

**CADDO PARISH COMMUNICATIONS
DISTRICT NUMBER ONE
(a component unit of the Caddo Parish Commission)
Shreveport, Louisiana**

DECEMBER 31, 2018

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

	<u>Page</u>
Management's Discussion and Analysis (Unaudited)	i-v
 <u>AUDITED FINANCIAL STATEMENTS</u> 	
Independent Auditor's Report	1-2
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet	5
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	6
Statement of Revenues, Expenditures, and Changes in Fund Balance	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	8
Notes to Financial Statements	9-18
 <u>REQUIRED SUPPLEMENTARY INFORMATION</u> 	
Budgetary Comparison Schedule (Unaudited)	19
Notes to Budgetary Comparison Schedule (Unaudited)	20
 <u>SUPPLEMENTARY INFORMATION</u> 	
Supplementary Information in Accordance with Louisiana Revised Statute 33:9109E	21
Supplementary Information in Accordance with Louisiana Revised Statute 24:513(A)(3) (Act 706 of 2014)	22

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

	<u>Page</u>
<u>OTHER REPORTS</u>	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23-24
Schedule of Findings and Questioned Costs	25
Summary Schedule of Prior Audit Findings	26

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
SHREVEPORT, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Our discussion and analysis of Caddo Parish Communications District Number One's (the District) financial performance provides an overview of the Caddo Parish Communications District Number One's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the District's financial statements, which follows this section.

FINANCIAL HIGHLIGHTS

The Caddo Parish Communications District Number One's net position increased by \$95,044 or .8%.

The Caddo Parish Communications District Number One's total general revenues were \$4,563,608 in 2018 compared to \$4,688,865 in 2017.

During the year ended December 31, 2018, the Caddo Parish Communications District Number One had total expenses, excluding depreciation of \$1,066,596, of \$3,401,968 compared to total expenses, excluding depreciation of \$1,180,342, of \$3,149,151, for the year ended December 31, 2017.

As of December 31, 2018, the assets of the District exceeded liabilities by \$12,073,624; \$5,637,219 or 46.7% of net position are invested in capital assets while \$6,436,405 or 53.3% of net position are unrestricted and may be used at the District's discretion to meet on going obligations to the citizens.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

- The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only one fund - General Fund, which is a governmental fund.

- *Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Change in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets.

FINANCIAL ANALYSIS OF GOVERNMENT-WIDE ACTIVITIES

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceed liabilities by \$12,073,624 as of December 31, 2018, compared to \$11,978,580 at the end of the previous year.

The District's net position totaling \$5,637,219 is in its investment in capital assets. The District uses these capital assets in the execution of its duties; consequently, these assets are not available for future spending. The investment in capital assets has been reduced by the amount of outstanding debt, the proceeds of which were used in the construction or purchase of the assets.

**Table 1
Net Position**

	Governmental Activities	
	2018	2017
Current and other assets	\$ 11,564,701	\$ 18,838,908
Capital assets	13,463,134	6,840,819
Total assets	<u>25,027,835</u>	<u>25,679,727</u>
Current and other liabilities	179,211	186,147
Long-term liabilities (including current portion)	12,775,000	13,515,000
Total liabilities	<u>12,954,211</u>	<u>13,701,147</u>
Net position		
Investment in capital assets, net of related debt	5,637,219	5,925,819
Unrestricted	<u>6,436,405</u>	<u>6,052,761</u>
Total net position	<u>\$ 12,073,624</u>	<u>\$ 11,978,580</u>

The balance of unrestricted net position of \$6,436,405, at December 31, 2018, is used to meet the District's ongoing obligations to citizens.

Governmental activities increased the District's net position by \$95,044 for the year ended December 31, 2018, which was a .8% increase in net position, compared to an increase of \$359,372 for the year ended December 31, 2017, which was a 3.1% increase in net position. Key elements of the decreases are as follows:

**Table 2
Changes in Net Position**

	Governmental Activities	
	2018	2017
Revenues-general:		
Telephone tariffs	\$ 4,267,718	\$ 4,392,896
Other	295,890	295,969
Total revenues	<u>4,563,608</u>	<u>4,688,865</u>
Expenses:		
Public safety	(4,468,564)	(4,329,493)
Increase (decrease) in net position	<u>95,044</u>	<u>359,372</u>
Net position, beginning of year	<u>11,978,580</u>	<u>11,619,208</u>
Net position, end of year	<u>\$ 12,073,624</u>	<u>\$ 11,978,580</u>

Total revenues decreased \$125,257 (2.7%) from 2017 to 2018. Total expenses increased \$139,071 (3.2%) from 2017 to 2018. Revenues and expenses remained substantially the same for 2018 compared to 2017.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a district's net resources available for spending at the end of the fiscal year.

- As of the close of the current fiscal year, the District's general fund reported an ending fund balance of \$11,259,793, a decrease of \$7,254,046 (39.2%) from the prior fiscal year. The fund balance is comprised of the following: nonspendable of \$70,741 representing prepaid assets; 6,239,967 representing unassigned available for general purposes of the District; and \$4,949,085 representing unspent certificates of indebtedness from a 2017 debt issue that is to be used for capital improvements.

Budgetary Highlights

The original budget for the year ended December 31, 2018 for the District was adopted in December 2017. Two budget revisions were made during the year ended December 31, 2018. The District's budgetary comparison schedule is presented as required supplementary information and shown on Page 19. There were no significant variations between final budget amounts and actual budget results.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: The District's investment in capital assets as of December 31, 2018 amounts to \$13,463,134 (net of accumulated depreciation) compared to \$6,840,819 at December 31, 2017. This investment in capital assets includes land, building and improvements, and furniture and equipment. During 2018, the District added \$7,688,911 in capital assets which were offset by \$1,066,596 in current year depreciation. Additions of \$7,656,698 to capital assets during 2018 represents expenditures for 911 system upgrades. For additional information regarding capital assets, see Notes 1 and 4 to the basic financial statements.

Long-Term debt: At December 31, 2018, the District had total debt outstanding of \$12,775,000 compared to \$13,515,000 at December 31, 2017. In December, 2017, the District issued \$12,600,000 of certificates of indebtedness for the purpose of capital improvements. The following table summarizes debt outstanding at December 31, 2018 and 2017:

Table 3
Outstanding Debt

	2018	2017
Certificates of indebtedness	<u>\$ 12,775,000</u>	<u>\$ 13,515,000</u>
Total		

For additional information regarding long-term debt, see Note 7 to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In preparing the budget for the fiscal year 2019, historical data was used to estimate revenue projections and expenditures. Expenditures for operating activities for 2019 are expected to substantially be the same as 2018. Expenditures for capital improvements are expected to be approximately \$6,735,000 for 911 system upgrades. Revenues are expected to be substantially the same as 2018.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Martha Carter, 911 Administrator, or by calling (318) 675-2222.

AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

May 14, 2019

Members of the Board of Commissioners
Caddo Parish Communications District Number One
Shreveport, Louisiana

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Caddo Parish Communications District Number One (the District), a component unit of the Caddo Parish Commission, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

HMV

A PROFESSIONAL SERVICES FIRM
SHREVEPORT • MONROE • DELHI

hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District, as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and *Budgetary Comparison Schedule* on Pages i-v and 19-20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The information required in accordance with Louisiana Revised Statutes (LRS) 33:9109E and 24:513(A)(3) on pages 21 and 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 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.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

STATEMENT OF NET POSITION

DECEMBER 31, 2018

ASSETS

Cash and cash equivalents	3,566,380
Investments	2,228,334
Accounts receivable	750,161
Prepaid assets	70,741
Restricted cash	4,949,085
Capital assets:	
Land	448,307
Construction in progress	7,656,698
Other capital assets, net of accumulated depreciation	<u>5,358,129</u>
Total assets	25,027,835

LIABILITIES

Accounts payable	90,064
Interest payable	33,088
Unearned revenue	56,059
Long-term liabilities:	
Due within one year	745,000
Due in more than one year	<u>12,030,000</u>
Total liabilities	12,954,211

NET POSITION

Net investment in capital assets	5,637,219
Unrestricted	<u>6,436,405</u>
Total net position	<u>12,073,624</u>

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

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues- Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Assets</u>
Total governmental activities-public safety	4,064,551		
Interest expense and related charges	<u>404,013</u>		
Total expenses	4,468,564	-	(4,468,564)
General revenues:			
Telephone tariff			4,267,718
Tower lease income			119,237
Miscellaneous			<u>176,653</u>
Total general revenues			<u>4,563,608</u>
Change in net position			95,044
<u>Net position, beginning of year</u>			<u>11,978,580</u>
<u>Net position, end of year</u>			<u>12,073,624</u>

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

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

GOVERNMENTAL FUND

BALANCE SHEET

DECEMBER 31, 2018

<u>A S S E T S</u>	<u>General Fund</u>
Cash and cash equivalents (Note 2)	3,566,380
Investments (Note 3)	2,228,334
Accounts receivable	591,376
Prepaid assets	70,741
Restricted cash (Note 2)	<u>4,949,085</u>
 Total assets	 <u>11,405,916</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
 <u>Liabilities:</u>	
Accounts payable	90,064
Unearned revenue (Note 5)	<u>56,059</u>
Total liabilities	146,123
 <u>Fund balance:</u>	
Nonspendable	70,741
Spendable:	
Restricted for capital improvements	4,949,085
Unassigned	<u>6,239,967</u>
Total spendable	<u>11,189,052</u>
Total fund balance	<u>11,259,793</u>
 Total liabilities and fund balance	 <u>11,405,916</u>

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

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET

TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2018

Fund balances-total governmental funds		11,259,793
Amounts reported for governmental activities in the statement of net position are different because:		
Service charges received for the fourth calendar quarter of the year are received too late to be considered current resources of the governmental fund, but are accrued in the statement of net position.		
		158,785
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Cost of capital assets	37,280,347	
<u>Less-accumulated depreciation</u>	<u>(23,817,213)</u>	13,463,134
Long-term liabilities and interest payable applicable to the District's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.		
Balances at December 31, 2018, are:		
Long-term liabilities-certificates of indebtedness	(12,775,000)	
Interest payable	<u>(33,088)</u>	<u>(12,808,088)</u>
Net position of governmental activities		<u>12,073,624</u>

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

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>General Fund</u>
<u>Revenues:</u>	
Telephone tariffs	4,280,172
Tower lease income (Note 5)	119,237
Miscellaneous	<u>176,653</u>
Total revenues	4,576,062
 <u>Expenditures:</u>	
Current-public safety:	
Personal services	896,288
Materials and supplies	31,875
Contracted services (Note 8)	2,074,608
Capital outlay:	
Equipment	27,397
System enhancements:	
Radio system	7,656,698
Debt service:	
Principal	740,000
Interest, fees, and charges	<u>403,242</u>
Total expenditures	<u>11,830,108</u>
 <u>Net change in fund balance</u>	 (7,254,046)
 <u>Fund balance, beginning of year</u>	 <u>18,513,839</u>
 <u>Fund balance, end of year</u>	 <u>11,259,793</u>

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

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND

TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

Net change in fund balance-total governmental funds		(7,254,046)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds do not report noncurrent resources. However, these resources are reported in the statement of activities under full accrual accounting:		
Net change in service charges for fourth quarter on prepaid wireless cards		(12,454)
Governmental funds report capital outlays as expenditures: However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay additions	7,688,911	
Depreciation expense	<u>(1,066,596)</u>	6,622,315
The repayment of the principal of long-term debt consumes current financial resources of governmental funds, but has no effect on net position.		
Repayment of bond principal		740,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		<u>(771)</u>
Change in net position of governmental activities		<u>95,044</u>

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

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. **Summary of Significant Accounting Policies**

The Caddo Parish Communications District Number One (the District) was created by the Caddo Parish Commission (the Commission) by ordinance on September 25, 1985, as provided under Louisiana Revised Statute 33:9103. The District is comprised of property within the Parish of Caddo and is governed by a Board of Commissioners. The purpose of the District is to provide a primary three-digit emergency telephone number (911) and related support system for Caddo Parish.

Reporting Entity

The basic criterion for determining whether a governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity.

Parish Ordinance No. 4462 of 2006, which amended Section 21-668 of Ordinance No. 2291 of 1985, provides that four (4) board members be nominated by the Mayor of the City of Shreveport, which have been approved by the City Council; one (1) board member be nominated by the Caddo Parish Sheriff; and two (2) board members be appointed from electors outside the City of Shreveport by the Caddo Parish Commission. The Caddo Parish Commission, however, must approve all City and Sheriff nominees. The District constitutes a political subdivision of the State of Louisiana and is a component unit of the Caddo Parish Commission.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant accounting policies:

(a) Basis of Presentation - Fund Accounting

Government-Wide and Fund Financial Statements

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

The government-wide financial statements (GWFS) (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District.

The content and certain titles of the GWFS were changed upon the adoption by the District in 2012 of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides reporting guidance for deferred outflows of resources and deferred inflows of resources, and adds them, when applicable, as elements of the GWFS, because they are distinct from assets and liabilities. In addition, because these additional elements may affect the residual amount of all of the elements presented in a statement of financial position, GASB 63 renames that measure as net position rather than net assets. The District had no deferred outflows or inflows of resources at December 31, 2018.

1. **Summary of Significant Accounting Policies** (Continued)

Accordingly, the statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. There are no indirect expenses allocated to this function. Depreciation expense is included in the direct expense of the function. Program revenues, if any, include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Other items, such as interest income, not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements (FFS) are provided for governmental funds. Major individual governmental funds are reported as separate columns in the FFS. The District has only one fund - the General Fund, which is reported as a major fund and is used to account for all the activities of the District. The operations of the General Fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are accounted for through the General Fund.

(b) Basis of Accounting

Government-Wide Financial Statements

The statement of net position and the statement of activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. The telephone tariff is a nonexchange transaction and is recognized in the period when the related telephone service is provided.

Fund Financial Statements

Governmental Funds

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

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

1. **Summary of Significant Accounting Policies** (Continued)

The modified accrual basis of accounting is followed by all governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Telephone tariff, investment income and tower lease income are susceptible to accrual and are recognized when earned. Miscellaneous other revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Expenditures related to long-term liabilities are recognized when the liability is incurred and has matured.

(c) *Capital Assets*

Capital assets, which include property, plant, and equipment, are reported in the GWFS. Capital assets are recorded at historical cost or estimated historical cost for assets where actual historical cost is not available, and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation. The District maintains a threshold level for capitalization of \$1,500 for all fixed assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are not reported in the FFS.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Capital assets have not been assigned a salvage value because management feels that the salvage value is immaterial. Straight-line depreciation is calculated based on the following estimated useful lives:

Building and improvements	10-30 years
Furniture and equipment	4-30 years

(d) *Long-Term Liabilities*

In the GWFS, long-term debt is reported as a liability in the statement of net position. Bond issuance costs are generally not material and are expensed.

In the FFS, governmental funds recognize bond issuance costs as expenditures during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(e) *Telephone Tariffs*

On April 5, 1986, the voters of Caddo Parish approved the assessment of a telephone surcharge fee pursuant to Louisiana Revised Statute 33:9106 to fund the development, implementation and operation of an enhanced emergency telephone reporting system, 9-1-1. Since the initial election and authorization to assess surcharge fees, the fees have been increased over time through authorization by legislative action.

1. **Summary of Significant Accounting Policies** (Continued)

During the 1996 Special Session of the Louisiana Legislature, LSA – R.S. 9131.1 was enacted, which enabled the District to assess cellular and other wireless telecommunications services, as well as allow the District to increase the 9-1-1 surcharge fee upon voter approval, and convert the fee structure from a tariff based rate to a flat fee. On September 21, 1996, the voters of Caddo Parish approved two referendums, which allowed the District to increase the 9-1-1 surcharge fees for residential and business wireline subscribers, and allowed the District to assess cellular and other wireless services. Effective December 1, 1996, the rate for wireline business customers was \$2.00 per month per line up to 100 lines, and the rate for wireline residential customers was \$1.00. The rate for cellular and wireless services was \$1.00 per month per line per subscriber. During the 2009 legislative session, Act 531 of 2009 was enacted that allowed for the assessment of 9-1-1 surcharge fees on pre-paid wireless services to be levied by retailers at the point of sale at 2% of amount of services purchased. The prepaid wireless funds are collected by the retailers and then remitted to the Louisiana Department of Revenue (DOR). The DOR then distributes the surcharge fees on a quarterly basis to each communications district based upon population of each parish according to the latest census.

As a result of tariff increases approved by the Louisiana Public Service Commission, effective January 1, 2016, the Board of Commissioners of the District adopted an ordinance which increased wireline residential and wireline business rates effective July 1, 2016. The wireline residential surcharge fee became \$1.25 per month per line, and the wireline business surcharge fee became \$2.50 per line per month up to 100 lines per business.

Pursuant to Act 665 of 2016, the Board of Commissioners adopted an ordinance on September 20, 2016, which became effective on January 1, 2017, increasing the District's 9-1-1 surcharge fees on postpaid wireless services to \$1.25 month.

Pursuant to Act 590 of 2016, which became effective on October 1, 2016, the prepaid wireless surcharge fee rate increased from 2% to 4% at the point of sale by the retailer on the amount of prepaid wireless service purchased.

Total revenues derived from wireless service providers in Caddo Parish for the year ended December 31, 2018, were \$2,889,382. In accordance with L.R.S 33:9109, the financial records of the District must be audited pursuant to the provisions of R.S. 24:513. In addition, each district is required to submit an annual report to the legislative auditor, which includes information on the revenues derived from the wireless service charges authorized by 33:9109 and the use of such revenues. Such report must include a report on the status of implementation of wireless E911 service. The District has completed the implementation of wireless Enhanced 9-1-1 service within Caddo Parish and expended \$9,118,538 in communications enhancements for the year ended December 31, 2018.

(f) Prepaid Assets

Prepaid assets include amounts paid for service in advance, and are shown as an asset until consumed. In addition, a corresponding amount of fund balance of the general fund has been reserved to reflect the amount of fund balance not currently available for expenditure.

1. **Summary of Significant Accounting Policies** (Continued)

(g) Investments

Investments in money market investments, which consist of governmental mutual money market funds, and debt instruments of federal government agencies, are reported at amortized cost, which approximates market. State statutes generally authorize the District to invest in direct United States Treasury obligations; indebtedness issued or guaranteed by federal governmental agencies (provided such obligations are backed by the full faith and credit of the U.S. government); indebtedness issued or guaranteed by federally sponsored U.S. government agencies; time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana; or mutual or trust fund institutions which are registered with the Securities and Exchange Commission.

(h) Use of Estimates

Management of the District has made a number of estimates and assumptions relating to the assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(i) Fund Equity in Fund Financial Statements

Governmental fund equity is classified as fund balance. Beginning in 2011, the District implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Management has classified prepaid expenditures as being nonspendable as this item is not expected to be converted to cash.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of resources that are either:
 - Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
 - Imposed by law through constitutional provisions or enabling legislation.

The unspent proceeds from the 2017 certificates of indebtedness can be used only for the purpose of making capital improvements to the District, and therefore are restricted at December 31, 2018.

1. Summary of Significant Accounting Policies (Continued)

- **Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the District's board of commissioners, which is the District's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of year end.
- **Assigned:** This classification includes spendable amounts that are reported in governmental funds *other than the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose in accordance with the provisions of GASB Statement 54. The intent of an assigned fund balance should be expressed by either the District's board of commissioners, or a subordinate high-level body, such as a finance committee, or an official, such as the administrator, that has the authority to assign amounts to be used for specific purposes. The District did not have any assigned resources as of year end.
- **Unassigned:** This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When fund balance resources are available for a specific purpose in multiple classifications, the District would use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. However, it reserves the right to selectively spend unassigned resources first and to defer the use of the other classified funds.

2. Cash and Cash Equivalents

Deposits

The District had a carrying value of total cash at December 31, 2018 of \$8,515,465, which consisted of unrestricted cash of \$3,566,380 and restricted cash of \$4,949,085. Total cash amounts on deposit at the bank at December 31, 2018 amounted to \$8,628,313; the difference between this amount and the total carrying value is due to outstanding checks at the end of the year. In accordance with state law, all cash on deposit was insured by federal depository insurance or collateralized with securities held in the District's name by the depository bank.

Custodial credit risk is the risk that, in the event of a financial institution failure, the District's deposits might not be recovered. It is the District's policy to require collateralization with securities owned by the pledging institution for those amounts of deposits in excess of federal depository insurance amounts.

Restricted cash represents unspent debt proceeds from the 2017 Certificates of Indebtedness issue.

These proceeds are required to be used for capital improvements of the District, including its communications system.

3. **Investments**

Investments consist of the following at December 31, 2018:

	<u>Estimated Fair Value</u>
Investment cash	28,418
U.S. Treasury and Agency mutual funds	133,976
GSE Securities, due 2019 and 2020, rates ranging from 1.50% to 3.125%	<u>2,065,940</u>
	<u>2,228,334</u>

Custodial credit risk is the risk that, in the event of a failure by the holder of the securities, the District's investments might not be recovered. Except for its mutual funds, which are not categorized as to level of risk because they are not evidenced by securities that exist in physical or book entry form, the District's other investments are insured up to \$500,000 by the Securities Investor Protection Corporation.

Under state law and its own policy, the District may invest in U.S. Treasury obligations, debt issued or guaranteed by federal agencies or federal government instrumentalities and backed by the United States of America, certificates of deposit or share accounts of certain banks, credit unions, or savings and loan associates within the state, and debt issued by the state or any of its political subdivisions.

4. **Capital Assets**

A summary of changes in capital assets is as follows:

	Balance January 1, 2018	Additions	Retirements	Balance December 31, 2018
Capital assets not being depreciated:				
Land	448,307	-	-	448,307
Construction in progress	-	7,656,698	-	7,656,698
	448,307	7,656,698	-	8,105,005
Capital assets being depreciated:				
Building and improvements	9,129,879	-	-	9,129,879
Furniture and equipment	20,028,440	32,213	(15,190)	20,045,463
Total assets being depreciated	29,158,319	32,213	(15,190)	29,175,342
<u>Less-accumulated depreciation for:</u>				
Building and improvements	5,085,072	313,715	-	5,398,787
Furniture and equipment	17,680,735	752,881	(15,190)	18,418,426
Total accumulated depreciation	22,765,807	1,066,596	(15,190)	23,817,213
Total capital assets being depreciated, net	6,392,512	(1,034,383)	-	5,358,129
Capital assets, net	6,840,819	6,622,315	-	13,463,134

Depreciation expense of \$1,066,596 was charged to the public safety function for governmental activities.

4. **Capital Assets** (Continued)

Construction in progress represents payments to date for the purchase and installation of a new parish-wide P25 radio system.

5. **Lease Revenue**

At December 31, 2018, the District leases two communications tower sites to three private communications service providers.

The future rental receipts for each of the years subsequent to December 31, 2018, under existing lease agreements, are as follows:

Year Ending December 31:

2019	119,237
2020	71,028
2021	44,909
2022	25,908
2023	-
	<u>261,082</u>

Total rental revenue under the lease agreements was \$119,237 for 2018.

At December 31, 2018, the District had received rental payments of \$56,059 related to 2019. These payments are included in unearned revenue and will be recognized in 2019 in conjunction with the related lease period.

6. **Lease Commitments**

At December 31, 2018, the District has three noncancelable operating leases for the lease of land on which communication tower sites were constructed.

The minimum annual commitments under noncancelable operating leases (which expire in 2020 and 2023) are as follows:

Year Ending December 31:

2019	203,632
2020	101,168
2021	66,462
2022	66,462
2023	22,154
	<u>459,878</u>

Total rental expenditures under operating leases were \$194,835 for 2018 and have been reflected in contracted services in the accompanying financial statements.

7. **Long-Term Debt**

Long-term debt consists of the following:

\$2,100,000 Certificates of Indebtedness, Series 2011, due in annual installments of \$185,000 to \$240,000 through December 1, 2021, interest at 2.38%.	695,000
\$12,600,000 Certificates of Indebtedness, Series 2017, due in annual installments of \$520,000 to \$1,105,000 through December 1, 2032, interest at 3.15%.	<u>12,080,000</u>
	<u>12,775,000</u>

A summary of changes in long-term debt follows:

	<u>Balance January 1, 2018</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance December 31, 2018</u>	<u>Due in One Year</u>
Certificates of indebtedness- 2011	915,000	-	(220,000)	695,000	225,000
Certificates of indebtedness- 2017	<u>12,600,000</u>	<u>-</u>	<u>(520,000)</u>	<u>12,080,000</u>	<u>520,000</u>
	<u>13,515,000</u>	<u>-</u>	<u>(740,000)</u>	<u>12,775,000</u>	<u>745,000</u>

There are a number of limitations and restrictions contained in the Certificates of Indebtedness.

Management believes that the District is in substantial compliance with all significant limitations and restrictions. The certificates are secured by and payable solely from a pledge of the excess of annual revenues. Total interest expense incurred in 2018 amounted to \$404,013 as reported in the Statement of Activities.

The annual requirements to amortize long-term debt as of December 31, 2018 are as follows:

Years ending December 31:	<u>Certificates of Indebtedness</u>	<u>Interest Payments</u>	<u>Total</u>
2019	745,000	397,061	1,142,061
2020	765,000	375,326	1,140,326
2021	790,000	352,999	1,142,999
2022	810,000	329,963	1,139,963
2023	835,000	304,448	1,139,448
2024-2028	4,600,000	1,109,745	5,709,745
2029-2033	<u>4,230,000</u>	<u>338,152</u>	<u>4,568,152</u>
	<u>12,775,000</u>	<u>3,207,694</u>	<u>15,982,694</u>

8. **Contracted Services**

Contracted services include payments for outside services such as telephone, equipment and property maintenance, tower rental, utilities, payments to the City of Shreveport, and professional services. Payments to the City of Shreveport were to reimburse the Shreveport Fire Department for the costs associated with providing centralized dispatching for the Caddo Parish Fire Districts. A summary of contracted services for the year ended December 31, 2018 is as follows:

8. **Contracted Services** (Continued)

Telephone	590,597
Payments to the City of Shreveport	336,459
Equipment and property maintenance	421,335
Tower rental	194,835
Professional services	173,498
Utilities	132,994
Other	<u>224,890</u>
	<u>2,074,608</u>

9. **Benefit Plan**

The District provides a deferred compensation plan in accordance with the Internal Revenue Code Section 457 (Section 457 Plan). Because the District's Section 457 Plan does not meet the criteria established under GASB Statement No. 32, the balances in assets and liabilities are not presented in the financial statements of the District. The District is required to contribute 7.5% of each employee's compensation to the plan; such contributions amounted to \$48,725 for the year ended December 31, 2018.

10. **Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District obtains commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. No settlements were made during the current or prior three fiscal years that exceeded the District's insurance coverage.

11. **Commitments**

The District is committed at December 31, 2018 on a contract with Motorola for the purchase and installation of a parish-wide P25 digital radio system. The total contract amount is \$12,658,967, against which \$7,656,698 in payments have been made as of the end of the fiscal year.

12. **Subsequent Events**

The District is required to evaluate events or transactions that may occur after the balance sheet date for potential recognition or disclosure in the financial statements. The District performed such an evaluation through May 14, 2019, the date the financial statements were available to be issued, noting no such transactions.

REQUIRED SUPPLEMENTARY INFORMATION

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Positive (Negative) Variance with Final Budget
<u>Revenues:</u>				
Telephone tariffs	4,669,943	4,315,931	4,280,172	(35,759)
Tower lease income	116,274	116,274	119,237	2,963
Interest income	25,000	30,800	37,936	7,136
Miscellaneous	<u>160,030</u>	<u>140,417</u>	<u>138,717</u>	<u>(1,700)</u>
Total revenues	4,971,247	4,603,422	4,576,062	(27,360)
<u>Expenditures:</u>				
Current-public safety:				
Personal services	971,921	897,301	896,288	1,013
Materials and supplies	54,400	34,000	31,875	2,125
Contracted services (Note 8)	2,256,068	2,063,159	2,074,608	(11,449)
Capital outlay	14,461,967	7,693,000	7,684,095	8,905
Debt service (principal, interest, fees, and charges)	<u>1,143,242</u>	<u>1,143,242</u>	<u>1,143,242</u>	<u>-</u>
Total expenditures	<u>18,887,598</u>	<u>11,830,702</u>	<u>11,830,108</u>	<u>594</u>
<u>Net change in fund balance</u>	(13,916,351)	(7,227,280)	(7,254,046)	(26,766)
<u>Fund balance, beginning of year</u>	<u>18,592,913</u>	<u>18,513,839</u>	<u>18,513,839</u>	<u>-</u>
<u>Fund balance, end of year</u>	<u>4,676,562</u>	<u>11,286,559</u>	<u>11,259,793</u>	<u>(26,766)</u>

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

NOTES TO BUDGETARY COMPARISON SCHEDULE

DECEMBER 31, 2018

Budget and Budgetary Accounting

The District adopts a budget for the General Fund. Budgetary data was prepared based on prior year actual operating revenues and expenditures.

The District follows these procedures in establishing the budgetary data reflected in these financial statements:

- (1) The budget sub-committee prepares a proposed budget and submits it to the Board of Commissioners. At the same time, a public hearing is called.
- (2) A public hearing is held on the proposed budget.
- (3) After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution at least 15 days prior to the commencement of the fiscal year for which the budget is being adopted.
- (4) The budget document is structured such that revenues are budgeted by source and appropriations are budgeted by function and by object. District policy provides that expenditures may not legally exceed appropriations on a functional basis. Budgetary amendments require approval of the Board of Commissioners. Two budget revisions were made during the year ended December 31, 2018.
- (5) All budgetary appropriations lapse at the end of each fiscal year.

The basis of accounting applied to budgetary data presented is substantially consistent with the appropriate basis of accounting for the fund.

Budget Variances - Major Funds

During 2018, total actual revenues did not fail to meet budgeted revenues by 5% or more, and actual expenditures did not exceed budgeted expenditures by 5% or more.

SUPPLEMENTARY INFORMATION

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

SUPPLEMENTARY INFORMATION IN ACCORDANCE WITH

LOUISIANA REVISED STATUTE 33:9109E

FOR THE YEAR ENDED DECEMBER 31, 2018

The District assesses a 911 surcharge fee for cellular and other wireless services. The assessment of the wireless 911 surcharge fee was approved to fund, along with other funding sources, Phases I and II enhancements required by the FCC, a parish wide 800 MHz trunked radio system, and other communication enhancements. As of December 31, 2018, the radio project is completely implemented and is being used to serve the citizens of Caddo Parish.

Total revenues derived from wireless service providers in Caddo Parish for the year ended December 31, 2018 are as follows:

2018	<u>2,889,382</u>
------	------------------

Total expenditures for Phase II enhancements, the radio system, and other communication enhancements for the year ended December 31, 2018 are as follows:

Radio communication enhancements	<u>560,375</u>
----------------------------------	----------------

Total expenditures for a new parish-wide P25 Radio System for the year ended December 31, 2018 are as follows:

Radio communication enhancements, Including debt service	<u>8,558,163</u>
---	------------------

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE
SUPPLEMENTARY INFORMATION IN ACCORDANCE WITH
LOUISIANA REVISED STATUTE 24:513(A)(3) (ACT 706 OF 2014)
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2018

Agency Head: Martha Carter, Administrator

Salary	125,224
Benefits-insurance-health	26,564
Benefits-retirement	9,392
Car allowance	1,800
Dues and memberships	205
Travel	1,659

OTHER REPORTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

May 14, 2019

Members of the Board of Commissioners
Caddo Parish Communications District Number One
Shreveport, Louisiana

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Caddo Parish Communications District Number One (the District), a component unit of the Caddo Parish Commission, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion of the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

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

Purpose of this Report

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

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2018

A. Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Caddo Parish Communications District Number One.
2. No material weaknesses relating to the audit of the basic financial statements are reported.
3. No instances of noncompliance material to the basic financial statements of Caddo Parish Communications District Number One were disclosed during the audit.
4. Caddo Parish Communications District Number One was not subject to a Federal Single Audit for the year ended December 31, 2018.

B. Findings - Financial Statement Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs

Not applicable.

CADDO PARISH COMMUNICATIONS DISTRICT NUMBER ONE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED DECEMBER 31, 2018

There were no findings and questioned costs from the prior year.

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET, SUITE 1525
SHREVEPORT, LOUISIANA 71101
318-429-1525 PHONE • 318-429-2070 FAX

May 14, 2019

Board of Commissioners
Caddo Parish Communications District Number One
Shreveport, Louisiana

Louisiana Legislative Auditor
Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by Caddo Parish Communications District Number One (CPCD 1) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. CPCD 1's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

Not applicable because of no exceptions in previous year.

Board or Finance Committee

Not applicable because of no exceptions in previous year.

HMV

A PROFESSIONAL SERVICES FIRM
SHREVEPORT • MONROE • DELHI

hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

Bank Reconciliations

1. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts¹ (or all accounts if less than 5).

The entity maintains an operating account and a construction account.

2. Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

No exceptions noted.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

No exceptions noted.

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

No reconciling items outstanding for more than 12 months were noted.

Collections

Not applicable because of no exceptions in previous year.

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

3. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

A listing of locations that process payments for the fiscal year was obtained from management; only one location processes payments for the entity.

4. For each location selected under #3 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire

¹ Accounts selected may exclude savings and investment accounts that are not part of the entity's daily business operations.

of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Job duties appear properly segregated.

- b) At least two employees are involved in processing and approving payments to vendors.

Job duties appear properly segregated.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Job duties appear properly segregated.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Exception- the same individual responsible for processing payments also mails payments to the vendor.

Management's Response: Management feels that sufficient compensating controls over payments are present, given the District's policy of requiring each payment to be approved by the Administrator and two separate members of the Board of Commissioners.

For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions were noted.

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

Exception- the same individual responsible for processing payments also mails payments to the vendor.

Management's Response: Management feels that sufficient compensating controls over payments are present, given the District's policy of requiring each payment to be approved by the Administrator and two separate members of the Board of Commissioners.

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

Not applicable because of no exceptions in previous year.

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

Not applicable because of no exceptions in previous year.

Contracts

Not applicable because of no exceptions in previous year.

Payroll and Personnel

Not applicable because of no exceptions in previous year.

Ethics

Not applicable because of no exceptions in previous year.

Debt Service

Not applicable because of no exceptions in previous year.

Other

Not applicable because of no exceptions in previous year.

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 C/C areas identified in the SAUPs. 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 C/C areas identified in the SAUPs, 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.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana