

Tangipahoa Communications District Number One
Amite, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2020
With Supplementary Information



BRUCE HARRELL & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

**Tangipahoa Communications District Number One
Annual Financial Statements
As of and for the Year Ended December 31, 2020
With Supplementary Information**

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**Tangipahoa Communications District Number One
Annual Financial Statements
As of and for the Year Ended December 31, 2020
With Supplementary Information**

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Independent Auditor's Report

Members of the Board of Commissioners
Tangipahoa Communications District Number One
Amite, Louisiana 70422

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Tangipahoa Communications District Number One, a component unit of the Tangipahoa Parish Government, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Tangipahoa Communications District Number One's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Tangipahoa Communications District Number One, as of December 31, 2020, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 9-14 and page 41 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 response 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 Tangipahoa Communications District Number One's basic financial statements. The accompanying schedules listed as Other Supplementary Information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedules listed as Other Supplementary Information in the table of contents are the responsibility of management and were derived from and relate 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 accompanying schedules listed as Other Supplementary Information in the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

BRUCE HARRELL & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021, on our consideration of the Tangipahoa Communications District Number One's internal control over financial reporting and 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 provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tangipahoa Communications District Number One's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Bruce Harrell & Co." with a stylized flourish at the beginning.

Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

Kentwood, LA
September 30, 2021

Required Supplementary Information (Part I)
Management's Discussion and Analysis

**Tangipahoa Communications District Number One
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended December 31, 2020**

Introduction

The Tangipahoa Communications District Number One (the District) is pleased to present its Annual Financial Statements developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34) as amended, and with current standards as more fully described in the financial statement footnotes as *Note 1. Summary of Significant Accounting Policies*.

The Management's Discussion and Analysis (MD&A) for the District, offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2020. This MD&A is designed to provide an objective and easy to read analysis of the District's financial activities based on currently known facts, decisions, or conditions.

The District's MD&A is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements which follow this section.

Financial Highlights

- At December 31, 2020, the District's assets of \$4,721,823 exceeded its liabilities by \$4,623,722 (net position). Of this amount, \$4,054,200 (unrestricted net position) may be used to meet the District's ongoing obligations to its citizens.
- For the year ended December 31, 2020, the District's total net position increased by \$284,424.
- For the year ending December 31, 2020, Communication District Services- charges for services increased to \$2,162,158, representing an increase of \$88,756 from the prior year. Intergovernmental revenue increased \$283 and interest decreased \$31,202 from the prior year.
- At December 31, 2020, the Communication District Services expenses, excluding capital outlay, increased \$9,903 totaling \$1,881,317 at fiscal year-end. Capital outlays decreased \$101,193

Overview of the Annual Financial Report

The financial statement focus is on both the District as a whole and on the major individual funds. Both perspectives, government-wide and major funds, allow the user to address relevant questions, broaden a basis for comparison, and enhance the District's accountability. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The MD&A is intended to serve as an introduction to the District's basic financial statements, which consist of 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.

**Tangipahoa Communications District Number One
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended December 31, 2020**

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 the District's assets and liabilities using the accrual basis of accounting, in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as net position. Over time, the increases or decreases in net position and changes in the components of 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, focusing on both the gross and net costs of various activities. This is intended to summarize and simplify the reader's analysis of the cost of various governmental services.

In both of the government-wide financial statements, the District's activities are a single type:

Governmental activities - All of the District's basic services are reported here and are supported primarily by telephone charges and intergovernmental revenue to provide 911 services.

The government-wide financial statements include only the Tangipahoa Communications District Number One (a component unit of the Tangipahoa Parish Government) and can be found on pages 16 and 17.

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 and legal requirements. The District uses a single category of funds to account for financial transactions: governmental funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Governmental funds are used to account for most of the District's basic services. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The fund financial statements begin on page 19 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for government funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the District's more immediate decisions on the current use of financial resources. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The reconciliations can be found on pages 20 and 22.

**Tangipahoa Communications District Number One
Management’s Discussion and Analysis (Unaudited)
As of and for the Year Ended December 31, 2020**

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 24.

Government-Wide Financial Analysis

As stated earlier, net position may serve over time as a useful indicator of a government’s financial position. The following table provides a summary of the District’s net position for the current year as compared to the prior year. For more detailed information, see the Statement of Net Position in this report.

**Condensed Statement of Net Position
2020 and 2019**

	Governmental Activities	
	2020	2019
Assets:		
Current and Other Assets	\$ 4,152,301	\$ 3,698,728
Capital Assets	569,522	738,655
Total Assets	4,721,823	4,437,383
Liabilities:		
Long-Term Debt Outstanding	-	-
Other Liabilities	98,101	98,085
Total Liabilities	98,101	98,085
Net Position:		
Investment in Capital Assets	569,522	738,655
Restricted	-	-
Unrestricted	4,054,200	3,600,643
Total Net Position	\$ 4,623,722	\$ 4,339,298

“Current and Other Assets”, increased by approximately \$453,573 primarily related to increases in cash and cash equivalents.

“Capital Assets”, decreased by \$169,133 primarily related to depreciation recorded on capital assets of \$199,538, partially offset by purchases of capital assets in the current year of \$30,405. The most significant additions included construction in progress of \$13,567 for a storage building and furniture and equipment of \$16,838 for operator chairs, an air purifier and a computer.

**Tangipahoa Communications District Number One
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended December 31, 2020**

In order to further understand what makes up the changes in net position, the following table provides a summary of the results of the District's activities for the current year as compared to the prior year.

**Condensed Statement of Changes in Net Position
For the years ended December 31, 2020 and 2019**

	<u>Governmental Activities</u>		<u>Variance</u>	
	<u>2020</u>	<u>2019</u>	<u>Dollar</u>	<u>Percentage</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 2,162,158	\$ 2,073,402	\$ 88,756	4%
Operating Grants and Contributions	10,470	6,217	4,253	68%
General Revenues:				
Intergovernmental	161,017	160,734	283	0%
Interest Income	31,111	62,313	(31,202)	-50%
Miscellaneous	523	2,872	(2,349)	-82%
Total Revenues	<u>2,365,279</u>	<u>2,305,538</u>	<u>59,741</u>	<u>3%</u>
Expenses:				
Communication District Services	2,080,855	2,075,045	5,810	0%
Total Expenses	<u>2,080,855</u>	<u>2,075,045</u>	<u>5,810</u>	<u>0%</u>
Transfers to Other Governments	-	-	-	-
Change in Net Position	<u>284,424</u>	<u>230,493</u>	<u>53,931</u>	<u>23%</u>
Net Position, Beginning	4,339,298	4,108,805	230,493	6%
Net Position, Ending	<u>\$ 4,623,722</u>	<u>\$ 4,339,298</u>	<u>\$ 284,424</u>	<u>7%</u>

Total Revenues increased \$59,741. The most significant category of Program Revenues (Charges for Services) increased by 4% or \$88,759 compared to a 1% percent decrease of \$18,040 in the prior year. The increase in Program Revenue relates primarily to increase in 911 cellular revenue as well as increases in 911 landline revenue and prepaid phone 911 charges. Intergovernmental revenue relates to the provision of emergency 911 services to other governmental entities and increased only \$283 or less than 1% in 2020.

At December 31, 2020, the District's program expenses increased less than 1% or \$5,810 compared to a 16% increase of \$279,255 in the prior year. Increases in several program expense classes (primarily, salaries and related benefits) were offset by decreases in other program expense classes in 2020.

"Total Net Position" (total assets less total liabilities) increased by \$284,424 for the fiscal year ending December 31, 2020, reflecting a 23% increase from the prior year. At the end of the current fiscal year, the District was able to report positive balances in all categories of net position, both for the District as a whole, as well as for governmental activities. The same held true for the prior fiscal year.

**Tangipahoa Communications District Number One
Management’s Discussion and Analysis (Unaudited)
As of and for the Year Ended December 31, 2020**

Fund Financial Analysis

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only one fund type – governmental fund.

Governmental Funds

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 the District’s net resources available for spending at the end of the year.

At the end of the current year, the District’s sole governmental fund reported an ending fund balance of \$4,025,385. The District recorded an increase of \$424,742 in fund balance. At December 31, 2020, fund balance was as follows: non-spendable \$144,030; committed \$2,500,000; and unassigned \$1,381,355. In a prior fiscal year and remaining for the fiscal year ending December 31, 2020, the Board of Commissioners of the Tangipahoa Communications District Number One had committed a total of \$900,000 for future infrastructure and technology. During the year ending December 31, 2016 and remaining for the fiscal year ending December 31, 2020, the Board of Commissioners committed an additional \$1,000,000 for future infrastructure and technology. During the year ending December 31, 2020 and remaining for the fiscal year ending December 31, 2020, the Board of Commissioners committed an additional \$600,000 for future building expansion.

General Fund Budgetary Highlights

Tangipahoa Communications District Number One adopts an annual operating budget in accordance with the requirements of the Local Government Budget Act. As required by state law, actual revenues and other sources were within five percent of budgeted revenues and actual expenditures did not exceed budgeted expenditures by five percent. The budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operation of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended by the Board of Commissioners after review of monthly budget-to-actual reports. There was no budget amendment for the year ending December 31, 2020. The analysis of budget variances refers to Schedule 1 included as Required Supplementary Information, following the notes to the financial statements.

The general fund did not have actual revenues and other sources under budgeted revenues and other sources or actual expenditures and other uses over budgeted amounts resulting in unfavorable variances greater than five percent that would result in a violation of the Local Government Budget Act for the year ended December 31, 2020.

Capital Assets and Debt Administration

Capital Assets

The District’s net investment in capital assets for its governmental activities as of December 31, 2020 amounts to \$569,522 (net of depreciation) reflecting a decrease of \$169,133 from the prior year. “Capital Assets”, decreased by approximately \$169,000 primarily related the depreciation recorded on capital assets of \$199,538, partially offset by purchases of capital assets in the current year of \$30,405. The most significant additions included

**Tangipahoa Communications District Number One
Management’s Discussion and Analysis (Unaudited)
As of and for the Year Ended December 31, 2020**

construction in progress of \$13,567 for a storage building and furniture and equipment of \$16,838 for operator chairs, an air purifier and a computer. There were no current year capital asset disposals.

The following table provides a summary of the District’s capital assets (net of depreciation) at the end of the current year as compared to the prior year. For more detailed information, see Note 6 to the financial statements in this report.

**Capital Assets (Net of Depreciation)
2020 and 2019**

Capital Assets	Governmental Activities	
	2020	2019
Construction in Progress	\$ 13,567	\$ -
Furniture and Equipment	2,307,141	2,290,303
Vehicles	106,174	106,174
Leasehold Improvements	45,948	45,948
Maps	66,413	66,413
Subtotal Capital Assets	2,539,243	2,508,838
Less: Accumulated Depreciation	(1,969,721)	(1,770,183)
Capital Assets, Net	\$ 569,522	\$ 738,655

Other Factors Affecting the District

The Tangipahoa Communications District Number One’s management approach is conservative. When possible, the Board attempts to provide mandated services while consistently showing a budget surplus. The funds committed to the development of a new “911” communication facility were accumulated since the origination of the District and demonstrate a long-term commitment to serving users and providing quality services.

Contacting the District’s Financial Management

This financial report is designed to provide the District’s citizens and taxpayers with a general overview of the District’s finances and show the District’s accountability for the money it receives. Questions regarding this report or requests for additional information should be addressed to the Tangipahoa Communications District Number One at Post Office Box 505, Amite, Louisiana 70422, telephone (985) 747-0911.

Basic Financial Statements
Government-Wide Financial Statements

Tangipahoa Communications District Number One
Statement of Net Position
As of December 31, 2020

Statement A

		<u>Primary Government</u>
		<u>Governmental Activities</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$	3,157,555
Investments		250,000
Receivables, Net:		
Intergovernmental		51,257
Telephone Charges Receivable		299,359
Prepaid Expenses		144,030
Other		100
Total Current Assets		<u>3,902,301</u>
Noncurrent Assets:		
Investments		250,000
Total Noncurrent Assets		<u>250,000</u>
Capital Assets:		
Construction in Progress		13,567
Capital Assets, Net of Depreciation		555,955
Total Capital Assets		<u>569,522</u>
Total Assets		<u>4,721,823</u>
Liabilities		
Current Liabilities:		
Accounts Payable		11,770
Other Accrued Payables		86,331
Total Current Liabilities		<u>98,101</u>
Total Liabilities		<u>98,101</u>
Net Position		
Investment in Capital Assets		569,522
Restricted for:		
Capital Projects and Debt Service		-
Unrestricted		4,054,200
Total Net Position	\$	<u><u>4,623,722</u></u>

The accompanying notes are an integral part of this statement.

Statement B

Tangipahoa Communications District Number One
Statement of Activities
For the year ended December 31, 2020

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position of Primary Government
	Expenses	Charges for Services	Operating Grants & Contributions	Net (Expenses) Revenues	Governmental Activities
Governmental Activities					
Communication District Services	\$ 2,080,855	\$ 2,162,158	\$ 10,470	\$ 91,773	\$ 91,773
Total Governmental Activities	2,080,855	2,162,158	10,470	91,773	91,773
General Revenues:					
Intergovernmental					161,017
Interest Income					31,111
Miscellaneous					523
Total General Revenues and Transfers					192,651
Change in Net Position					284,424
Net Position - Beginning					4,339,298
Net Position - Ending					\$ 4,623,722

The accompanying notes are an integral part of this statement.

Basic Financial Statements

Fund Financial Statements

**Tangipahoa Communications District Number One
Balance Sheet, Governmental Funds
As of December 31, 2020**

Statement C

	<u>General Fund</u>
Assets	
Cash and Equivalents	\$ 3,157,555
Receivables, Net:	
Intergovernmental	51,257
Telephone Charges Receivables	299,359
Prepaid Expenses	144,030
Other	100
Investments	500,000
Total Assets	\$ <u><u>4,152,301</u></u>
 Liabilities, Deferred Inflows of Resources, and Fund Balances	
Liabilities:	
Accounts Payable	\$ 11,770
Other Accrued Payables	86,331
Total Liabilities	<u>98,101</u>
Deferred Inflows of Resources:	
Telephone Charges - Unavailable	5,196
Intergovernmental - Unavailable	23,619
Total Deferred Inflows of Resources	<u>28,815</u>
Fund Balances:	
Nonspendable	144,030
Restricted	-
Committed	2,500,000
Assigned	-
Unassigned	1,381,355
Total Fund Balances	<u>4,025,385</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u><u>4,152,301</u></u>

The accompanying notes are an integral part of this statement.

**Tangipahoa Communications District Number One
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Financial Statement of Net Position
As of December 31, 2020**

Fund Balances, Total Governmental Funds (Statement C)	\$	4,025,385
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the governmental funds. These assets consist of:

Governmental capital assets, net of accumulated depreciation	569,522
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Telephone charges and intergovernmental revenue amounts collected after year-end, but not within 60 days are not available soon enough to pay for current expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds

Deferred Inflows of Resources - Telephone Charges	5,196
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Deferred Inflows of Resources - Intergovernmental	23,619
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Net Position, Governmental Activities (Statement A)	\$	4,623,722
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The accompanying notes are an integral part of this statement.

Statement E

Tangipahoa Communications District Number One
Statement of Revenues, Expenditures and
Changes in Fund Balances
For the year ended December 31, 2020

	General Fund
Revenues	
Charges for Services - Telephone	\$ 2,156,962
Intergovernmental	137,398
Grant - Federal	10,470
Interest	31,111
Miscellaneous	523
Total Revenues	2,336,464
Expenditures	
Communication District Services	
Salaries	1,072,738
Benefits	274,624
Pension	-
Payroll Taxes	82,518
Insurance	35,762
Other operating	37,597
Professional Fees	13,900
Rent - Equipment and Line	180,525
Repairs and Maintenance	103,860
Supplies	11,010
Telephone	8,368
Utilities	49,120
Vehicle Expenses	11,295
Capital Outlays	30,405
Total Expenditures	1,911,722
Excess of Revenues Over Expenditures	424,742
Other Financing Sources (Uses)	
Proceeds from the Disposition of Fixed Assets	-
Transfers to Other Governments	-
Total Other Financing Sources (Uses)	-
Net Change in Fund Balance	424,742
Fund Balance, Beginning	3,600,643
Fund Balance, Ending	\$ 4,025,385

The accompanying notes are an integral part of this statement.

**Tangipahoa Communications District Number One
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended December 31, 2020**

Net Change in Fund Balances, Governmental Funds (Statement E) \$ 424,742

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	\$ 30,405	
Less:		
Current year depreciation	(199,538)	(169,133)

Some revenues in the statement of activities do not provide current financial resources and are not reported as revenue in the governmental funds:

Change in deferred inflow of resources for revenue collected after year end, but not available soon enough to pay current year expenditures.		28,815
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Change in Net Position, Governmental Activities (Statement B) \$ 284,424

The accompanying notes are an integral part of this statement.

Basic Financial Statements

Notes to the Financial Statements

Tangipahoa Communications District Number One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020

Introduction

The Tangipahoa Communications District Number One (the “District”) was created by an ordinance of the Tangipahoa Parish Council on June 10, 1986, pursuant to the provisions of Louisiana Statute (LSA-RS) 33:9101-9106. The Communication District was organized to acquire and maintain the facilities and equipment necessary to provide emergency telephone response service (911) to residents of the entire parish of Tangipahoa, Louisiana. As a result of a three-year study of the proposed “911” emergency service, it was recommended that the District’s Board of Commissioners be appointed, and that an election call be made. On August 13, 1990, the Tangipahoa Parish Council adopted Ordinance No. 26 of 1990 amending Ordinance 86-6A Section III, establishing a Communication District and providing for appointment of one member by the following sources to the Board of Commissioners:

- The Parish governing authority
- The Tangipahoa Parish Sheriff’s Office
- The Parish hospitals
- The Municipal Law Enforcement Agencies
- The Rural Fire Protection Districts
- The City Fire Protection Districts
- The Ambulance Services

On November 6, 1990, the voters of the District approved a levy not to exceed 5% of the tariff rate for local telephone service supplied within the District necessary to implement and maintain Emergency 911 (E911) services to citizens of Tangipahoa Parish. During the year ending December 31, 2017, the District’s Board voted to increase rates effective April 1, 2017 to cover the increase in costs of operating the 9-1-1 system (Business lines were \$1.63/month, raised to \$2.50/month, with a maximum of 100 lines per business location; residential lines were \$0.61 per line per month, raised to \$1.25 per month). The new rates are less than 5% of the tariff rate.

Additionally, pursuant to Act 1029 of the Regular Session of the 1999 Legislature, the District is authorized to establish an emergency telephone service charge of \$0.85 per wireless user/per month for users of CMRS (Commercial Mobile Radio Service) who can access the 911 telephone system. The purpose of the Act is to provide a funding mechanism to cover the costs of implementing enhancements to the emergency 911 telephone system for cellular and other wireless telephone users as provided by the Federal Communication Commission in Matter #94-102. Phase I of the FCC Matter requires the implementation of necessary enhancements that will automatically provide the wireless telephone number and wireless tower location of the wireless caller to the communication district (911 communications center) when such a caller accesses the 911 system. Phase II requires the implementation of necessary enhancements that will provide the location within a certain area of the wireless caller. Proceeds from the monies collected pursuant to Act 1029 will be used first for payment of wireless service suppliers’ and the District’s costs associated with the implementation of enhancements required in Phase I, allowing the District to receive the telephone number of the device accessing the 911 system. As delineated within the Act, each district shall enter a cooperative endeavor agreement with each wireless service supplier to implement the enhancements required by FCC Matter 94-102. The District has completed Phase I and Phase II of implementation. The District notified each service supplier by certified letter that the Board of Commissioners, by resolution, had levied the emergency telephone service charge. As of December 31, 2020, four providers have executed the required cooperative agreements. The service suppliers have been remitting the wireless service charges collected from the wireless CMRS, but service charges have not been paid to service suppliers that have not executed a cooperative agreement, since no district shall make payment of a service suppliers’ costs associated with the implementation of Phase I enhancements required by such an order unless there is a cooperative endeavor agreement between the district and supplier. Act 665 of the Regular Session of the 2016 Legislature amended the prior Act to include

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Interconnected Voice over Internet Protocol (VoIP) and to increase the maximum rate to one dollar and twenty five cents (\$1.25) per month per wireless commercial radio service (CMRS) connection or the rate which the district levies or is authorized to levy on CMRS users on August 1, 2016, whichever is higher. During the year ending December 31, 2017, the District's Board voted to increase the CMRS charge to \$1.25 per CMRS user/month effective April 1, 2017 to cover the increase in costs of operating the 9-1-1 system.

Act 51 of the Regular Session of the 2009 Legislature imposed a fee on prepaid wireless services that have the ability to access 9-1-1 services. The fee of 2% of the amount of the retail transaction was effective on January 1, 2010. The fee is remitted to the state and distributed to the communications districts. ACT 590 of the Regular Session of the 2016 Legislature amended Act 531 to increase the fee to 4% of the amount of the retail transaction. The district began receiving the increased fees for the quarter ending June 30, 2017.

As of December 31, 2020, the Communication District has twenty full-time employees, and six part-time employees.

GASB Statement No. 14, as amended, establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a component unit of the Tangipahoa Parish Government. As a component unit, the accompanying financial statements are to be included within the reporting of the primary government, either blended within those financial statements or separately reported as a discrete component unit. Under provisions of this statement, there are no component units of the District.

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying basic financial statements of the Tangipahoa Communication District Number One have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. These financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, as amended. Statement No. 34 established standards for financial reporting, with presentation requirements originally including a statement of net position (or balance sheet), and a statement of activities. The definition and composition of these statements, as originally defined in GASB Statement No. 34, are as amended by GASB Statements, some of which are included in the following paragraphs. The District has also adopted the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that requires capital contributions to the District to be presented as a change in net position.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net position by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4

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identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Note I – Net Position and Fund Balance*.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

At December 31, 2020, the District has deferred inflows of resource of \$28,815 recorded in the general fund related to revenue not collected within the period of availability. The District does not have any deferred outflows of resources at December 31, 2020.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, a primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The District does not have any business-type activities and reports only governmental activities. The District has only one fund and as such, there is no interfund activity. The District has no component units

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. All individual funds are reported in separate columns in the fund financial statements. The District only reports a single fund for the year ending December 31, 2020: a governmental fund: the General Fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, when applicable, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

User charges for telephone service, intergovernmental and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or is considered available for this revenue source. Substantially all other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental fund:

- The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund (none in the current year).

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. The primary source of program revenues are telephone user charges to support "911" communication services. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, if any.

D. Cash, Cash Equivalents and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, time deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law limits the District to deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or national banks having principal offices in Louisiana.

In accordance with state law, the District limits its investments to those allowed under R.S. 33:2955. Certificates of deposit are classified as investments if their original maturities exceed 90 days. Investments are reported at fair value, except nonparticipating investment contracts which are reported at cost.

E. Receivables and Revenue

Telephone service fees are recorded in the year the fees are charged. Telephone service fees are charged monthly to the customer's telephone bill by various telephone companies. The telephone companies remit the collections to the District in the subsequent month or quarter. Receivables are shown net of any allowance for uncollectible.

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F. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased. The District did not have any inventory at December 31, 2020. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Capital assets, which include machinery, equipment, vehicles and facility improvements, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$500 or more for capitalizing capital 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.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Leasehold Improvements	7 - 20 Years
Furniture and Equipment	5 - 12 Years
Vehicles	5 - 7 Years
Maps	10 Years

H. Compensated Absences

The District has the following policy related to vacation and sick leave:

All full-time employees are entitled to annual vacation leave as follows:

	<u>Minimum Years of Service Completed</u>			
	<u>1</u>	<u>2</u>	<u>5</u>	<u>10+</u>
Vacation Leave - Hours Earned per Year	40	80	120	160
	<u>40</u>	<u>80</u>	<u>120</u>	<u>160</u>

Vacation leave is accrued during the year through the anniversary date. As standard procedure of the District, vacation leave isn't to be carried forward and should be taken in the anniversary year following when it was accrued. Additionally, vacation can be paid out upon termination.

Employees earn four hours of sick leave per pay period worked until a maximum of 1,440 hours have been accumulated. As standard procedure of the District, sick leave may be earned after ninety days of employment. Sick leave is not paid to the employee under any circumstances.

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The cost of leave privileges is computed in accordance with GASB Codification Section C60. Sick leave is recognized as current year expenditure in the governmental fund when leave is taken. Accordingly, no liability has been accrued for unused sick leave.

I. Net Position and Fund Balance

GASB Statement No. 34, *Basic Financial Statements, Management's Discussion and Analysis, for State and Local Governments*, required reclassification of net position into three separate components. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, revised the terminology by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. GASB Statement No. 63 requires the following components of net position:

- **Net Investment in Capital Assets Component of Net Position.** The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount. The District does not have any capital related debt or capital related deferred inflows of resources, and as such, the component is *investment in capital assets* in the current year.
- **Restricted Component of Net Position.** The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted Component of Net Position.** The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

In the fund statements, governmental fund equity is classified as fund balance. The District adopted GASB 54 for the year ended December 31, 2011. As such, fund balances of governmental funds are classified as follows:

- **Nonspendable.** These are amounts that cannot be spent either, because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted.** These are amounts that can be spent only for specific purposes, because of constitutional provisions, enabling legislation or constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- **Committed.** These are amounts that can be used only for specific purposes determined by a formal decision of the Board, which is the highest level of decision making authority for the District.

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- **Assigned.** These are amounts that do not meet the criteria to be classified as restricted or committed, but are intended to be used for specific purposes based on the discretion of the Board.
- **Unassigned.** These are amounts that have not been assigned to other funds and amounts that have not been restricted, committed, or assigned to specific purposes within the general fund. Also within other governmental funds, these include expenditure amounts incurred for specific purposes which exceed the amounts restricted, committed or assigned for those purposes.

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.

When restricted, committed, assigned, or unassigned fund balances are available for use, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds as needed, unless it has been provided for otherwise in the restriction, commitment, or assignment action.

J. Comparative Data/Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

K. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the district, which are either unusual in nature or infrequent in occurrence.

L. Estimates

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

M. Reconciliations of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position is presented in Statement D of the basic financial statements. Explanation of certain differences between the governmental fund statement of revenues, expenses, and changes in fund balances and the government-wide statement of activities is presented in Statement F of the basic financial statements.

2. Stewardship, Compliance and Accountability

The District prepares its budget on the modified accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The budget is legally adopted and amended, as necessary, by the board of commissioners. The annual budget was not amended for the fiscal year 2020. A summary of the budget practices of the District is as follows:

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1. The District’s treasurer prepares the annual budget and submits the proposed budget to the Board of Commissioners no later than fifteen days prior to the beginning of the next fiscal year. The budget for the fiscal year 2020 was presented to the Board of Commissioners on October 24, 2019.
2. A summary of the proposed budget is published in the official journal and the public is notified that the proposed budget is available for inspection. At the time the proposed budget is published, a public hearing is also scheduled. The proposed budget was published on November 8, 2019.
3. A public hearing, at least ten days subsequent to publishing the notice, is held on the proposed budget. The public hearing date was November 21, 2019.
4. After holding the public hearing and taking all action necessary to finalize and implement the budget for the ensuing year, the proposed budget is formally adopted by the Board of Commissioners. The proposed budget was adopted by the Board of Commissioners on December 18, 2019.
5. Amendments to the budget follow the same procedures as adopting the original budget. There were no amendments to the 2020 budget.

All expenditure appropriations lapse at year end. Unexpended appropriations and any excess of revenues over expenditures are carried forward to the subsequent year as beginning fund balance.

Actual revenues exceeded budgeted revenues and actual expenditures were below budgeted expenditures for the fiscal year ended December 31, 2020. The general fund did not have actual revenues and other sources under budgeted revenues and other sources or actual expenditures and other uses over budgeted amounts resulting in unfavorable variances greater than five percent that would result in a violation of the Local Government Budget Act for the year ended December 31, 2020.

3. Cash and Cash Equivalents

At December 31, 2020, the District has cash and cash equivalents (book balances) as follows:

	December 31, 2020
Interest-bearing Demand Deposits	\$ 624,080
Louisiana Asset Management Pool Funds (LAMP)	2,533,475
Total Cash and Cash Equivalents	3,157,555
Certificates of Deposit Held as Investments (See Note 4)	500,000
Total Deposits	\$ 3,657,555

The demand deposits and certificates of deposit are stated at cost, which approximates market. The deposits in LAMP are stated at fair value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Even though the pledged securities may be considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial

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bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

Custodial credit risk as it relates to cash deposits is the risk that in the event of bank failure, the government's deposits may not be returned. The District does not have a formal policy for custodial credit risk. At December 31, 2020, the District has \$1,137,747 (collected bank balances) other than Lamp, consisting of \$624,080 in interest-bearing demand deposits and two certificates of deposit with two financial institutions totaling \$500,000, both held as investments. The demand deposits and certificates of deposit are each secured from risk by \$250,000 of federal deposit insurance and the remaining demand deposits of \$387,747 are secured from risk by pledged Letters of Credit.

4. Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the District or its agent in the District's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District's name

The District's investments are carried at fair value, except nonparticipating investment contracts which are reported at cost.

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

The only investments held by the District at December 31, 2020 are certificates of deposit held as investments as noted in Note 3 and deposits in LAMP carried as cash and cash equivalents as noted in Note 3. The District reports its investments in LAMP (See Note 3) as cash due to the highly liquid nature of these deposits.

LAMP is administered by LAMP, Inc., a non-profit organized under the laws of the State of Louisiana. Only local government entities contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a 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 LSA-R.S. 33:2955.

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GASB Statement 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk interest rate risk, and foreign currency risk for all public entity investments.

LAMP is an investment pool that, to the extent practical, invests in a manner consistent with GASB Statement No. 79. The following facts are relevant for investment pools:

1. Credit risk: LAMP is rated AAAM by Standards and Poor's.
2. Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
3. Concentration of credit risk: Pooled investments are excluded from the five percent disclosure requirement.
4. Interest rate risk: LAMP is designed to be highly liquid to give 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 90 days, and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments. The WAM for LAMP's total investments is 47 days (from LAMP's monthly Portfolio Holding) as of December 31, 2020.
5. Foreign currency risk: Not applicable.

The investments in LAMP are stated at fair value. 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 net asset value of the pool shares.

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. If you have any questions, please feel free to contact LAMP administrative offices at 800-249-5267.

5. Receivables

The District had only one major class of receivables at December 31, 2020, totaling \$299,359, consisting of telephone charges due from cellular and land line providers. A total of \$30,661 was also recorded at December 31, 2020 as due from local fire departments and \$20,596 due from other governments. All receivable amounts are current.

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6. Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2020 for governmental activities is as follows:

Governmental Activities Capital Assets:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ -	\$ 13,567	\$ -	\$ 13,567
Total Capital Assets Not Being Depreciated	<u>-</u>	<u>13,567</u>	<u>-</u>	<u>13,567</u>
Capital Assets Being Depreciated:				
Furniture and Equipment	2,290,303	16,838	-	2,307,141
Vehicles	106,174	-	-	106,174
Leasehold Improvements	45,948	-	-	45,948
Maps	66,413	-	-	66,413
Total Capital Assets Being Depreciated	<u>2,508,838</u>	<u>16,838</u>	<u>-</u>	<u>2,525,676</u>
Less Accumulated Depreciation for:				
Furniture and Equipment	1,619,225	179,573	-	1,798,798
Vehicles	71,859	13,888	-	85,747
Leasehold Improvements	17,045	2,054	-	19,099
Maps	62,054	4,023	-	66,077
Total Accumulated Depreciation	<u>1,770,183</u>	<u>199,538</u>	<u>-</u>	<u>1,969,721</u>
Total Capital Assets Being Depreciated, Net	<u>738,655</u>	<u>(182,700)</u>	<u>-</u>	<u>555,955</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 738,655</u>	<u>\$ (169,133)</u>	<u>\$ -</u>	<u>\$ 569,522</u>

Depreciation was charged to governmental functions as follows:

Communication District Services	\$ 199,538
	<u>\$ 199,538</u>

During the fiscal year ended December 31, 2020, the District incurred costs for construction in progress of \$13,567 for a storage building and purchased furniture and equipment of \$16,838 for operator chairs, an air purifier and a computer.

7. Deferred Compensation and Pension Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, available to all District employees, after ninety days of full employment, permits them to defer a portion of their salaries until future years. No portion of this deferred compensation is paid by the District.

The deferred compensation benefits are not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are the sole ownership of the

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participants. Employee Contributions for the year ending December 31, 2020 were \$60,508. The District has no financial or fiscal responsibility to the deferred compensation plan.

In conjunction with the deferred compensation plan, the District offers its employees a match under a defined contribution plan created in accordance with Internal Revenue Code 401, the Tangi 911 Center 401(a) Plan (the “plan”). The plan, available to all full time-employees after 90 days of full-time employment electing to participate in the 457 deferred compensation plan, receive a match of their elected deferral of up to seven percent of their salary. The plan does not accept rollover contributions. Employees are fifty percent vested in the plan after one year and one hundred percent vested after two years. Benefits forfeited may first be used to pay any plan expenses, and then may be used to offset employer contributions under the plan for the plan year in which the forfeiture occurs. The District may make amendments to the plan by approval of the Board and execution of amendment in writing. The District’s contributions to the plan and recorded pension expense for the year ending December 31, 2020 were \$55,161. There was no liability outstanding at year end 2020. There are no forfeitures reflected in pension expense for the year ending December 31, 2020.

8. Compensated Absences

At December 31, 2020, employees of the District have accumulated and vested \$49,734 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The total amount of accrued vacation leave is recorded as an obligation of the general fund. Although vacation leave cannot be carried forward as matter of District standard procedures, the liability for vacation leave is recorded since leave is accrued on an annual basis based on the date the employee was hired and the amount accrued is expected to be paid from expendable current financial resources.

9. Accounts, Salaries, and Other Payables

The Governmental Fund payables at December 31, 2020 are as follows:

Governmental Funds Payable	General Fund
Accounts	\$ 11,770
Other	
Accrued Payroll	33,908
Accrued Vacation	49,734
Other	2,689
Total Governmental Funds Payable	\$ 98,101

10. Intergovernmental Agreements

On June 25, 2015, Tangipahoa Communication District Number One entered into an intergovernmental agreement with the St. Helena Parish 911 Communications District, the St. Helena Parish Police Jury, and the St. Helena Parish Sheriff for the provision of emergency 911 services. The contract provided for a period of one year beginning on July 1, 2015 and terminating at mid-night on June 30, 2016. Upon expiration of this agreement, the terms continued on a month to month basis until February 2018 when a new contract was executed. In February 2018, Tangipahoa Communications District Number One entered into an intergovernmental agreement with the St. Helena Parish 911 Communications District, the St. Helena Parish Police Jury, and the St. Helena Parish Sheriff for the provision of emergency 911 services. The contract provided for the following:

Tangipahoa Communications District Number One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020

1. This agreement shall be for a period of one year beginning on March 1, 2018 and terminating at midnight on February 28, 2019.
2. The Tangipahoa Communications District Number One will act as a public safety answering point for St. Helena Parish Communications District and will take appropriate action as defined in this document.
3. The Tangipahoa Communication District Number One shall transfer all law enforcement emergency calls to the St. Helena Parish Sheriff's Office for handling by the St. Helena Parish Sheriff's Department and such other appropriate law enforcement agencies as the St. Helena Parish Sheriff's Department deems appropriate.
4. The Tangipahoa Communication District Number One shall dispatch all fire and/or rescue calls to the proper fire district serving the geographical area of the alarm following the mutually agreed upon dispatch procedures. St. Helena Parish Communication District is responsible for providing addressing and geographical information as well as fire district response areas. The Tangipahoa Communication District Number One bears no liability for incorrect addressing, geographical information, or fire district response areas.
5. The Tangipahoa Communication District Number One shall transfer all emergency medical calls to Acadian Ambulance Service, Inc.
6. The Tangipahoa Communication District Number One shall transfer all emergency calls relating to hazardous material, state road closure and/or accidents on state highways not involving either injury, fire or the need for immediate response to the Louisiana State Police Troop "L". In the event of a hazardous material spill or other emergency, the St. Helena Parish Sheriff's Department will be notified and the appropriate fire district will be dispatched.
7. The only agencies that the Tangipahoa Communication District Number One will be one button transferring emergency 911 calls for the St. Helena Parish 911 Communications District are the St. Helena Parish Sheriff's Department, Acadian Ambulance Service, Inc. and Louisiana State Police Troop "L". The only agencies that the Tangipahoa Communication District Number One will be dispatching emergency 911 calls for are the St. Helena Parish 911 Communications District and the St. Helena Parish Fire Districts.
8. The St. Helena Parish 911 Communications District shall be responsible for assuring that the St. Helena Parish Sheriff's Department, St. Helena Fire Districts, Acadian Ambulance Service, Inc. and Louisiana State Police Troop "L" answer the transferred calls and shall be responsible for assuring that these agencies properly handle the response to these calls.
9. The St. Helena Parish Sheriff shall at no cost or expense accept all responsibility for answering emergency 911 calls transferred to it by the Tangipahoa Communication District Number One on an around the clock basis. Furthermore, in addition to being available to answer these calls twenty-four (24) hours a day, seven (7) days a week, the St. Helena Parish Sheriff agrees to be responsible for responding to these calls.
10. The St. Helena Parish 911 Communications District agrees to pay for two (2) additional trunk lines to handle the Century Telephone Company telephone lines. All cost for these telephone trunk lines will be reimbursed by the St. Helena Parish 911 Communications District.
11. The St. Helena Parish 911 Communications District and the St. Helena Parish Police Jury shall be responsible for naming, signing and addressing all of the roads in St. Helena Parish, Louisiana.
12. The St. Helena Parish 911 Communications District shall be responsible for maintaining data on road names and addresses and for providing this information and regular updates thereof to the Tangipahoa Communications District Number One.

Tangipahoa Communications District Number One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020

13. Each party agrees to provide to the other any and all necessary information requested by the other within a reasonable period of time, not to exceed seven (7) days.
14. The St. Helena Parish 911 Communications District agrees to hold harmless, indemnify and protect the Tangipahoa Communications District Number One from any and all liability and responsibility arising out of it providing the services outlined herein excepting for its own failure to act or respond specifically including but not limited to liability caused by the St. Helena Parish 911 Communications District, St. Helena Fire District, and/or the St. Helena Parish Sheriff s Department.
15. In consideration of the aforementioned terms outlined in this agreement and contract the St. Helena Parish Communications District agrees to pay all costs identified in Appendix 1 of the contract (\$89,060 total). All expenses and costs provided for in Appendix 1 of the agreement may be subject to renegotiation should this contract be renewed.

Upon expiration of this agreement, the terms are automatically renewed one year at a time until execution of a new agreement or termination of current agreement.

The District earned and recorded \$89,060 in the current year under this intergovernmental agreement. Receivable amount at year end December 31, 2020 related to this agreement was \$7,422.

On July 1, 2015 the District entered into intergovernmental agreements with 10 local fire departments for answering all emergency 911 lines and radio dispatch on behalf of the fire departments for a term of 1 year. The fire departments are also component units of the Tangipahoa Parish Government. The fire departments agreed to pay their share of the equipment lease, CAD maintenance, radio maintenance, charges and employee cost, based on their percentage of the prior year call volume of all fire departments being dispatched by the District and a portion of CAD maintenance and radio maintenance funded by the Tangipahoa Sheriff as outlined in an attachment to the agreement. Upon expiration of the agreements, new contracts were not immediately signed and instead the terms of the agreements continued on a month to month basis. The contracts continued on a month to month basis through June 30, 2019 at which time new agreements were executed with 12 local fire departments for answering all emergency 911 lines and radio dispatch on behalf of the fire departments. The contract provided for a one-year term with automatic renewal unless cancelled by either party to the contract with ninety days written notice. The fire departments are also component units of the Tangipahoa Parish Government. The fire departments agreed to pay their share of the equipment lease, CAD maintenance, radio maintenance charges and employee cost, based on their percentage of the prior year call volume of all fire departments being dispatched by the District as outlined in an attachment to the agreements.

The District earned and recorded \$65,000 in revenue in the government-wide financial statements in the current year under these agreements. Receivable amount at year end December 31, 2020 related to these agreements was \$30,661. Of this amount, \$16,662 was not collected in the period of availability and was recorded as a deferred inflow of resources in the general fund and as such, the District earned and recorded \$48,338 in revenue in the general fund in the current year under this agreement

11. Operating Leases

During the year ending December 31, 2018, the District signed a leasing agreement for the lease of new 911 hardware and equipment and a service agreement for service of that system. In accordance with the terms of the lease, the District will pay \$108,134.66 a year for five years, the initial lease term, beginning in 2018. In accordance with the terms of the related service contract, the District will pay \$17,710.17 a year for five years, the initial term, beginning in 2018. Rental expense under this lease for the year ended December 31, 2020 was \$125,845.

Tangipahoa Communications District Number One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020

12. Fund Balance

At December 31, 2020, the District had nonspendable fund balance of \$144,030 created from prepaid expenses. In a prior fiscal year and remaining for the fiscal year ending December 31, 2020, the Board of Commissioners of the Tangipahoa Communications District Number One had committed a total of \$900,000 for future infrastructure and technology. During the year ending December 31, 2016 and remaining for the fiscal year ending December 31, 2020, the Board of Commissioners committed an additional \$1,000,000 for future infrastructure and technology. During the year ending December 31, 2020 and remaining for the fiscal year ending December 31, 2020, the Board of Commissioners committed an additional \$600,000 for future building expansion. These commitments represent an internally imposed restriction made by the highest decision-making body of the District, the board. As such, at December 31, 2020, the District had committed fund balance of \$2,500,000. As it relates to communication equipment, the policy of the board is to commit the funds for future purchases of communication equipment and not to reduce the commitment as unrestricted funds are expended for communications equipment. The remaining fund balance of \$1,381,355 was unassigned at December 31, 2020.

13. Risk Management

The District is exposed to various risks of loss related to theft, damage, or destruction of assets, torts, injuries, natural disasters, and many other unforeseeable events. The District purchases commercial insurance policies and bonds for any and all claims related to the aforementioned risks. The District's payment of the insurance policy deductible is the only liability associated with these policies and bonds. There has been no significant decrease in insurance coverage from the prior year, and the amount of settlements has not exceeded the insurance coverage for the past three fiscal years.

14. Contingent Liabilities

At December 31, 2020, the District was not involved in any outstanding litigation or claims.

15. Commitments

During the year ending December 31, 2020, the District entered into an agreement for the construction of a metal storage building. At December 31, 2020, the District has incurred expenses (paid and payable) of \$13,567 on this contract of \$45,050 leaving a remaining commitment of \$31,483. Subsequent to year end, the building was completed and the remaining commitment paid.

16. COVID-19 Pandemic

In December 2019, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic and this pandemic has resulted in federal, state, and local governments and private entities mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders, and quarantining of people that may have been exposed to the virus.

COVID-19 and actions taken to mitigate it had and are expected to continue to have adverse effects on the economy. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed by the federal government to alleviate some of the effects of the COVID-19 pandemic. Among the CARES Act key provisions was funds designated for programs for state and local governments, which included creation of the Coronavirus Relief Fund with \$150 billion for direct aid for state and local governments to assist in expenses associated with COVID-19. The State of Louisiana will

Tangipahoa Communications District Number One
Notes to the Financial Statements
As of and for the Year Ended December 31, 2020

receive \$1.8 billion from this Fund and will appropriate 45% to local governments. The District received and recorded \$10,470 in Coronavirus Relief Fund reimbursement under the Cares Act passed through the Tangipahoa Parish Government.

17. Subsequent Events

Subsequent to year end, construction of the storage building (See Note 15) was completed and remaining contract value paid.

Subsequent events have been evaluated by management through September 30, 2021, the date the financial statements were available for issuance. No other events were noted that require recording or disclosure in the financial statements for the year ending December 31, 2020.

Required Supplementary Information (Part II)

Tangipahoa Communications District Number One
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) and Actual
General Fund
For the year ended December 31, 2020

	Budgeted Amounts		Actual Amounts GAAP Basis	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Charges for Services - Telephone	\$ 2,000,000	\$ 2,000,000	\$ 2,156,962	\$ 156,962
Intergovernmental	160,060	160,060	137,398	(22,662)
Federal Grant	-	-	10,470	10,470
Interest	60,000	60,000	31,111	(28,889)
Miscellaneous	1,000	1,000	523	(477)
Total Revenues	2,221,060	2,221,060	2,336,464	115,404
Expenditures				
Communication District Services				
Salaries	1,130,415	1,130,415	1,072,738	57,677
Benefits	300,000	300,000	274,624	25,376
Payroll Taxes	100,000	100,000	82,518	17,482
Insurance	39,000	39,000	35,762	3,238
Other Operating	65,800	65,800	37,597	28,203
Professional Fees	15,000	15,000	13,900	1,100
Rent	200,845	200,845	180,525	20,320
Repairs and Maintenance	114,000	114,000	103,860	10,140
Supplies	16,000	16,000	11,010	4,990
Telephone	9,000	9,000	8,368	632
Utilities	65,000	65,000	49,120	15,880
Vehicle Expenses	16,000	16,000	11,295	4,705
Capital Outlays	150,000	150,000	30,405	119,595
Total Expenditures	2,221,060	2,221,060	1,911,722	309,338
Excess Revenues (Expenditures)	-	-	424,742	424,742
Other Financing Sources (Uses)				
Proceeds from Disposition of Fixed Assets	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	424,742	424,742
Fund Balances, Beginning	3,195,090	3,195,090	3,600,643	405,553
Fund Balances, Ending	\$ 3,195,090	\$ 3,195,090	\$ 4,025,385	\$ 830,295

See Independent Auditor's Report.

Other Supplementary Information

Tangipahoa Communications District Number One
Schedule of Compensation Paid to the Board of Commissioners
For the year ended December 31, 2020

<u>Name and Title / Contact Number</u>	<u>Employer and Address</u>	<u>Compensation Received</u>	<u>Term Expires</u>
Kim Moore, Chairman (985) 969-0807	Tangipahoa Parish Sheriff's Office 61092 Vining Road Amite, LA 70422	\$ 400	June 2021
Patrick Sims, Vice Chairman (985) 630-2748	Acadian Ambulance Service 20246 Kingland Dr. Hammond, LA 70403	250	June 2021
John Ballard, Secretary-Treasurer (985) 517-2697	Member-at-Large 66295 Highway 1054 Kentwood, LA 70444	450	June 2022
Richard Cutrer, Commissioner (985) 517-1103	Tangipahoa Fire Protection District 1 51585 Narretto Road Loranger, LA 70446	400	June 2021
Karen Volkmann, Commissioner (985) 517-0031	Hood Memorial Hospital 300 Pecan Street Amite, LA 70422	250	June 2022
Jesse Hodges III, Commissioner (985) 507-7398	Hammond Fire Department 48318 Fox Hollow Blvd. Hammond, LA 70401	500	June 2024
Jerry Trabona, Commissioner (985) 969-1868	Amite Police Department 506 North Ave. Amite, LA 70422	400	June 2024
		<u>\$ 2,650</u>	

See Independent Auditor's Report.

Tangipahoa Communications District Number One
Schedule of Compensation, Reimbursements, Benefits, and Other Payments to Agency Head
For the year ended December 31, 2020

Agency Head Name: Dennis Darouse, Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 77,594
Benefits-Insurance	7,681
Benefits-Prescription Reimbursement	250
Benefits-Vision Insurance	82
Benefits-Uniform Reimbursement	-
Employer Paid Payroll Taxes	5,936
Meal and Incidental Per Diem	-
Telephone Expense Reimbursement	600
Travel	781
Conference Registration Fees	1,741
	<u>\$ 94,665</u>

See Independent Auditor's Report.

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

Members of the Board of Commissioners
Tangipahoa Communications District Number One
Amite, Louisiana 70422

We have audited, 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, the financial statements of the governmental activities and each major fund of the Tangipahoa Communications District Number One, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Tangipahoa Communications District Number One's basic financial statements, and have issued our report thereon dated September 30, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Tangipahoa Communications District Number One's internal control over financial reporting (internal control) as a basis for designing 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 Tangipahoa Communications District Number One's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tangipahoa Communications District Number One'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as Finding 2020-I1 that we consider to be significant deficiencies.

BRUCE HARRELL AND CO., CPAs

CERTIFIED PUBLIC ACCOUNTANTS

A professional accounting corporation

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tangipahoa Communications District Number One’s financial statements are free of 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 financial statement. 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*.

Tangipahoa Communications District Number One’s Response to Findings

Tangipahoa Communications District Number One’s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Tangipahoa Communications District Number One’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation

Kentwood, LA
September 30, 2021

**Tangipahoa Communications District Number One
Schedule of Findings and Responses
For the Year Ended December 31, 2020**

Section I Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified Qualified
Disclaimer Adverse

Internal Control over financial reporting:

Material Weakness(es) identified? Yes No
Significant Deficiency(ies) identified? Yes None Reported

Noncompliance Material to Financial Statements noted? Yes No

Federal Awards - NA

Internal Control over major federal programs:

Material Weakness(es) identified? Yes No
Significant Deficiency(ies) identified? Yes None Reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified Qualified
Disclaimer Adverse

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?
 Yes No

Identification of Major Federal Programs:

Assistance Listing Number(s)	Name of Federal Program (or Cluster)

Dollar threshold used to distinguish between Type A and Type B Programs: \$ _____

Auditee qualified a 'low-risk' auditee? Yes No

**Tangipahoa Communications District Number One
Schedule of Findings and Responses
For the Year Ended December 31, 2020**

Section II Financial Statement Findings

Finding Number: 2020-I1 Lack of Proper Segregation of Duties (Significant Deficiency)

Criteria: Proper segregation of incompatible duties requires that there be different individuals responsible for authorizing transactions, recording transactions and maintaining custody of related assets.

Condition: Duties throughout the financial reporting process, which are considered incompatible, are being performed by the District's Clerk or Director. Specifically included, but not limited to:

- Individual that prepares and makes deposits also opens mail, records transactions into the GL and reconciles bank accounts.
- Individual who prepares disbursement checks and disburses funds electronically (electronic payments and payroll direct deposit) also opens mail, records transactions into the general ledger and reconciles bank accounts.
- Vendors are added by the individual responsible for processing payments.

Compensating controls include, but are not limited to: monthly financial statements and other financial information review by Board and Director; review and approval of check register and electronic payments by Director and Board as part of monthly financial review; review and approval (initial) of bank reconciliations by Board Member; dual signatures on checks and review of invoices by Director and Board; leave approval and review by Director; time entry system and payroll reconciliation of documents; review and approval of all time by Director; Board involvement in the budget process.

Cause: Due to the size and nature of the District, there are few administrative employees and as such, some incompatible duties are not adequately segregated.

Effect: Inadequate segregation of duties exposes the District to several risks, including, but not limited to misappropriation of assets and inaccurate or fraudulent financial reporting.

Recommendation: Management should remain vigilant in identifying compensating controls and ensuring that those implemented are operating effectively. Specifically, we recommend separation of the responsibility of opening mail and preparing and making deposits from the individual responsible for the General Ledger and the individual reconciling the bank accounts.

Management's Response: Compensating controls will be further reviewed and implemented where possible. The District will implement auditor recommendations as possible.

Section III Federal Award Findings and Questioned Costs

N/A

**Tangipahoa Communications District Number One
Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2020**

Financial Statement Findings

Finding Number: 2019-II Lack of Proper Segregation of Duties (Significant Deficiency)

Criteria: Proper segregation of incompatible duties requires that there be different individuals responsible for authorizing transactions, recording transactions and maintaining custody of related assets.

Condition: Duties throughout the financial reporting process, which are considered incompatible, are being performed by the District's Clerk or Director. Specifically included, but not limited to:

- Individual that prepares and makes deposits also opens mail, records transactions into the GL and reconciles bank accounts.
- Individual who prepares disbursement checks and disburses funds electronically (electronic payments and payroll direct deposit) also opens mail, records transactions into the general ledger and reconciles bank accounts.
- Vendors are added by the individual responsible for processing payments.

Compensating controls include, but are not limited to: monthly financial statements and other financial information review by Board and Director; review and approval of check register and electronic payments by Director and Board as part of monthly financial review; review and approval (initial) of bank reconciliations by Board Member; dual signatures on checks and review of invoices by Director and Board; leave approval and review by Director; time entry system and payroll reconciliation of documents; review and approval of all time by Director; Board involvement in the budget process.

Cause: Due to the size and nature of the District, there are few administrative employees and as such, some incompatible duties are not adequately segregated.

Effect: Inadequate segregation of duties exposes the District to several risks, including, but not limited to misappropriation of assets and inaccurate or fraudulent financial reporting.

Recommendation: Management should remain vigilant in identifying compensating controls and ensuring that those implemented are operating effectively. Specifically, we recommend separation of the responsibility of opening mail and preparing and making deposits from the individual responsible for the General Ledger and the individual reconciling the bank accounts.

Management's Response: Compensating controls will be further reviewed and implemented where possible. The District will implement auditor recommendations as possible.

Current Year Status: Lack of segregation of duties is a continuing issue with smaller entities. The District continues to look for opportunities to implement compensating controls. This finding has been reassessed and is again reported as a significant deficiency in the current year as 2020-II.

Federal Award Findings and Questioned Costs

N/A

This schedule was prepared by management.

