Insurance Corporation (FDIC) insurance and pledged securities held by the banks in joint custody.

Cash Equivalents:

For the years ended December 31, 2017 and 2016, cash equivalents in the amount of \$1,176,634 and \$1,519,464, respectively, consist of government pooled investments. The funds are managed by the Louisiana Asset Management Pool (LAMP) held by a custodial bank in the name of the District.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a

ORLEANS PARISH COMMUNICATION DISTRICT
 NEW ORLEANS, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

2. CASH AND CASH EQUIVALENTS: (Continued)

Cash Equivalents: (Continued)

safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-RS 33:2955. LAMP is rated AAAM by Standard & Poor's.

LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days and consists of no securities with a maturity in excess of 397 days. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool share.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. LAMP's financial statements can be obtained by contacting LAMP at 225 St. Charles Avenue, Suite 1123, New Orleans, Louisiana 70130.

3. RECEIVABLES:

The District had receivables due from the landline and wireless 9-1-1 tax collectors in the amount of \$952,908 and \$783,300 at December 31, 2017 and 2016, respectively. Receivable balances are unsecured.

4. CAPITAL ASSETS:

A summary of changes in capital assets for the years ended December 31, 2017 and 2016 are as follows:

	Life	Balance at 12/31/16	Additions	Disposals	Balance at 12/31/17
Administration Building	40	\$ 3,356,157	\$ -	\$ -	\$ 3,356,157
OPS Building	40	15,733,571	-	-	15,733,571
Gately Building	40	121,473	-	-	121,473
Equipment	10	7,362,078	46,721	(1,394,850)	6,013,949
Leasehold Improvements	40	1,083,403	-	-	1,083,403
Vehicles	5	104,161	-	-	104,161
		<u>27,760,843</u>	<u>46,721</u>	<u>(1,394,850)</u>	<u>26,412,714</u>
Accumulated Depreciation		<u>(9,776,592)</u>	<u>(1,144,800)</u>	<u>1,394,850</u>	<u>(9,526,542)</u>
Total		<u>\$ 17,984,251</u>	<u>\$ (1,098,079)</u>	<u>\$ -</u>	<u>\$ 16,886,172</u>

ORLEANS PARISH COMMUNICATION DISTRICT
 NEW ORLEANS, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

4. CAPITAL ASSETS: (Continued)

	Life	Balance at 12/31/15	Additions	Disposals/ Completed Construction	Balance at 12/31/16
Administration Building	40	\$ 2,868,943	\$ 487,214	\$ -	\$ 3,356,157
OPS Building	40	15,733,571	-	-	15,733,571
Gately Building	40	121,473	-	-	121,473
Equipment	10	8,818,734	492,929	(1,949,585)	7,362,078
Leasehold Improvements	40	1,067,403	16,000	-	1,083,403
Vehicles	5	104,161	-	-	104,161
		<u>28,714,285</u>	<u>996,143</u>	<u>(1,949,585)</u>	<u>27,760,843</u>
Construction in Progress		487,214	-	(487,214)	-
		<u>29,201,499</u>	<u>996,143</u>	<u>(2,436,799)</u>	<u>27,760,843</u>
Accumulated Depreciation		<u>(10,270,922)</u>	<u>(1,455,255)</u>	<u>1,949,585</u>	<u>(9,776,592)</u>
Total		<u>\$ 18,930,577</u>	<u>\$ (459,112)</u>	<u>\$ (487,214)</u>	<u>\$ 17,984,251</u>

5. COMPENSATED ABSENCES:

All regular full time employees accrued annual leave and sick leave based on their work week schedule. AFT/OPS employees who work a scheduled 35 hour work week accrue annual leave at a rate of 3.5 hours for every bi-weekly pay period and accrue sick leave at a rate of 3.5 hours for every bi-weekly pay period. OPS employees who work a scheduled 36/48-hour week accrue annual leave at a rate of 4.2 hours for every bi-weekly pay period and accrue sick leave at a rate of 4.2 hours for every bi-weekly pay period. AFT/OPS employees who work a 40-hour week accrue annual leave at a rate of 4.0 hours for every bi-weekly pay period for and accrue sick leave at a rate of 4.0 hours for every bi-weekly pay period. Bonus annual and sick leave is granted to employees on January 1st of each year. The bonus annual and sick leave granted is based on the employees' work week and years of service.

Bonus annual leave is granted to employees on January 1st of each year as follows based on calendar years of continuous service. Employees earn bonus annual leave as follows:

Years of Continuous Service	Bonus Annual Leave Earned per Year
5 - 9	3 days worth of hours
10 - 14	6 days worth of hours
15 - 19	9 days worth of hours
20 +	12 days worth of hours

ORLEANS PARISH COMMUNICATION DISTRICT
 NEW ORLEANS, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

5. COMPENSATED ABSENCES: (Continued)

Bonus sick leave is granted to employees on January 1st of each year as follows based on calendar years of continuous service. Employees earn bonus sick leave as follows:

Years of Continuous Service	Bonus Sick Leave Earned per Year
6 - 15	2 days worth of hours
16 +	7 days worth of hours

District employees are allowed to carry forward up to 360 hours of annual leave from year to year. Accrued annual leave in excel of 360 hours is converted to sick leave. There is no maximum for the number of sick leave hours which can be carried forward.

Upon an employee's death, termination, resignation, retirement, or lay-off, accrued annual leave is converted to cash and paid out. Accrued sick leave is converted to cash based on the following conversion factors and paid out:

Accrued Sick Leave Hours	Percent Converted to Cash
1 - 700	20%
701 - 1,400	25%
1,401 - 2,100	33%
2,101 - 2,800	50%
2,800 +	100%

If termination is the result of retirement, the employee has the option of converting accrued sick and annual leave to additional years of service. At December 31, 2017 and 2016, total accrued annual and sick leave was \$883,340 and \$789,681, respectively.

A summary of changes in compensated absences for the year ended December 31, 2017 is as follows:

Balance at December 31, 2016	\$ 789,681
Additions	847,595
Reductions	(753,936)
Balance at December 31, 2017	<u>\$ 883,340</u>

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

6. COOPERATIVE ENDEAVOR AGREEMENT:

Effective April 13, 2016, the District and the City of New Orleans (City) entered into a Cooperative Endeavor Agreement (CEA) to consolidate operations of the 9-1-1 call center. As a result of the CEA, all City personnel assigned to the 9-1-1 call center by various other City departments were assigned to the District.

The CEA requires the City is to provide an annual appropriation to the District for the OPS personnel, cost including health and accident insurance, employer retirement contributions, workers compensation, unemployment insurance, life insurance, uniform allowance, sick leave, annual leave, and terminal leave. In addition, the City is to provide the District with access to computer programs and software applications which the City has purchased enterprise-wide licenses, provided the license agreements allow the City.

The District is required to develop an administrative and organizational structure that ensures consolidated operations and maintain and improve upon the current operational performance of 9-1-1 services with the City. Also, the District is to purchase, implement, and maintain hardware, software, and systems required for the provisions of E9-1-1 service throughout Orleans Parish; provide personnel with professional training and support; and maintain the physical facility known as the Warren E McDaniel 9-1-1 center for E9-1-1 services.

The CEA requires the District to provide an offset to the City's general fund in the amount equal to \$500,000 which shall be dedicated to support the consolidated 9-1-1 operations. During the year ended December 31, 2016, the City allowed the District to retain and use the \$500,000 required payment by the District to cover the additional cost that resulted from the consolidation. The additional costs consisted of equipment acquisitions, advertising, salaries, and related expenses.

During the years ended December 31, 2017 and 2016, the District received intergovernmental revenue in the amount of \$9,476,778 and \$6,172,370, respectively, from the City to fund the OPS personnel cost. The City owes the District \$390,573 and \$390,573 as of December 31, 2017 and 2016, respectively, for the cost of the accrued annual and sick leave earned by employees assigned to the District from other City departments.

7. RELATED PARTY:

The City of New Orleans provides health and accident insurance to the District's employees exclusively through preferred provider organizations (PPOs). Under this type of program, the District pays initial premiums based on the level of the employee's participation and has no further liabilities on any claims. The total amount of contributions by the District for health insurance was \$1,222,481 and \$975,836 for 2017 and 2016, respectively.

The District also pays the Municipal Employees' Retirement System of the City of New Orleans for its employees' pension costs. See footnote number 8 for the disclosures.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

8. PENSION PLAN:

The District's employees participate in the Employees' Retirement System of the City of New Orleans (the Plan) (NOMERS). The Plan, a single-employer defined benefit pension plan, is controlled and administered by a separate Board of Trustees. The Plan covers all employees of the District. The Plan provides retirement, deferred, and disability benefits; survivor benefits; and cost-of-living adjustments to plan members and beneficiaries. It is supported by joint contributions of the City and employee members and income from investments. The Plan became operative on July 1, 1947. The City of New Orleans makes contributions for members during active service as well as for periods of service of members employed prior to July 1, 1947. In this way, reserves are accumulated from the city and employee contributions.

The Board issues a publicly available financial report that includes financial statements and required Plan supplementary information. The financial report for the Plan may be obtained by writing to: The Employees' Retirement System of the City of New Orleans, 1300 Perdido Street, New Orleans, Louisiana 70131.

Benefits Provided:

Retirement Benefits:

Under the Plan, employees with 30 years of service, or who attain age 60 with 10 years of service or age 65 and five years of service, are entitled to a retirement allowance. Effective January 1, 2002, any member whose age and service total 80 may retire with no age reduction. The benefits to retirees consist of the following:

An annuity, which is the actuarial equivalent of the employee's accumulated contribution; plus

1. Effective for members retiring on or after January 1, 2002, an annual pension, which, together with above annuity, provides total retirement allowance equal to 2.5% of average compensation times first 25 years, plus 4% of average compensation times creditable service over 25 years.
2. Effective for members retiring before 2002, but on or after January 1, 1983, an annual pension, which, together with above annuity, provides total retirement allowance equal to 2% of average compensation times first 10 years, plus 2.5% of average compensation times next 10 years, plus 3% of average compensation times next 10 years, plus 4% of average compensation times creditable service over 30 years.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

8. PENSION PLAN: (Continued)

Benefits Provided: (Continued)

Retirement Benefits: (Continued)

3. Effective January 1, 1983, additional pension equal to 2% of \$1,200 times first 10 years, plus 2.5% of \$1,200 times next 10 years, plus 3% of \$1,200 times next 10 years, plus 4% of \$1,200 times service over 30 years, ceases at 62 or at eligibility for Social Security, whichever comes first. Effective January 1, 2002, the \$1,200 exclusion will not apply.
4. Additional pension for members, who reach age 65 with 20 or more years and the retirement allowance under (1) and (2) above is less than \$1,200 per year, to produce total retirement allowance of \$1,200 per year.
5. Effective January 1, 1982, for service retirement prior to age 62 with less than 30 years of Service, (3) and (4) above are reduced by 3% for each year below 62. However, effective January 1, 1996, this reduction is not made if employee has at least 30 years of service. Effective January 1, 2002, no reduction if age and service total at least 80.

The maximum benefit will not be greater than 100% of average compensation, unless member has already accrued a larger benefit as of April 1978. Effective June 1, 1999, the minimum benefit will be \$300 per month for retirees with 10 years of service at retirement.

Form of Benefit:

Modified cash refund annuity - If a member dies after retirement and before receiving the amount of his accumulated contributions in annuity payments, then the lump sum balance of his contributions is paid to beneficiary.

Cost-of-Living:

Board of Trustees retains excess over average 3.5% interest earnings to provide cost-of-living increases in benefits to retirees (past or future) not to exceed 3% of original benefit per each year of retirement. Effective January 1, 2001, additional one-time increase of 1% times member's or beneficiary's current monthly benefit times whole calendar years from date benefit commenced.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

8. PENSION PLAN: (Continued)

Benefits Provided: (Continued)

Death Benefits:

Members that expire during active service are eligible for death benefits. The benefits represent the members accumulated plan contributions and are paid to the member's beneficiary. Additional information is as follows:

1. If a member has three years creditable service, additional lump sum benefit equal to 1/4 of earnable compensation for year preceding death, plus 5% of such earnable compensation for each additional year of creditable service (benefit not to exceed compensation made before death).
2. If, at date of death, a member was eligible for retirement and leaves a surviving spouse, the surviving spouse shall be eligible to elect either Option number 2 or Lump Sum refund of employee's contributions.
3. Offset by worker's compensation benefits.
4. If, at date of death, a member was ineligible for retirement, but was at least 55 years of age and had 10 or more years of creditable service or was under age 55 and had at least 20 years of creditable service, then the surviving spouse may elect to receive benefit equal to an actuarially reduced amount based upon the member's age and years of creditable service. Benefit to cease when the surviving spouse reaches age of eligibility for Social Security.

Separation Benefits:

1. Effective January 1, 2002, a member who separates with five years of creditable service may allow his accumulated contributions to remain on deposit and service retirement allowance to begin as early as age 65.
2. Prior to January 1, 2002, withdrawal with 10 years of creditable service prior to separation, a member may allow accumulated contributions to remain on deposit and service retirement allowance to begin as early as age 60 (subject to reduction if retirement is elected before age 62). If death occurs before retirement, return of accumulated contributions with interest.
3. Upon withdrawal without five years creditable service, the employee is entitled to return of his accumulated contributions with interest or may allow contributions to remain on deposit for maximum of five years. (In case of employee's death, then accumulated contribution plus interest are paid to beneficiary.)

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

8. PENSION PLAN: (Continued)

Benefits Provided: (Continued)

Separation Benefits: (Continued)

4. If employee re-enters after receipt of refund and continues service thereafter for at least six months, he may repay amount of refund plus the amount of employer contributions, with compound interest, to receive prior creditable service again.

Optional Forms of Benefits:

1. If a member dies before receiving, in annuity payments, the value of his annuity at the time of his retirement, then balance is payable to his beneficiary.
2. 100% survivor's benefits - reduced retirement benefit continued to beneficiary at member's death. If the spouse predeceases the retiree, the benefit reverts back to the maximum amount.
3. 50% survivor's benefits - 50% of reduced retirement benefit continued to beneficiary at member's death. If the spouse predeceases the retiree, the benefit reverts back to the maximum amount.
4. Other benefits of equal actuarial value may be available upon approval of the Board.

Disability:

Any amounts which may be paid or payable under the provisions of any workmen's compensation statute or similar law to a member or to a dependent or a member on account of accidental disability or accidental death shall, in such a manner as the Board shall approve, be offset against and payable in lieu of any benefits payable out of the funds provided by the City under the provisions of the retirement system on account of the same accidental disability or on account of death.

Ordinary Disability Retirement:

Upon written application of a member in active service or of the head of his department, any member who has had 10 or more years of creditable service may be retired by the Board on an ordinary disability retirement allowance if a physician nominated by the Board shall certify that the member is mentally or physically totally incapacitated for the further performance of duty, that such incapacity is likely to be permanent, and that the member should be retired. Upon retirement for ordinary disability, a member will receive a service retirement allowance, if eligible, otherwise the member will receive a disability retirement allowance, which will consist of:

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

8. PENSION PLAN: (Continued)

Benefits Provided: (Continued)

Ordinary Disability Retirement: (Continued)

- a. An annuity which is the actuarial equivalent of the employee's accumulated contributions; and
- b. An annual pension, which, together with (a), equals 75% of service allowance that would have been payable at age 65, had member continued in service to age 65, computed on the average compensation.

Accidental Disability Retirement:

Upon the application of a member or the head of his department, any member whom the Board finds has been totally and permanently incapacitated as result of an accident sustained in service as a member and occurring while in performance of his duty may be retired by the Board; provided, that a physician nominated by the Board will certify that the member is, mentally or physically, totally incapacitated and that the member should be retired.

Upon retirement for accidental disability, a member will receive a service retirement allowance, if eligible; otherwise the member will receive an accidental disability retirement allowance, consisting of:

- a. An annuity which is the actuarial equivalent of the employee's accumulated contributions; and
- b. An annual pension equal to the difference between the employee's annuity and 65% of earnable compensation for year preceding date of accident.

Medical examinations are required every three years for those disability retirees under 60. Accidental disability benefits are offset by workmen's compensation payments, if any.

Reciprocity:

Effective July 16, 1974, provisions made for reciprocal transfers of service and funds between this System and the Employees' Retirement System of the Sewerage and Water Board of New Orleans, in the event an employee transfers from one employer to the other, service credits were transferred from sending system to receiving system provided all employee contributions plus earned interest and all employer contributions, plus agreed-upon interest, are transferred. Effective September 23, 1993, retroactive for transfers on and after the October 17, 1988, agreement was amended to provide for a transfer from the sending system to the receiving

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

8. PENSION PLAN: (Continued)

Benefits Provided: (Continued)

Reciprocity: (Continued)

system equal to the GASB No.5 liability of the sending system at 7% interest, 5% salary scale, the remaining GASB No. 5 actuarial assumptions and the salary and benefit structure in effect for the sending system at time of transfer.

A detailed plan agreement has been published and made available to all plan participants. Their agreement contains all information regarding the plan's benefits, amendments, actuarial assumptions, and contribution requirements.

Early Retirement Window:

From January 1, 1987 through April 30, 1987, an early retirement window was available. Any member, who had at least 15 years of service and whose age plus service totaled at least 70, could retire during the window with no reduction for early retirement. The member must have converted all sick leave into service credits.

DROP Account:

Effective January 1, 1994, any member who is eligible for a service retirement under Section 114-201(a) may participate in the DROP program. A member can participate for up to five years. When a member joins the DROP, he stops contributing to and earning benefits in the system. Employer contributions also stop. His retirement benefit begins being paid into his DROP account.

1. Interest is earned on the DROP account at an annual rate set by the Board. Members of the DROP receive cost-of-living increases, as if they would have received such raises as a retiree.
2. Upon termination of employment at the end of the specified period of DROP participation, the DROP account is paid out. After his DROP period ends and upon continued or re-employment, the member may resume contributions and earn a supplemental benefit based on current covered compensation.
3. If at the end of a member's period of DROP participation he does not terminate employment, payments into DROP shall cease and no further interest shall be earned or credited to the account. Payments shall not be made until employment is terminated.

ORLEANS PARISH COMMUNICATION DISTRICT
 NEW ORLEANS, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

8. PENSION PLAN: (Continued)

Contributions:

Plan members are required to contribute 6% of their annual covered salary. The District is required to contribute at an actuarially determined rate. The employer contribution rate for the years ended December 31, 2017 and 2016 are 21.490% and 22.512% of annual payroll, respectively. The contribution requirement of Plan members and the District are established and may be amended by state statute. The contribution made by the District to the Plan for the years ended December 31, 2017 and 2016 was \$1,518,047 and \$1,014,482, respectively.

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

At December 31, 2017 and 2016, the District reported a liability for the Plan in the amount of \$13,592,011 and \$9,564,185, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017 and December 31, 2016, and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuations as of that date. The District's proportion of the net pension liability for the retirement system was based on the District's pension wages reported to the pension plan as a percentage of total pension wages reported to the Plan. At December 31, 2017 and 2016, the District's proportion for the Plan was 5.7124% and 3.7438%, respectively.

At December 31, 2017 and 2016, the District recognized pension expense for its participation in the Plan of \$3,092,318 and \$1,999,673, respectively.

At December 31, 2017 and 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,288,783	\$ 266,839
Net difference between projected and actual earnings on pension plan investments		230,692
Change in proportion and differences between employer contributions and proportionate share of contributions	6,876,839	119,263
Total	<u>\$ 10,165,622</u>	<u>\$ 616,794</u>

ORLEANS PARISH COMMUNICATION DISTRICT
 NEW ORLEANS, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

8. PENSION PLAN: (Continued)

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

2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,004,721	\$ 218,600
Net difference between projected and actual earnings on pension plan investments	996,094	-
Change in proportion and differences between employer contributions and proportionate share of contributions	4,383,284	70,226
Total	<u>\$ 7,384,099</u>	<u>\$ 288,826</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized in pension expense (benefit) as follows:

Year Ending December 31,	Amount
2018	\$ 1,813,750
2019	1,674,976
2020	1,204,380
2021	1,246,741
2022	1,606,976
Thereafter	2,002,005
Total	<u>\$ 9,548,828</u>

ORLEANS PARISH COMMUNICATION DISTRICT
 NEW ORLEANS, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

8. PENSION PLAN: (Continued)

Actuarial Assumptions:

The total pension liability for the Plan in the December 31, 2017 and 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Expected Remaining Service Lives	8 Years
Investment rate of return	7.50% compounded annually
Inflation rate	2.50%
Projected salary increases	5.00% compounded annually
Cost-of-living adjustments	None
Mortality	RP-2000 Combined Healthy Mortality Table (Sex Distinct) Without Projection
Termination and disability	RP-2000 Disability Mortality Table (Sex Distinct) Without Projection

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges 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. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target allocation as of December 31, 2017 and 2016 are summarized as follows:

<u>December 31, 2017</u>	Target Asset	Long-term
Asset Class	Allocation	expected portfolio
		real rate of return
Equity Securities	58%	4.49%
Fixed Income	27%	0.73%
Real Estate	5%	0.23%
Other Alternate Investments	10%	0.62%
Total Real Return	<u>100%</u>	<u>6.07%</u>
Inflation		<u>2.50%</u>
Long-term expected rate of return		<u>8.57%</u>

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

8. PENSION PLAN: (Continued)

Actuarial Assumptions: (Continued)

<u>December 31, 2016</u>	Target Asset	Long-term
Asset Class	Allocation	expected portfolio
		real rate of return
Cash Equivalents	2%	0.04%
Equity Securities	58%	4.77%
Fixed Income	25%	0.77%
Real Estate	5%	0.34%
Other Alternate Investments	10%	0.73%
Total Real Return	<u>100%</u>	<u>6.65%</u>
Inflation		<u>2.26%</u>
Long-term expected rate of return		<u>8.91%</u>

Discount Rates:

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from District members will be made at the current contribution rates and those contributions from participating employers will be made at the actuarially determined rates approved by the District's board, taking into consideration the recommendation of the District's actuary. Based on those assumptions, the system 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.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rates:

The following presents the net pension liability of the District calculated using the discount rate of 7.5% as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower, 6.5%, or one percentage point higher, 8.5%, than the current rate for the years ending December 31, 2017 and 2016:

	1% Decrease	Current Rate	1% Increase
	6.5%	7.5%	8.5%
NPL - December 31, 2017	<u>\$ 17,227,275</u>	<u>\$ 13,592,011</u>	<u>\$ 10,549,584</u>
NPL - December 31, 2016	<u>\$ 11,905,007</u>	<u>\$ 9,564,185</u>	<u>\$ 7,600,645</u>

ORLEANS PARISH COMMUNICATION DISTRICT
 NEW ORLEANS, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

8. PENSION PLAN: (Continued)

Pension Plan Fiduciary Net Position:

Detailed information about the pension plans fiduciary net position is available in the separately issued financial reports for NOMERS.

Payables to the Pension Plan:

As of December 31, 2017 and 2016, the District had outstanding contributions payable to the pension plan of \$229,757 and \$321,743, respectively.

9. BOARD COMPENSATION:

Members of the Board of Commissioners are not paid per diem for attending Board meetings.

10. LEASES:

During May 2002, the District entered into an operating lease agreement for the lease of land. The lease term is for 50 years with an option to renew for four 10-year periods beginning June 2052. The annual rent for the first 10 years was fixed at a specific amount. The remaining term of the lease shall be divided into consecutive five-year rent periods. The annual rent for each rent period will be adjusted by a formula based on the consumer price index.

The District also leases various pieces of equipment under month-to-month leases.

Total rental expense for all leases for the years ended December 31, 2017 and 2016 was \$280,873 and \$292,762, respectively. Future minimum lease payments for all leases are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 295,503
2019	295,503
2020	295,503
2021	295,503
2022	295,503
Thereafter	8,717,339
Total	<u>\$ 10,194,854</u>

ORLEANS PARISH COMMUNICATION DISTRICT
 NEW ORLEANS, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

11. REVENUE BONDS:

During 2004, the District issued \$10,000,000 of revenue bonds to pay part of the cost of constructing, acquiring, equipping, and furnishing a communications center headquarters and related facilities and paying the costs of issuance of the bonds.

The bonds bear interest at 4.35% and mature in 2019. The Revenue Bonds will be payable from a pledge of 1) the proceeds of the emergency telephone tax imposed pursuant to law and 2) the excess of annual revenues of the District.

A summary of changes in bonds payable for the year ended December 31, 2017 is as follows:

Balance at December 31, 2016	\$ 2,590,000
Payments	<u>(825,000)</u>
	1,765,000
Less: Current portion at December 31, 2017	<u>(860,000)</u>
Long-term portion at December 31, 2017	<u>\$ 905,000</u>

The following amounts are expected future maturities of the bonds at December 31, 2017:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 860,000	\$ 76,348	\$ 936,348
2019	<u>905,000</u>	<u>39,368</u>	<u>944,368</u>
	<u>\$ 1,765,000</u>	<u>\$ 115,716</u>	<u>\$ 1,880,716</u>

12. NET POSITION:

Restricted:

Net position in the amount of \$936,348 and \$936,410 for the years ending December 31, 2017 and 2016, respectively, have been restricted for the payment of principal and interest on bonds.

Unrestricted – Board Designated:

As of December 31, 2017 and 2016, unrestricted net position in the amounts of \$(138,283) and \$990,209, respectively, have been designated by the Board for future capital outlay. Such plans are subject to change and have not been legally authorized.

ORLEANS PARISH COMMUNICATION DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY
FOR THE THREE YEARS ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	5.7124 %	3.7438 %	0.8499 %
District's proportionate share of the net pension liability	\$ 13,592,011	\$ 9,564,185	\$ 1,900,272
District's covered-employee payroll	\$ 6,901,061	\$ 4,324,216	\$ 826,428
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	196.96 %	221.18 %	229.94 %
Plan fiduciary net position as a percentage of the total pension liability	62.22 %	58.06 %	60.26 %

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

ORLEANS PARISH COMMUNICATION DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
FOR THE THREE YEARS ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 1,483,758	\$ 973,410	\$ 186,591
Contributions in relation to the statutorily required contribution	<u>1,483,758</u>	<u>973,410</u>	<u>186,591</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,901,061	\$ 4,324,216	\$ 826,428
Contributions as a percentage of covered-employee payroll	21.50%	22.51%	22.58%

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

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

1. CHANGE IN BENEFIT TERMS:

There was no change in benefit terms during any of the years presented.

2. CHANGE IN ASSUMPTIONS:

There was no change in assumptions during any of the years presented.

ORLEANS PARISH COMMUNICATION DISTRICT
 NEW ORLEANS, LOUISIANA
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
 TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2017

Agency Head Name: Stephen Gordon, Executive Director

<u>PURPOSE</u>	<u>AMOUNT</u>
Salary	\$ 101,106
Benefits - insurance	8,569
Benefits - retirement	22,716
Per diem	490
Reimbursements	<u>945</u>
TOTAL	<u>\$ 133,826</u>



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Maher, LLP

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Guy L. Duplantier, CPA
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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)

June 27, 2018

Board of Commissioners
Orleans Parish Communication District
118 City Park Avenue
New Orleans, Louisiana 70119

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Orleans Parish Communication District, a component unit of the City of New Orleans, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 27, 2018.

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.

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Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency 17-01 described in the accompanying schedule of findings to be material weaknesses.

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. We consider the deficiencies 17-02, 17-03 and 17-04 described in the accompanying schedule of findings to be a significant deficiency.

The results of our tests disclosed instances of immaterial matters of internal control over financial reporting and compliance or other matters that we have communicated to management in a separate letter.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* as item 17-05.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

ORLEANS PARISH COMMUNICATION DISTRICT
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

SUMMARY OF AUDITOR'S RESULTS:

1. Finding Required To Be Reported Under Generally Accepted Government Auditing Standards:

Internal Controls – Significant deficiency with material weakness

17-01 General Ledger

During the performance of audit procedures, we noted the following mispostings made to the general ledger:

- a. Funds received prior to year-end were not deposited and posted to the general ledger in the current fiscal year resulting in a material understatement in cash and overstatement in accounts receivable;
- b. Year-end payroll accrual was posted incorrectly resulting in a material understatement in cash and liabilities;
- c. Receipts were posted to incorrect customer accounts and revenues were posted to incorrect general ledger accounts resulting in inaccurate internal financial reports;
- d. Incorrect invoices/credits were not removed from the accounts payable subsidiary ledger resulting in a material discrepancy between the subsidiary ledger and the trial balance; and
- e. Manual payroll checks were posted to an incorrect account in the general ledger resulting in an overstatement of cash and an understatement of expenses.

Receipts should be posted to the accounting system when received to properly reflect cash and accounts receivable and should be coded to correct customers and revenue accounts. Reasonable estimates of liabilities should be made to ensure internal financial information is accurate. Subsidiary ledgers should be periodically reviewed for accuracy and adjusted as required, and all payroll checks should be processed through the payroll system. We recommend the District implement a cash receipts policy which ensures the timely deposit of funds and posting of receipts to the general ledger. We recommend policies be implemented to ensure payroll is recorded in the proper period, accruals are adjusted as needed, and manual payroll checks are processed accurately. We recommend the review of account details of the chart of accounts on a regular basis to ensure information is being posted accurately; and review, investigate, and remove, as necessary, items listed on subsidiary ledgers that are inaccurate.

ORLEANS PARISH COMMUNICATION DISTRICT
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

SUMMARY OF AUDITOR'S RESULTS: (Continued)

Internal Controls – Significant deficiency

17-02 Cash

During the audit of cash, we noted the following items:

- a. Outstanding checks greater than six months old were listed on the cash reconciliations, voided checks were listed as outstanding on a cash reconciliation and there was no review of the reconciliation by a second person resulting in incorrect cash reconciliations;
- b. Checks were being issued out of order which could result in inaccurate internal reporting;
- c. The check register for the operating account contained multiple notations of “missing checks” which could result in inaccurate internal reporting;
- d. Cash transactions were posted to incorrect accounting periods resulting in inaccurate internal reporting; and
- e. Manual payroll checks were not being processed through the payroll system resulting in inaccurate federal and state reporting which requires payroll tax forms to be amended.

Cash activity and cash reconciliations should be reviewed to ensure accurate internal financial statements are generated. We recommend the District implement a policy which ensures outstanding cash items are reviewed and adjusted on a regular basis; voided checks are properly voided from the accounting system; checks are issued in sequential order; cash reconciliations are reviewed and approved by a second person; and manual payroll checks are processed through the ADP payroll system accurately and timely.

17-03 Payroll

During the audit of payroll, we noted the following items:

- a. Payroll reports are not reviewed and approved by an additional level of management resulting in inaccurate reporting of wages and related payroll tax liabilities;
- b. Access to the payroll system is not limited to the payroll manager only which could result in unauthorized changes to the system;
- c. Support for approval of sick leave, annual leave, and leave without pay, was not properly maintained. In addition adjustments to employees' annual leave hours and sick leave hours were incorrect which could result in the overpayment or underpayment of wages upon termination;
- d. There exists a lack of segregation of duties relating to the funding of payroll to the ADP system and the reconciliation of cash which makes the District at risk of fraud;

ORLEANS PARISH COMMUNICATION DISTRICT
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

SUMMARY OF AUDITOR'S RESULTS: (Continued)

- e. Not all payroll checks are being processed through the payroll system resulting in improper reporting of salaries and related expenses in the general ledger in addition to improper reporting of payroll to the federal and state agencies;
- f. Daily leave and attendance was not documented which could result in the overpayment or underpayment of wages;
- g. Employees did not obtain management approval prior to taking leave which could result in the overpayment or underpayment of wages; and
- h. Current pay rates for employees were not supported by an employee contract or other official documentation maintained in the employees' files which could result in the over-payment or underpayment of wages.

The District should have a payroll system with strong internal controls in place to ensure the proper reporting and recording of payroll and payroll related expenses. We recommend the District review their payroll system and implement additional controls to ensure the proper payment and recording of all payroll and payroll related expenses.

17-04 Credit Card Disbursements

During credit card disbursement testing, we noted the following:

- a. 10 instances in which monthly credit card statements were not reviewed or approved by management;
- b. Receipts for 37 of the 43 transactions tested did not denote the business/public purpose;
- c. Charges were not supported by receipts for 21 of the 43 tested; and
- d. One violation of Article 7 Section 14 of the LA Constitution which prohibits the loan, pledge, or donation of funds, credit, property, or things of value.

All credit card disbursements should be supported by detailed receipts and, where appropriate, an explanation detailing the nature of the purchase and approval by the Executive Director. Not obtaining detailed receipts for purchases in addition to the explanation of the purchase and review by the Executive Director could result in the misuse or misappropriation of funds. We recommend the District develop a policy over credit card disbursements and require all detailed receipts be obtained, and where appropriate include a detail explanation on the nature of the purchase and review by the Executive Director.

ORLEANS PARISH COMMUNICATION DISTRICT
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

SUMMARY OF AUDITOR'S RESULTS: (Continued)

Compliance with Laws and Regulations

17-05 Fixed Assets

Louisiana Revised Statute 24:515 B.(1) requires the District to maintain records of all land, buildings, improvements other than buildings, equipment, and any other general fixed assets which were purchased or otherwise acquired, and for which such entity is accountable. The records shall include information as to the date of purchase of such property or equipment, the initial cost, the disposition, if any, the purpose of such disposition, and the recipient of the property or equipment disposed of.

During the audit of fixed assets, we noted the following deficiencies:

- a. Beginning accumulated depreciation did not agree with prior year ending accumulated depreciation for six assets tested;
- b. Depreciation expense for ten assets tested in the current year was understated;
- c. Depreciation expense for seven assets tested in the current year was overstated;
- d. Net book value for one asset tested was overstated;
- e. 57 assets had no initial cost;
- f. 204 assets had no date of purchase; and
- g. 37 assets were disposed of with no "written" purpose

The above deficiencies resulted in the District not being in compliance with the Louisiana Revised Statutes and inaccurate financial reporting. We recommend the District update the listing of fixed assets to be in compliance with the general fixed asset statutes of the State of Louisiana.

2. Summary of Prior Year Findings:

Internal Controls – Significant deficiency with material weakness

16-01 Cash

During the audit, we noted bank statements accumulated for several months before they were reconciled to the appropriate general ledger accounts. We also noted material outstanding checks listed on the cash reconciliations that had been voided, no review of the cash reconciliations by another person, and checks that had been voided in the accounting system had cleared on the bank statement with a different check number. Not reconciling the bank statements to the appropriate general ledger accounts could result in errors occurring in both cash transactions and reporting and not detected timely. In order to make the financial reports generated by the accounting system as meaningful as possible, the District should correctly reconcile the general ledger cash accounts on a timely basis. Cash reconciliations between the bank balance and the

ORLEANS PARISH COMMUNICATION DISTRICT
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

SUMMARY OF AUDITOR'S RESULTS: (Continued)

general ledger balance assists the District to ensure all cash transactions are recorded properly and to discover any bank errors. We recommend all cash bank statements be reconciled on a timely basis to the appropriate general ledger controls and review the reconciliations by management. This comment is repeated in current year. See comment 17-02.

Internal Controls – Significant deficiency

16-02 Payroll

During the audit of payroll, we noted the following deficiencies relating to payroll:

- a. Duplicate posting of payroll expenses.
- b. Documentation supporting promotions did not specify an effective date for the promotion resulting in improper pay rates for employees.
- c. Payroll reports are not reviewed and approved.
- d. Access to the payroll system is not limited to the payroll manager only.
- e. Lack of documented support for approval of sick, annual leave, and leave without pay.
- f. Lack of segregation of duties relating to the funding of payroll and the reconciliation of cash.
- g. Not all time cards were reviewed and approved by shift supervisors.

The District should have a payroll system with strong internal controls in place to ensure the proper reporting and recording of payroll and payroll related expenses. Without a payroll system with strong internal controls, employee wages could be over and under paid; in addition, reporting of the payroll expense could be over and under stated which will result in incorrect financial statements. We recommend the District review their payroll system and implement additional controls to ensure the proper payment and recording of all payroll and payroll related expenses. A current year comment was made regarding payroll. See comment 17-03.

Management Letter Comments:

16-03 Public Bid Law

The District received three quotes for the purchase of computers totaling \$18,500. However, at the time of the quotes, the District intended to make an additional purchase of the same type of equipment at the same prices in the future, therefore, making the aggregates of the purchase exceed \$30,000. The purchase was not properly advertised, requesting bids. In addition, the District received three quotes for the purchase of materials and supplies between \$10,000 and \$30,000. The District did not accept the

ORLEANS PARISH COMMUNICATION DISTRICT
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

SUMMARY OF AUDITOR'S RESULTS: (Continued)

lowest bidder for the materials and supplies, and the reason for the rejection was not documented. Louisiana Revised Statutes 38:2212.1 states all purchases of any materials or supplies exceeding the sum of thirty thousand dollars are subject to bid law provisions which requires an advertisement for bids to be published two times in a newspaper of the locality and awarded to the lowest bidder meeting specifications. In addition, any quote or bid accepted that is not the lowest bid must be documented with an appropriate reason. Not advertising for bids, in addition to not documenting the reason for rejection of the lowest bidder, results in noncompliance of the Louisiana Public Bid Law. We recommend the District ensure employees are knowledgeable regarding the requirements of the Louisiana Public Bid Law to ensure compliance with all aspects of the law. This comment was cleared during the year.

16-04 Employee Reimbursement Policy

During employee business expense reimbursement testing, it was noted that the District does not have a written policy in place regarding employee reimbursement of business expenses. The District should have an employee business expense reimbursement policy. Not having an employee business expense reimbursement policy could result in the misuse of funds. The employee reimbursement policy should include the type of business expenses that will be reimbursed, the documentation required to be submitted for reimbursement and review procedures. Lastly, the reviewer should not review and approve their own reimbursement. We recommend that the District develop a written policy regarding the employee business expense reimbursements. This comment was cleared during the year.

16-05 Credit Card Disbursements

During credit card disbursement testing of three months, there were instances in which a purchase did not include a receipt, instances in which travel/lodging was not approved by the Executive Director, and instances in which the receipt did not contain an explanation detailing the nature of the purchase. Additionally, two of the three statements tested were not stamped and signed by the Executive Director authorizing payment. All credit card disbursements should be supported by detailed receipts and where appropriate an explanation detailing the nature of the purchase and approval by the Executive Director. Not obtaining detail receipts for purchases in addition to the explanation of the purchase and review by the Executive Director could result in the misuse or misappropriation of funds. We recommend the District develop a policy over credit card disbursements and require all detail receipts be obtained, and where appropriate include a detail explanation on the nature of the purchase and review by the Executive Director. A current year comment was made regarding credit card disbursements. See comment 17-04.



ORLEANS PARISH COMMUNICATION DISTRICT

Administrators of New Orleans' 9-1-1 System

June 26, 2018

Board of Commissioners

Chairman

Col. Terry Ebbert
At-Large Member

Vice Chairman

Brobson Lutz, MD, MPH
Orleans Parish Medical Society

Members of the Board

Capt. Donovan T. Archote
Louisiana State Police

William J. Masterson, CEO
UMC New Orleans

Maj. Gen. Glenn H. Curtis
Louisiana National Guard

Gilbert A. Montañó CAO
City of New Orleans (At-Large)

Supt. Timothy McConnell
N.O.F.D./H.S.E.P.

Supt. Michael S. Harrison
N.O. Police Department

Director Emily M. Nichols, MD
N.O. Emergency Medical Services

Dr. Joseph M. Kanter
N.O. Health Department

Ms. Michelle Cunningham
Duplantier Hrapmann Hogan & Maher, LLP
1615 Poydras Street, Suite 2100
New Orleans, LA 70112

Dear Ms. Cunningham:

Following items are in response to the 2017 Financial Statement findings.

Internal Control

17-01) General Ledger

Greater care will be taken to make sure that receipts, transactions and payroll are accounted for and deposited as soon as possible. A policy has been put in place regarding this issue.

Subsidiary ledgers will be checked periodically to make sure they agree to the general ledger.

Safeguards are now in place to make sure manual payroll checks are recorded in the payroll system.

17-02) Cash

Management will get approval from a second person for all bank reconciliations and outstanding cash items will be reviewed and adjusted on a monthly basis. Management will ensure that checks are properly voided from the accounting system, checks are issued in sequential order and manual checks are processed through the payroll system accurately and timely.

17-03) Payroll

OPCD has begun reviewing the payroll system to put a policy in place that has sufficient internal controls. Currently payroll reports are reviewed and approved by three levels of management and payrolls are much improved.

Executive Staff

Stephen Gordon
Executive Director

Tyrell Morris
Interim Operations Director

Access to the payroll system is now limited to the payroll manager and the Human Resource assistant. OPCD has worked diligently to improve the leave policy. Leave is requested through Quickbase and approved by the supervisor as well as the supervisor approving the time card that has leave on it. Quickbase should take care of the problems with daily leave and attendance documentation and the management approval. The leave balances will be reviewed by two people and if corrections are needed a third individual will implement the corrections.

A second person will be utilized to approve the bank reconciliation for payroll and OPCD will review and document all personnel's base pay and any increase and get official documentation for the employees' pay rates in their files.

17-04 Credit Card

OPCD is currently implementing a policy over credit card disbursements and detailed receipts for these disbursements. Included in the policy is the appropriate approval and review by the Executive Director.

17-05 Fixed Assets

Fixed Assets will be corrected. Many of the problems were due to the method of accounting for fixed assets from 1998 to 2005. Assets were purchased as a package and recorded as a lump sum but the remaining individual items were recorded at zero. This was the method of keeping track of OPCD assets that could not be assigned a value because many different items were purchased as a group.

Additional problems occurred with the current fixed asset software that is more of an item tracker rather than a depreciation calculator. The fixed asset software did not calculate certain items correctly.

For the assets with no date of purchase they do have a date put in service. When imported that field was left blank but should have been the same as the date put in service. This was a clerical error and will be fixed.

The assets that were disposed of with no written purpose were all purchased from 1998 to 2000. The reason for disposal was inadvertently left off. All of the assets were at least 17 years old and have been disposed of due to replacement with more up to date assets except for the Trade Show Exhibit purchased in 1998 that has no use anymore since we don't do trade shows and was put in the trash.

Sincerely,



Denise Clayville

Finance Manager

ORLEANS PARISH COMMUNICATION DISTRICT
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES
DECEMBER 31, 2017

ORLEANS PARISH COMMUNICATION DISTRICT

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES

June 22, 2018

Board of Commissioners
Orleans Parish Communication District and
Louisiana Legislative Auditor

We have performed the procedures enumerated below which were agreed to by Orleans Parish Communication District (the District) and the Louisiana Legislative Auditor, on the control and compliance areas identified in the Louisiana Legislative Auditor's Statewide Agreed Upon Procedures for the year ended December 31, 2017. Orleans Parish Communication District's management is responsible for the control and compliance areas identified in the Statewide Agreed upon Procedures.

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

Our procedures and associated findings are as follows:

Written Policies and Procedures

- 1) We obtained the entity's written policies and procedures and determined whether those written policies and procedures addressed each of the following financial/business functions, as applicable:
 - a) Budgeting, including preparing, adopting, monitoring, and amending the budget.

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Written Policies and Procedures (Continued)

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

Upon applying the procedures above, we noted the following:

1. *The entity did not have a budgeting policy in place during the period covered under the procedures.*
2. *Purchasing policy did not include:*
 - a. *How vendors are added to the vendor list.*
 - b. *Documentation required to be maintained for all bids and price quotes.*

Written Policies and Procedures (Continued)

3. *Receipts policy did not include procedures for receiving, recording, and preparing deposits.*
4. *The entity did not have a contracting policy in place during the period covered.*
5. *Credit card policy did not include:*
 - a. *How credit cards are to be controlled,*
 - b. *Documentation requirements*
 - c. *Required approvers*
 - d. *Monitoring card usage*
6. *Travel and expense reimbursement policy did not state a dollar threshold by category of expense.*
7. *The entity did not have an ethics policy in place during the period covered.*
8. *The entity did not have a debt service policy in place during the period covered.*

Board

- 2) We obtained and reviewed the board/committee minutes for the fiscal period, and:
 - a) Determined whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Determined whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund and any additional funds identified as major funds in the entity's prior audit.
 - c) Determined whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

No findings were noted.

Bank Reconciliations

- 3) We obtained a listing of client bank accounts from management and management's representation that the listing is complete.

No findings were noted.

- 4) Using the listing provided by management, we selected one-third of the entity's bank accounts on a rotating basis. For each of the bank accounts selected, we obtained bank statements and reconciliations for all months in the fiscal period and determined whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations included evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) had reviewed each bank reconciliation; and
 - c) Management had documentation reflecting that it had researched reconciling items that have been outstanding for more than six months as of the end of the fiscal period.

Upon applying the procedures above, we noted the following:

1. *Bank reconciliations were not prepared for eleven (11) of the twelve (12) months tested.*
2. *Bank reconciliations provided did not indicate review by a member of management or a board member.*
3. *No indication of research on reconciling items outstanding for more than six months.*

Collections

- 5) We obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing was complete.

No findings were noted.

- 6) Using the cash collection listing provided by management, we selected all of the entity's cash collection locations. For each cash location selected:
 - a) We obtained existing written documentation (e.g. insurance policy, policy manual, job description) and determined whether each person responsible for collecting cash was (1) bonded, (2) not responsible for depositing the cash in the bank, recording the

Collections (Continued)

related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

- b) We obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and determined whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who was not responsible for cash collections in the cash collection location selected.
- c) We selected the highest dollar week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - i. Using entity collection documentation, deposit slips, and bank statements, we traced daily collections to the deposit date on the corresponding bank statement and determined whether the deposits were made within one day of collection. If deposits were not made within one day of collection, we determined the number of days from receipt to deposit for each day at each collection location.
 - ii. Using sequentially numbered receipts, system reports, or other related collection documentation, we verified that daily cash collections were completely supported by documentation and report any exceptions.

Upon applying the procedures above, we noted the following:

- 1. *Person responsible for collecting cash was not bonded.*
 - 2. *No policy for reconciling cash to the general ledger by revenue source by a person who is not responsible for cash collections.*
 - 3. *Two (2) of the four (4) deposits tested were not made within one (1) day of receipt.*
- 7) We obtained existing written documentation (e.g. policy manual, written procedure) and determined whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who was not responsible for collections.

Upon applying the procedure above, we noted that OPCD did not have a process specifically defined (identified by the entity) to determine completeness of all collections.

Disbursements – General (excluding credit card purchases or payments)

- 8) We obtained a listing of entity disbursements from management or, alternately, obtained the general ledger and sorted/filtered for entity disbursements. We also obtained management's representation that the listing or general ledger population was complete.

No findings were noted.

- 9) Using the disbursement population from agreed upon procedure number 8 above, we randomly selected 25 disbursements excluding credit card/debit card/fuel card/P-card purchases or payments. We obtained supporting documentation (e.g. purchase requisitions, system screens/ logs) for each transaction and determined whether the supporting documentation for each transaction demonstrated that:
- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Upon applying the procedures above, we noted the following:

- 1. *Purchase order was not created prior to the purchase.*
 - 2. *Purchase order was not approved by an authorized person.*
 - 3. *Payment for purchase was processed prior to the approval of the requisition and/or purchase order.*
- 10) Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), we determined whether the person responsible for processing payments was prohibited from adding vendors to the entity's purchasing/disbursement system.

Upon applying the procedure above, we noted there was no policy prohibiting the person responsible for processing payments from adding vendors to the entity's purchasing /disbursement system.

Disbursements – General (excluding credit card purchases or payments) (Continued)

- 11) Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), we determined whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

No findings were noted.

- 12) We inquired of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, we reviewed entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

No findings were noted.

- 13) When a signature stamp or signature machine was used, we inquired of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. We inquired of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed.

No findings were noted.

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

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

No findings were noted.

- 15) Using the listing prepared by management, we randomly selected 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. We obtained the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. We selected the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Determined whether there was evidence that the monthly statement or combined statement and supporting documentation were reviewed and approved, in writing, by someone other than the authorized card holder.

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

- b) Determined whether finance charges and/or late fees were assessed on the selected statements.

Upon applying the procedure above, we noted ten (10) instances in which monthly credit card statements were not reviewed or approved by management.

- 16) Using the monthly statements or combined statements selected under number 15 above, we obtained supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
 - a) For each transaction, we determined that the transaction was supported by:
 - i. An original itemized receipt (i.e., identifies precisely what was purchased).
 - ii. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - iii. Other documentation that may be required by written policy (e.g., purchase order, written authorization).
 - b) For each transaction, we compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction was a large or recurring purchase requiring the solicitation of bids or quotes) and noted any exceptions.
 - c) For each transaction, we compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). When the nature of the transaction precluded or obscured a comparison to the requirements of Article 7, Section 14, the practitioner reported the transaction as an exception.

Upon applying the procedures above, we noted the following:

1. Receipts did not denote the business/public purpose for thirty-seven (37) of the forty-three (43) tested.
2. Charges were not supported by receipts for twenty-one (21) of the forty-three (43) tested.
3. One (1) violation of Article 7 Section 14 of the LA Constitution which prohibits the loan, pledge, or donation of funds, credit, property, or things of value.

Travel and Expense Reimbursement

- 17) We obtained from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sorted/filtered for travel reimbursements. We obtained management's representation that the listing and general ledger was complete.

No findings were noted.

- 18) We obtained the entity's written policies related to travel and expense reimbursements. We compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and determined any amounts that exceed GSA rates.

No findings were noted.

- 19) Using the listing from agreed upon procedure #17 above, we selected the three persons who incurred the most travel costs during the fiscal period. We obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and chose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) We compared expense documentation to written policies and determined whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity did not have written policies, we compared to the GSA rates (#18 above) and determined each reimbursement that exceeded those rates.
- b) We determined whether each expense was supported by:
 - i. An original itemized receipt that identified precisely what was purchased. (Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) did not require a receipt.)
 - ii. Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - iii. Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).
- c) We compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and reported any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). When the nature of the transaction precluded or obscured a comparison to the requirements of Article 7, Section 14, the practitioner reported the transaction as an exception.

Travel and Expense Reimbursement (Continued)

- d) We determined whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No findings were noted.

Contracts

- 20) We obtained a listing of all contracts in effect during the fiscal period or, alternately, obtained the general ledger and sorted/filtered for contract payments. We obtained management's representation that the listing or general ledger was complete.

No findings were noted.

- 21) Using the listing above, we selected the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). We obtained the related contracts and paid invoices and:
- a) Determined whether there was a formal/written contract that supported the services arrangement and the amount paid.
 - b) Compared each contract's detail to the Louisiana Public Bid Law or Procurement Code. We determined whether each contract was subject to the Louisiana Public Bid Law or Procurement Code and:
 - i. If yes, we obtained/ compared supporting contract documentation to legal requirements and determined whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
 - ii. If no, we obtained supporting contract documentation and determined whether the entity solicited quotes as a best practice.
 - c) Determined whether the contract was amended. If so, we determined the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
 - d) Selected the largest payment from each of the five contracts, obtained the supporting invoice, compared the invoice to the contract terms, and determined whether the invoice and related payment complied with the terms and conditions of the contract.
 - e) Obtained/reviewed contract documentation and board minutes and determined whether there was documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

No findings were noted.

Payroll and Personnel

22) We obtained a listing of employees (and elected officials, if applicable) with their related salaries, and obtained management's representation that the listing was complete. We randomly selected five employees/officials, obtained their personnel files, and:

- a) Reviewed compensation paid to each employee during the fiscal period and determined whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
- b) Reviewed changes made to hourly pay rates/salaries during the fiscal period and determined whether those changes were approved in writing and in accordance with written policy.

Upon applying the procedures above, we noted the following:

1. *Employment contracts or other official documents were not maintained in the employees' file verifying pay rate for four (4) of the five (5) employees' tested.*

23) We obtained attendance and leave records and randomly selected one pay period in which leave has been taken by at least one employee. Within that pay period, we randomly selected one-third of employees/officials and:

- a) Determined whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
- b) Determined whether there was written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- c) Determined whether there was written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Upon applying the procedures above, we noted the following:

1. *Daily attendance and leave was not properly documented for four (4) of the twenty-five (25) employees tested.*
2. *Approval of employee attendance and leave was not documented for three (3) of the twenty-five (25) employees tested.*
3. *Accurate leave records were not maintained for seven (7) of the twenty-five (25) employees tested.*

Payroll and Personnel (Continued)

- 24) We obtained from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list was complete. We selected the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtained the personnel files for the two employees/officials. We determined whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

No findings were noted.

- 25) We obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. We determined whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Upon applying the procedures above, we noted the following:

1. *Employee and employer retirement contributions were not made timely for seven (7) of the twenty-seven (27) payments tested.*
2. *Employee state income tax withholding was not remitted timely for one (1) of the twenty-four (24) payments tested.*

Ethics

- 26) Using the five randomly selected employees/officials from agreed upon procedure number 22 under "Payroll and Personnel" above, we obtained ethics compliance documentation from management and determined whether the entity maintained documentation to demonstrate that required ethics training was completed.

No findings were noted.

- 27) We inquired of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, we reviewed documentation that demonstrated whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. We determined whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

No findings were noted.

Debt Service

- 28) For debt that was issued during the fiscal period, we obtained supporting documentation from the entity, and determined whether State Bond Commission approval was obtained.

No findings were noted.

- 29) For the outstanding debt during the fiscal period, we obtained supporting documentation from the entity and determined whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

No findings were noted.

- 30) For the tax millages relating to debt service, we obtained supporting documentation and determined whether millage collections exceeded debt service payments by more than 10% during the fiscal period. Also, we determined any millages that continued to be received for debt that has been paid off.

No findings were noted.

Other

- 31) We inquired of management whether the entity had any misappropriations of public funds or assets. If so, we obtained/reviewed supporting documentation and determined whether the entity reported the misappropriation to the Legislative Auditor and the District Attorney of the parish in which the entity is domiciled.

No findings were noted.

- 32) We observed and determined whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

No findings were noted.

- 33) When the practitioner observed or otherwise identified any exceptions regarding management's representations in the procedures above, the practitioner reported the nature of each exception.

No findings were noted.

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 those control and compliance areas identified in 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.

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

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana



ORLEANS PARISH COMMUNICATION DISTRICT

Administrators of New Orleans' 9-1-1 System

June 27, 2018

Ms. Michelle Cunningham
Duplantier Hrapmann Hogan & Maher, LLP
1615 Poydras Street, Suite 2100
New Orleans, LA 70112

Dear Ms. Cunningham:

Following items are in response to the 2017 Agreed upon Procedures.

AUP 1 – Written Policies and Procedures

Prior to the 2017 AUP Audit OPCD hired a consultant to prepare administrative policies. These policies include budgeting, purchasing, receipts, contract, credit card, travel and expense reimbursement, ethics and debt service policies. All policies have been implemented for 2018.

AUP 4 – Bank Reconciliation

Bank Reconciliations will be made for each account. These will be reviewed by a member of management. Any reconciling items will be researched if necessary.

AUP 6 – Collections

A policy has been put in place for collections. OPCD management will ensure that the person responsible for collections is bonded.

AUP 7 Collections

OPCD's particular revenue source is difficult to prove that all monies have been collected. In 2018 OPCD hired a consultant to review this process for both collections and disbursements related to 911 fees.

OPCD management will include collection completeness for 911 fees in the Receipts Policy.

AUP -9 Disbursements

A purchasing policy has been implemented to make sure that purchase orders are processed in the correct manner.

AUP 10 Disbursements

The purchasing policy will be amended so that the person processing payments will not be able to add vendors.

AUP 15 – Credit Cards/Debit Cards/Fuel Cards/P-Cards

A policy has been implemented that requires review and approval of the monthly credit card statements by management.

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Dr. Joseph M. Kanter
N.O. Health Department

Executive Staff

Stephen Gordon
Executive Director

Tyrell Morris
Interim Operations Director

AUP 16--Credit Cards/Debit Cards/Fuel Cards/P-Cards

The credit card policy will be amended to include the requirement to put the business/public purpose on the actual receipt.

The credit card policy will ensure that charges are supported by receipts and the review system will prevent use of a credit card for personal charges.

AUP 22 –Payroll and Personnel

Employment contracts were not maintained correctly at the beginning of consolidation due to the sheer amount of work required to consolidate. OPCD management will make sure to maintain the correct documentation by reviewing each file and getting documentation from the employee as needed.

AUP 23—Payroll and Personnel

Due to consolidation the process of required documentation for leave was not consistent. We now have put in place a system of approval/review of leave through Quickbase.

AUP 25—Payroll and Personnel

Retirement payments not paid timely is due to insufficient time to prepare the documentation which is specialized. With proper personnel increase this should improve.

Research will be done on the State income tax which was remitted late in so that it does not happen again.

Sincerely,



Denise Clayville
Finance Manager