

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**

**FINANCIAL AND COMPLIANCE AUDIT**  
**TOGETHER WITH**  
**INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

## **TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
INDEPENDENT AUDITORS' REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	5
STATEMENT OF NET POSITION .....	11
STATEMENT OF ACTIVITIES .....	12
BALANCE SHEET .....	13
RECONCILIATION OF THE BALANCE SHEET- GOVERNMENTAL FUND - GENERAL FUND TO THE STATEMENT OF NET POSITION .....	14
STATEMENT OF REVENUES, EXPENDITURES AND NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND - GENERAL FUND .....	15
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND - GENERAL FUND TO THE STATEMENT OF ACTIVITIES .....	16
NOTES TO THE FINANCIAL STATEMENTS .....	17

## TABLE OF CONTENTS, CONTINUED

	<u>PAGE</u>
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Budgetary Comparison Schedule-General Fund.....	36
<b>SUPPLEMENTARY INFORMATION:</b>	
Schedule of Compensation, Benefits and Other Payments to the President & Chief Executive Officer.....	37
<b>INDEPENDENT AUDITORS' 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 .....</b>	<b>38</b>
<b>SCHEDULE OF FINDINGS .....</b>	<b>41</b>
<b>SCHEDULE OF PRIOR YEAR FINDINGS .....</b>	<b>43</b>



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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of the  
**New Orleans Tourism Marketing Corporation**  
**(A Component Unit of the City of New Orleans)**  
New Orleans, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of **New Orleans Tourism Marketing Corporation (NOTMC)**, a component unit of the City of New Orleans, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise **NOTMC'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.

### **Auditors' 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.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Directors of the  
**New Orleans Tourism Marketing Corporation**  
**(A Component Unit of the City of New Orleans)**  
New Orleans, Louisiana  
Page 2

**Auditors' Responsibility, Continued**

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 the major fund of **NOTMC** as of December 31, 2017 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.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Directors of the  
**New Orleans Tourism Marketing Corporation**  
**(A Component Unit of the City of New Orleans)**  
New Orleans, Louisiana  
Page 3

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 10 and page 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise NOTMC's basic financial statements. The Schedule of Compensation, Benefits and Other Payments to the President & Chief Executive Officer on page 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements.



**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Directors of the  
**New Orleans Tourism Marketing Corporation**  
**(A Component Unit of the City of New Orleans)**  
New Orleans, Louisiana  
Page 4

**Other Matters, Continued**

*Other Information, continued*

The Schedule of Compensation, Benefits and Other Payments to the President & Chief Executive Officer is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits and Other Payments to the President & Chief Executive Officer is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018, on our consideration of NOTMC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NOTMC's internal control over financial reporting and compliance.

  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
New Orleans, Louisiana

June 29, 2018



**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**New Orleans Tourism Marketing Corporation (NOTMC)** is a component unit of the City of New Orleans. **NOTMC's** management's discussion and analysis is intended to assist the reader in focusing on significant financial issues, provide an overview of **NOTMC's** financial activity, and identify changes in **NOTMC's** financial position and its ability to address the next and subsequent year challenges. It also identifies any material deviations from the financial plan and identifies individual fund issues or concerns. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and is intended to provide the financial results for the fiscal year ended December 31, 2017.

The following is an illustration on how this financial report is presented.

**MD&A**

Management's Discussion and Analysis  
(Required Supplementary Information)

**Basic Financial Statements**

Government-Wide Financial Statements  
Fund Financial Statements  
Notes to the Financial Statements

**Other Required Supplementary Information**

Required Supplementary Information

**Supplementary Information**



**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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As indicated in the illustration, GASB 34 requires the presentation of two basic types of financial statements: Government-Wide Financial Statements and Fund Financial Statements.

**Government-Wide Financial Statements**

The government-wide financial statements provide a perspective of **NOTMC** as a whole. These statements use the full accrual basis of accounting similar to private sector companies. There are two government-wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless if they are currently available or not.

Consistent with the full accrual basis method of accounting, the Statement of Activities accounts for current year revenues and expenses regardless of when cash is received or paid. The intent of this statement is to summarize and simplify the user's analysis of the costs of various **NOTMC** services.

**Fund Financial Statements**

The fund statements are similar to financial presentations of typical governmental agencies, but the focus is on **NOTMC's** major funds rather than fund types as in the past. The fund statements are reported using the modified accrual method of accounting. Under this basis of accounting, revenues are recorded when received except where they are measurable and available and therefore represent resources that may be appropriated. Expenditures are accounted for in the period that goods and services are used. In addition, capital asset purchases are expensed and not recorded as assets. Debt payments are recorded as expenditures in the current year and future debt obligations are not recorded.

The General Fund is the only fund type of **NOTMC**. The General Fund is used to account for the general activities of **NOTMC**. Its revenues are derived from hotel/motel taxes, RTA hotel taxes, Casino lease, Casino hotel agreement, optional hotel assessments and other revenues.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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Financial Analysis of **NOTMC** as a whole:

**Summary Statement of Net Position**

	<u>2017</u>	<u>2016</u>	<u>Change</u>
<b>Assets</b>			
Current assets	\$ <u>13,823,762</u>	\$ <u>10,764,095</u>	\$ <u>3,059,667</u>
Total assets	<u>13,823,762</u>	<u>10,764,095</u>	<u>3,059,667</u>
<b>Liabilities</b>			
Current liabilities	8,028,565	3,174,352	4,854,213
Long-term liabilities	<u>108,226</u>	<u>78,882</u>	<u>29,344</u>
Total liabilities	<u>8,136,791</u>	<u>3,253,234</u>	<u>4,883,557</u>
<b>Net Position</b>			
Unrestricted	<u>5,686,971</u>	<u>7,510,861</u>	(1,823,890)
Total net position	\$ <u>5,686,971</u>	\$ <u>7,510,861</u>	\$ (1,823,890)

As indicated by the statement above, in 2017 total net position is \$5,686,971, which represents about a 24% decrease from 2016. In 2017, total assets increased by \$3,059,667 from \$10,764,095 to \$13,823,762. The 2017 increase in current assets was primarily due to outstanding receivables of the RTA Hotel Tax at December 31, 2017.

The 2017 increase in current liabilities of \$4,854,213 was primarily due to the increase in marketing vendor invoices and amounts due to outside agencies that were payable at December 31, 2017.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**Results of Operations**

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Revenues			
Hotel/Motel Taxes	\$ 5,410,821	\$ 4,995,308	\$ 415,513
RTA Hotel Taxes	6,019,228	5,351,208	668,020
BP Oil Funding	250,000	-0-	250,000
Casino City Lease Agreement	1,000,000	1,000,000	-0-
Casino Hotel Agreement	1,000,000	1,000,000	-0-
Optional Hotel Assessment	7,543,017	7,330,524	212,493
Other Revenues	<u>32,114</u>	<u>26,565</u>	<u>5,549</u>
Total revenues	<u>21,255,180</u>	<u>19,703,605</u>	<u>1,551,575</u>
Expenses			
Provisions of Funding to			
Outside Agencies	4,840,524	4,358,813	481,711
Special Events	1,009,440	1,050,515	(41,075)
Marketing	16,659,591	14,278,727	2,380,864
General and Administrative	<u>569,515</u>	<u>566,824</u>	<u>2,691</u>
Total expenses	<u>23,079,070</u>	<u>20,254,879</u>	<u>2,824,191</u>
Decrease in net position	<u>\$(1,823,890)</u>	<u>\$ (551,274)</u>	<u>\$ (1,272,616)</u>

Changes in **NOTMC's** revenues are reflected in the statement above. In 2017, total revenues increased by \$1,551,575, or 8%, primarily due to more revenue earned in 2017 as compared to 2016 for Hotel/Motel taxes, RTA Hotel taxes and Optional Hotel Assessment.

The increase in marketing expenses from 2016 to 2017 is primarily due to a new marketing campaign launched in 2017, along with additional media placements in 2017 as compared to 2016.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**Financial Analysis of the Governmental Fund**

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

At the end of the December 31, 2017 fiscal year, NOTMC's general fund reported ending fund balance of \$5,795,197, a decrease of \$1,794,546 in comparison to the prior year. Of the total fund balance, the Board of Directors has reported the following as assigned fund balance:

<u>Purpose</u>	<u>Amount</u>
Administrative costs	\$ 500,000
Emergency marketing costs	<u>1,000,000</u>
Total	<u>\$1,500,000</u>

**Capital Assets**

At December 31, 2017, net capital assets consisted of the following:

<b>Capital Assets</b>	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 76,406	\$ 76,406
Less accumulated depreciation	<u>(76,406)</u>	<u>(76,406)</u>
Net capital assets	<u>\$ -0-</u>	<u>\$ -0-</u>

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**Economic Factors and Next Year's Budget**

NOTMC's budget is greatly affected by the amount of tax revenues received from the Hotel/Motel Occupancy Privilege tax, RTA Hotel tax and Hotel Optional Assessment collections. Regional and National economic factors and as we saw in 2017, flooding and related summer weather can impact tourists' decisions to travel, which can ultimately affect tax and assessment revenues. In addition, within the past few years, there's been an increase in short-term rentals, which are consuming market demand. These rentals do not contribute to our revenue flow as hotels do, and caused a decline in hotel tax revenues due to lack of regulation on charging occupancy and hotel taxes. Effective April 1, 2017, those owners are now required to collect and remit those taxes. NOTMC will continue to consider all these factors and will be conservative in its revenue estimations to reduce any possible financial vulnerability.

**Budget**

As required by state law, the Board of Directors of NOTMC adopts the original budget of NOTMC prior to the commencement of the fiscal year to which the budget applies. NOTMC is permitted by state law to amend its budget anytime during the fiscal year prior to the end of fiscal year to which the budget applies.

**Revenue Budgets**

NOTMC's actual general fund revenues of \$21,255,180 were more than the final budget by \$495,822.

**Expenditures Budgets**

NOTMC's actual general fund expenditures of \$23,049,726 were more than final budgeted expenditures by \$329,302.

**Contacting NOTMC Financial Management**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of NOTMC's finances and demonstrate NOTMC's accountability for money it receives. If you have questions about this report or need additional information, contact the New Orleans Tourism Marketing Corporation at 2020 St. Charles Avenue, New Orleans, LA 70130.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

	<b><u>GOVERNMENTAL ACTIVITIES</u></b>
<b><u>ASSETS</u></b>	
Current Assets:	
Cash and cash equivalents (NOTES 2(E) AND 3)	\$ 4,305,064
Hotel/motel taxes receivable	1,376,121
RTA hotel taxes receivable	4,558,045
Optional assessment receivable	1,291,844
Other receivables	208,874
Investments (NOTE 3)	2,040,914
Prepaid expenses	42,900
Total current assets	<u>13,823,762</u>
Noncurrent Assets:	
Capital assets (NOTE 5)	76,406
Less: accumulated depreciation (NOTE 5)	<u>(76,406)</u>
Total noncurrent assets	<u>-</u>
Total assets	<u>13,823,762</u>
<b><u>LIABILITIES</u></b>	
Current Liabilities:	
Accounts payable and accrued expenses	4,448,862
Due to outside agencies, net (NOTE 8)	<u>3,579,703</u>
Total current liabilities	<u>8,028,565</u>
Noncurrent Liabilities:	
Compensated absences (NOTE 6)	<u>108,226</u>
Total liabilities	<u>8,136,791</u>
<b><u>NET POSITION</u></b>	
Unrestricted	<u>5,686,971</u>
Total net position	<u><u>\$ 5,686,971</u></u>

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

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expenses) Revenue and Change in Net Position</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental activities:			
Provision of funding to outside agencies (NOTES 7 AND 8)	\$ 4,840,524	\$ -	\$ (4,840,524)
Agency and related fees	1,140,430	-	(1,140,430)
Summer/general media	10,080,315	-	(10,080,315)
Multicultural/Essence event	304,000	-	(304,000)
Production	1,953,332	-	(1,953,332)
Public relations	528,380	-	(528,380)
Research	69,800	-	(69,800)
Christmas media	150,000	-	(150,000)
Optional assessment: N.O. Multicultural Tourism Network	50,000	-	(50,000)
Interactive marketing	2,277,343	-	(2,277,343)
General and administrative	569,515	-	(569,515)
Fulfillment	87,093	-	(87,093)
Special events	1,009,440	-	(1,009,440)
Marketing technologies	18,898	-	(18,898)
	<u>\$ 23,079,070</u>	<u>\$ -</u>	<u>(23,079,070)</u>
Total governmental activities			
General Revenues:			
Taxes:			
Hotel/motel (net of collection fees) (NOTE 4)			5,410,821
RTA hotel (NOTE 4)			6,019,228
Casino City lease agreement (NOTE 4)			1,000,000
Casino hotel agreement (NOTE 4)			1,000,000
Optional hotel assessment (NOTE 4)			7,543,017
BP Oil funding			250,000
Other revenues (NOTE 4)			32,473
Investment earnings			(359)
			<u>21,255,180</u>
Total general revenues			<u>21,255,180</u>
Change in net position			(1,823,890)
Net position, beginning of year			<u>7,510,861</u>
Net position, end of year			<u>\$ 5,686,971</u>

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



**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**BALANCE SHEET**  
**DECEMBER 31, 2017**

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**ASSETS**

Cash and cash equivalents	\$ 4,305,064
Hotel/motel taxes receivable	1,376,121
RTA hotel taxes receivable	4,558,045
Optional assessment receivable	1,291,844
Other receivables	208,874
Investments	2,040,914
Prepaid expenses	<u>42,900</u>
Total assets	<u><u>\$ 13,823,762</u></u>

**LIABILITIES AND FUND BALANCE**

**Liabilities:**

Accounts payable and accrued expenses	\$ 4,448,862
Due to outside agencies, net	<u>3,579,703</u>
Total liabilities	<u>8,028,565</u>

**Fund Balance**

Unspendable:	
Prepaid expenses	42,900
Spendable:	
Unassigned	4,252,297
Assigned	<u>1,500,000</u>
Total fund balance	<u>5,795,197</u>
Total liabilities and fund balance	<u><u>\$ 13,823,762</u></u>

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

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**RECONCILIATION OF THE BALANCE SHEET**  
**GOVERNMENTAL FUND - GENERAL FUND TO**  
**THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

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Total fund balance - Governmental Fund - General Fund	\$ 5,795,197
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund (NOTE 6):	
Compensated absences payable	<u>(108,226)</u>
Net position of governmental activities	<u><u>\$ 5,686,971</u></u>

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

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**STATEMENT OF REVENUES, EXPENDITURES AND NET CHANGE**  
**IN FUND BALANCE-GOVERNMENTAL FUND - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**REVENUES**

Taxes:	
Hotel/motel (net of collection fees)	\$ 5,410,821
RTA hotel	6,019,228
Casino City lease agreement	1,000,000
Casino hotel agreement	1,000,000
Optional hotel assessment	7,543,017
BP Oil funding	250,000
Other revenues	32,473
Investment earnings	(359)
	<hr/>
Total revenues	21,255,180

**EXPENDITURES**

Provision of funding to outside agencies	4,840,524
Agency and related fees	1,140,430
Summer/general media	10,080,315
Multicultural/Essence event	304,000
Production	1,953,332
Public relations	528,380
Research	69,800
Christmas media	150,000
Optional assessment: N.O. Multicultural Tourism Network	50,000
Interactive marketing	2,277,343
General and administrative	540,171
Fulfillment	87,093
Special events	1,009,440
Marketing technologies	18,898
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Total expenditures	23,049,726
	<hr/>
Net change in fund balance	(1,794,546)
	<hr/>
Fund balance, beginning of year	7,589,743
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Fund balance, end of year	\$ 5,795,197

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

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND - GENERAL FUND**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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Total net changes in fund balance - Governmental Fund - General Fund	\$ (1,794,546)
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Amounts reported for governmental activities in the Statement  
of Activities are different because:

Long-term compensated absences are reported in the  
Statement of Activities, but they do not require the  
use of current financial resources. Therefore,  
compensated absences are not reported as expenditures  
in the Governmental Fund (NOTE 6)

Increase in compensated absences	<u>(29,344)</u>
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Change in net position of governmental activities	<u><u>\$ (1,823,890)</u></u>
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The accompanying notes are an integral part of these financial statements.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - Organization and Operations:**

**New Orleans Tourism Marketing Corporation (NOTMC)** was organized on January 1, 1990 and commenced operations on May 1, 1991. The objectives and purposes of **NOTMC** are as follows:

- o To continuously stimulate the hospitality and tourism industry of the City of New Orleans through regional, national and international advertising and marketing of the City of New Orleans as a tourist and convention site and a vacation destination;
- o To stimulate economic development in the City of New Orleans through the marketing and solicitation of conventions and trade shows throughout the United States and the World; and
- o To advance, promote and maintain tourism and trade in the City of New Orleans through marketing activities directed at the discretionary tourist or traveler through advertising, direct mailing, or other means.

**NOTMC** is administered by a Board of Directors consisting of fifteen (15) members appointed as follows:

- o One (1) member appointed by the Mayor of the City of New Orleans;
- o Three (3) members appointed by the City Council from its members;
- o Three (3) members appointed from a list of six (6) nominees submitted by the New Orleans Metropolitan Convention and Visitors Bureau;
- o Four (4) members appointed from a list of eight (8) nominees submitted by the Greater New Orleans Hotel & Lodging Association;
- o One (1) member appointed from a list of two (2) nominees submitted by the New Orleans Multicultural Tourism Network, Inc.;

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 1 - Organization and Operations, Continued:**

- o One (1) member appointed from a list of two (2) nominees submitted by the Preservation Resource Center;
- o One (1) member appointed from a list of two (2) nominees submitted by the New Orleans East Economic Development Foundation; and
- o One (1) member appointed from a list of two (2) nominees submitted by the New Orleans Chapter of the Louisiana Restaurant Association.

Members of NOTMC's Board of Directors receive no compensation or per diem.

**NOTE 2 - Summary of Significant Accounting Policies:**

The accompanying financial statements conform to accounting principles in generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB") and other recognized authoritative sources. The more significant accounting policies are summarized in the following paragraphs.

**A) Reporting Entity**

NOTMC is a component unit of the City of New Orleans, the reporting entity, as defined by the Governmental Accounting Standards Board pronouncement. The accompanying financial statements present information only on the funds maintained by NOTMC and do not present information on the City of New Orleans, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 2 - Summary of Significant Accounting Policies, Continued:

**B) Funds**

**NOTMC** uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain **NOTMC** functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The fund of **NOTMC** is classified as governmental.

The governmental fund accounts for all of **NOTMC**'s general activities. This fund focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the governmental fund according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of **NOTMC**. The following is **NOTMC**'s governmental fund:

**General Fund** - the operating fund of **NOTMC** and it accounts for all financial resources.

**C) Measurement Focus/Basis of Accounting**

Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. These statements include all the financial activities of **NOTMC**.



**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 2 - Summary of Significant Accounting Policies, Continued:

**C) Measurement Focus/Basis of Accounting, Continued**

Government-Wide Financial Statements (GWFS), Continued

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of **NOTMC** governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of **NOTMC**. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of **NOTMC**.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 2 - Summary of Significant Accounting Policies, Continued:

**C) Measurement Focus/Basis of Accounting, Continued**

Fund Financial Statements (FFS)

Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and net change in fund balance reports on the sources (i.e. revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide statements and the statements for governmental funds are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fund financial statements report detailed information about **NOTMC**. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. At December 31, 2017, the general fund is the only major fund of **NOTMC**.

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. **NOTMC** considers all revenues available if they are collected within 60 days after the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

NOTE 2 - Summary of Significant Accounting Policies, Continued:

**D) Budgetary Data**

**NOTMC** follows these procedures in establishing the budgetary data reflected in these financial statements:

1. **NOTMC** is required to prepare an annual budget and submit it to the Board of Directors.
2. Upon review and completion of all action necessary to finalize the budget, it is then adopted by the Board of Directors prior to the commencement of the fiscal year to which the budget applies.
3. Budgetary amendments involving the transfer of funds from one program or function to another, or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Directors.
4. All budgetary appropriations lapse at the end of the fiscal year.
5. The budget for the general fund expenditures is prepared on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted or as amended by the Board of Directors.
6. The budget of the City of New Orleans' appropriations must be approved by the City of New Orleans.

**E) Cash and Cash Equivalents**

Cash includes amounts in noninterest and interest-bearing demand deposits. Cash equivalents include amounts in interest-bearing time deposits. Under state law, **NOTMC** may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 2 - Summary of Significant Accounting Policies, Continued:**

**F) Compensated Absences**

Unused vacation leave may be accumulated up to a specified maximum and is paid at the time of termination from NOTMC employment. NOTMC is not obligated to pay for unused sick leave if an employee terminates prior to retirement.

NOTMC accrues accumulated unpaid compensated absences when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental fund is maintained separately and represents a reconciling item between the fund and government-wide presentation.

**G) Income Taxes**

As a governmental entity, NOTMC is exempt from taxation under the Internal Revenue Code.

**H) Receivables**

Receivables primarily consist of outstanding hotel/motel taxes, RTA taxes and optional assessments. All receivables are shown net of an allowance for uncollectible accounts. As of December 31, 2017, NOTMC believes all receivables are fully collectible and an allowance for uncollectible accounts is not warranted.

**I) Capital Assets**

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. NOTMC maintains a threshold level of \$5,000 or more for capitalizing capital assets.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

NOTE 2 - Summary of Significant Accounting Policies, Continued:

**I) Capital Assets, Continued**

Capital assets are recorded in the GWFS, but are not reported in the FFS. Furniture and equipment are depreciated using the straight-line method over three (3) to five (5) years estimated useful lives.

**J) Use of Estimates**

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

**K) Fund Equity**

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

- o *Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowing attributable to those assets.
- o *Restricted net position* - Consists of net assets with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
- o *Unrestricted net position* - All other assets that do not meet the definition of "restricted" or "net investment in capital assets".

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 2 - Summary of Significant Accounting Policies, Continued:

**K) Fund Equity, Continued**

When both restricted and unrestricted net positions are available for use, generally it is **NOTMC's** policy to use restricted resources first.

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- o *Nonspendable* - Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.
- o *Restricted* - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- o *Committed* - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by **NOTMC** through formal action of the highest level of decision making authority. Any changes or removal of specific purpose requires majority action by the governing board.
- o *Assigned* - Includes fund balance amounts that are constrained by **NOTMC's** intent to be used for specific purposes, but are neither restricted nor committed.
- o *Unassigned* - Includes the residual balance of the General Fund that has not been assigned to other funds that has not been restricted, committed, or assigned to specific purposes.

When both restricted and unrestricted sources (the total of committed, assigned, and unassigned fund balance) are available for use, generally it is **NOTMC's** policy to use restricted resources first. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 3 - Cash and Cash Equivalents and Investments:**

**Cash and Cash Equivalents**

**NOTMC** had cash in demand deposit accounts totaling \$4,305,064 (book balances) at December 31, 2017.

These deposits are stated at cost, which approximates market. 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 bank. 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. **NOTMC** maintains a noninterest-bearing and interest-bearing accounts at a local bank. At December 31, 2017, **NOTMC** deposits were fully secured from risk.

Custodial credit risk is the risk that, in event of a failure of financial institution or counterparty, **NOTMC** would not be able to recover its deposits, investments, or collateral securities that are in the possession of an outside party. **NOTMC's** deposits are not subject to custodial credit risk.

**Investments**

As of December 31, 2017, **NOTMC** had the following investments:

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
U.S. Government Agencies	AA+	1 to 5 years	<u>\$2,040,914</u>

**NOTMC** categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.



**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

NOTE 3 - Cash and Cash Equivalents and Investments, Continued:

Investments, Continued

**NOTMC** has the following recurring fair value measurements as of December 31, 2017:

- U. S. Government Agencies of \$2,040,914 are valued using quoted market prices (Level 1 Inputs).

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

*Credit Risk.* State law limits investments to those prescribed in LSA R.S. 33:2955. **NOTMC** does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, **NOTMC** will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. **NOTMC** does not have a formal investment policy that addresses custodial credit risk. As of December 31, 2017, **NOTMC** did not have any investments to which this would apply.

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 4 - Sources of Revenue of New Orleans Tourism Marketing Corporation:**

The recurring major sources of revenue are hotel occupancy privilege tax, RTA hotel tax, casino funding and other revenue as discussed below:

- A) Hotel Occupancy Privilege Tax - The Hotel Occupancy Privilege Tax (effective November 1, 1990) is levied upon persons for the privilege of occupying hotel rooms within Orleans Parish in the amount of fifty cents (\$0.50) per occupied hotel room per night for hotels containing from three (3) to two hundred and ninety-nine (299) rooms and one dollar (\$1.00) per occupied hotel room per night for hotels containing three hundred (300) or more rooms.

Every hotel operator subject to this tax shall make reports on the previous month's business on or before the twentieth day of the following month to the City of New Orleans.

The imposition and collection of the Hotel Occupancy Privilege Tax shall be repealed and discontinued upon the occurrence of any of the following:

- o The disposition or liquidation of **NOTMC**; or
- o The specific decertification of **NOTMC** as a nonprofit economic development corporation by the New Orleans City Council.

For the year ended December 31, 2017, **NOTMC** earned \$5,410,821 (net of collection fees) from the Hotel Occupancy Privilege Tax.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 4 - Sources of Revenue of New Orleans Tourism Marketing Corporation.**  
Continued:

- B) RTA Hotel Tax - As provided by the agreement for services and cooperative economic endeavor by and between the Regional Transit Authority (RTA) and **NOTMC**, **NOTMC** shall receive a sum of 40% of the first \$7,200,000 of the RTA's 1% general sales and use taxes, applied to hotels in Orleans Parish, actually received by the RTA each calendar year not to exceed \$2,880,000. Should RTA Hotel Taxes exceed \$7,200,000, **NOTMC** shall receive 60% of the portion exceeding the first \$7,200,000 of RTA Hotel Taxes received by RTA.

In consideration of the payments to be made by the RTA to **NOTMC**, **NOTMC** shall perform the following marketing services:

- o Promote the use of the RTA's transit services to tourists or business travelers;
- o Consult with the RTA regarding information or promotion of the RTA's transportation services available to tourists or business travelers;
- o Assist the RTA and other agencies to secure funding for existing and proposed streetcar and lightrail projects; and
- o Provide funding, not to exceed 3.45% of the RTA hotel tax received from the RTA, to the Mayor's Office of Tourism and Arts who shall make all reasonable efforts to use such funds to feature or enhance tourism, public transportation and other goals and objectives of the agreement.

Additionally, **NOTMC** shall allocate and dedicate 50% of the RTA hotel tax received from RTA to the Morial Convention Center Expansion Transit Fund (the Transit Fund). The funds paid to the Transit Fund and related earnings must be used for the benefit of the Phase IV Convention Center expansion project administered by the Ernest N. Morial New Orleans Exhibition Hall Authority.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 4 - Sources of Revenue of New Orleans Tourism Marketing Corporation.  
Continued:

- C) Casino City Lease Agreement - According to the lease agreement among the City of New Orleans (the City), the Rivergate Development Corporation and the Jazz Casino Company (the Casino), the Casino is required to make an annual contribution of \$1,000,000 to the destination marketing program of the City for the joint benefit of the City and the Casino in order to promote the City and the Casino as destinations. The City has utilized **NOTMC** to conduct the destination marketing program on behalf of the City.
- D) Casino Hotel Agreement - The Casino has agreed to make monthly payments of \$83,333 totaling \$1,000,000 for the fiscal year for additional marketing monies to be dedicated to **NOTMC** to market the entire City. These payments are in addition to the above amounts required by the lease agreement.
- E) Other Revenues - Other revenues include sales of advertising and discount coupons placed in tourism guides produced by **NOTMC**, sales of co-sponsored and shared advertising placed by **NOTMC** in national print media and sales of advertising and linking services on **NOTMC**'s internet web site.
- F) Optional Hotel Assessment - **NOTMC** and the New Orleans Convention and Visitors Bureau (CVB) have entered into an agreement whereby the CVB has agreed to levy an assessment upon its hotel and motel members in the amount of 1.75% of room revenues collected from the use of hotel or motel rooms in Orleans Parish. Of the collected amount, 0.25% of room revenues will be paid to the City of New Orleans, and the remaining 1.5% of room revenues will be divided equally between the CVB and **NOTMC** before any reduction for program expenses.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 5 - Capital Assets:**

Capital assets and depreciation activity as of and for the year ended December 31, 2017 are follows:

	January 1, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	December 31, <u>2017</u>
<u>Assets</u>				
Furniture and equipment	\$ 76,406	\$ -0-	\$ -0-	\$ 76,406
Accumulated depreciation	<u>(76,406)</u>	<u>-0-</u>	<u>-0-</u>	<u>(76,406)</u>
Net capital assets	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

**NOTE 6 - Long-Term Debt:**

A summary of the changes in long-term debt is as follows:

<u>Description</u>	January 1, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	December 31, <u>2017</u>
Compensated absences	\$ <u>78,882</u>	\$ <u>29,344</u>	\$ <u>-0-</u>	\$ <u>108,226</u>

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 7 - Transactions with Outside Organizations:**

**Provision of Funding**

According to an ordinance of the Council of the City of New Orleans that adopted **NOTMC's** Tourism Promotion Program for 2017, and as provided by the RTA Hotel Tax Agreement, **NOTMC** provided funding to the following organizations during the year ended December 31, 2017:

	<u>RTA Hotel Tax Agreement</u>	<u>Council Ordinance</u>	<u>Total</u>
New Orleans Metropolitan Convention and Visitors Bureau	\$ -0-	\$1,217,435	\$1,217,435
New Orleans Multicultural Tourism Network, Inc.	-0-	405,812	405,812
Ernest N. Morial New Orleans Exhibition Hall Authority	3,009,614	-0-	3,009,614
Mayor's Office of Tourism and Arts	<u>207,663</u>	<u>-0-</u>	<u>207,663</u>
	<u>\$3,217,277</u>	<u>\$1,623,247</u>	<u>\$4,840,524</u>

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 8 - Due to Outside Agencies, Net:**

At December 31, 2017, the net amount due to outside agencies is as follows:

	Amount Due to Outside Agencies at December 31, <u>2016</u>	Provision of Funding Expenditure at December 31, <u>2017</u>	Payments Made to Outside Agencies at December 31, <u>2017</u>	Total Net Amount Due to Outside Agencies at December 31, <u>2017</u>
Ernest N. Morial New Orleans Exhibition Hall Authority	\$1,392,916	\$3,009,614	\$(1,392,916)	\$3,009,614
Mayor's Office of Tourism and Arts	96,111	207,663	(146,522)	157,252
New Orleans Metropolitan Convention and Visitors Bureau	364,986	1,217,435	(1,272,793)	309,628
New Orleans Multicultural Tourism Network, Inc.	<u>121,662</u>	<u>405,812</u>	<u>(424,265)</u>	<u>103,209</u>
Total	<u>\$1,975,675</u>	<u>\$4,840,524</u>	<u>\$(3,236,496)</u>	<u>\$3,579,703</u>



**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 9 - Operating Lease:**

**NOTMC** has a month-to-month operating lease for office space, which commenced on October 1, 2016. Lease expense for the 2017 fiscal year amounted to \$17,413.

**NOTE 10 - Risk Management:**

**NOTMC** is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets for which **NOTMC** carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**NOTE 11 - Profit Sharing Plan:**

All employees of **NOTMC** over twenty-one (21) years of age are eligible to participate in **NOTMC's** 401(k) Profit Sharing Plan after one (1) year of service. Participants are 100% vested in the profit share and matching accounts after one (1) year of service. **NOTMC** contributes 3% of defined compensation of all eligible employees. Retirement expense for the year ended December 31, 2017 was \$20,974.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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**NOTE 12 - Related Party Transactions:**

**NOTMC** and an affiliated organization, the 2018 NOLA Foundation (a nonprofit organization), have the same individual as President/CEO. The individual serves in a volunteer capacity for the 2018 NOLA Foundation.

For the year ended December 31, 2017, **NOTMC** provided a \$100,000 grant to the 2018 NOLA Foundation. In addition, **NOTMC** incurred certain reimbursable expenses from 2018 NOLA Foundation during the year. The amount due from the 2018 NOLA Foundation for these expenses at December 31, 2017 was \$42,207.

**NOTE 13 - Subsequent Events:**

**NOTMC** is required to evaluate events or transactions that may occur after the statement of net position date for potential recognition or disclosure in the financial statements. **NOTMC** performed such an evaluation through June 29, 2018, the date which the financial statements were available to be issued, and noted no subsequent events or transactions that occurred after the statement of net position date requiring disclosure.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Taxes:				
Hotel/motel (net of collection fees)	\$ 5,070,237	\$ 5,212,330	\$ 5,410,821	\$ 198,491
RTA hotel	4,531,278	5,731,121	6,019,228	288,107
Casino City lease agreement	1,000,000	1,000,000	1,000,000	-
Casino hotel agreement	1,000,000	1,000,000	1,000,000	-
Optional hotel assessment	6,767,000	7,779,407	7,543,017	(236,390)
BP Oil funding	-	-	250,000	250,000
NOTMC Merchandise Commissions	10,000	2,500	-	(2,500)
Other revenues	31,000	27,000	32,473	5,473
Investment earnings	600	7,000	(359)	(7,359)
Total revenues	<u>18,410,115</u>	<u>20,759,358</u>	<u>21,255,180</u>	<u>495,822</u>
<b>EXPENDITURES</b>				
Provision of funding to outside agencies	3,943,039	4,626,984	4,840,524	(213,540)
Agency and related fees	1,111,964	1,111,964	1,140,430	(28,466)
Summer/general media	8,678,453	10,418,453	10,080,315	338,138
Multicultural/Essence event	304,000	304,000	304,000	-
Production	450,000	1,215,000	1,953,332	(738,332)
Public relations	416,308	458,418	528,380	(69,962)
Research	125,000	100,000	69,800	30,200
Christmas media	150,000	150,000	150,000	-
Optional assessment: N.O. Multicultural Tourism Network	50,000	50,000	50,000	-
Interactive marketing	2,667,931	2,667,931	2,277,343	390,588
General and administrative	527,674	527,674	540,171	(12,497)
Fulfillment	275,000	125,000	87,093	37,907
Special events	759,500	950,000	1,009,440	(59,440)
Marketing technologies	15,000	15,000	18,898	(3,898)
Total expenditures	<u>19,473,869</u>	<u>22,720,424</u>	<u>23,049,726</u>	<u>(329,302)</u>
Net change in fund balance	(1,063,754)	(1,961,066)	(1,794,546)	166,520
Fund balance, beginning of year	<u>7,060,691</u>	<u>7,589,743</u>	<u>7,589,743</u>	<u>-</u>
Fund balance, end of year	<u>\$ 5,996,937</u>	<u>\$ 5,628,677</u>	<u>\$ 5,795,197</u>	<u>\$ 166,520</u>

See Independent Auditors' Report on Supplementary Information.

## **SUPPLEMENTARY INFORMATION**

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**SCHEDULE OF COMPENSATION, BENEFITS AND '**  
**OTHER PAYMENTS TO THE PRESIDENT & CHIEF EXECUTIVE OFFICER**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**President & Chief Executive Officer Name:** Mr. Mark Romig

<u>Purpose</u>	<u>Amount</u>
Salary	\$191,796
Board approved incentive bonus	27,931
Benefits - insurance	23,195
Benefits - retirement	6,592
Benefits - other	-0-
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	9,962
Travel	5,305
Registration fees	-0-
Conference travel	-0-
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	-0-

See Independent Auditors' Report on Supplementary Information.



**Member**

American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA  
Joseph A. Akanji, CPA

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

To the Board of Directors of the  
**New Orleans Tourism Marketing Corporation**  
**(A Component Unit of the City of New Orleans)**  
New Orleans, Louisiana

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 the major fund of **New Orleans Tourism Marketing Corporation (NOTMC)**, a component unit of the City of New Orleans, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise NOTMC's basic financial statements, and have issued our report thereon dated June 29, 2018.

**Internal Control Over Financial Reporting**

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

INDEPENDENT AUDITORS' 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  
(CONTINUED)

**Internal Control Over Financial Reporting, Continued**

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

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

**Compliance and Other Matters**

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



INDEPENDENT AUDITORS' 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  
(CONTINUED)

**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.

This report is intended solely for the information and use of NOTMC's Board, management, the City of New Orleans and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
New Orleans, Louisiana

June 29, 2018

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**SCHEDULE OF FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**Section I – SUMMARY AUDITORS' RESULTS**

- A. Type of report issued on the financial statements: **Unmodified.**
- B. Did the audit disclose any material weaknesses in internal control over financial reporting? **No.**
- C. Did the audit disclose any significant deficiencies in internal control over financial reporting that are not considered to be material weaknesses? **None Reported.**
- D. Did the audit disclose any non-compliance which is material to the financial statements? **No.**
- E. Did the audit disclose any material weaknesses in internal control over major federal programs? **Not Applicable.**
- F. Did the audit disclose any significant deficiencies in internal control over major programs that are not considered to be material weaknesses? **Not Applicable.**
- G. Type of report issued on compliance for major programs: **Not Applicable.**
- H. Did the audit disclose any audit findings required to be reported in accordance with Section 200.516(a) of the Uniform Guidance? **Not Applicable.**
- I. Was a management letter issued? **No.**
- J. Identification of Major Programs: **Not Applicable.**
- K. Dollar threshold used to distinguish between Type A and Type B programs: **Not Applicable.**
- L. Auditee qualified as a "low-risk" auditee: **Not Applicable.**

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**SCHEDULE OF FINDINGS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**Section II - FINDINGS RELATING TO THE FINANCIAL  
STATEMENTS REPORTED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

No matters reported.

**Section III - FINDINGS AND QUESTIONED COSTS  
RELATED TO FEDERAL AWARDS**

Not applicable.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**  
**SCHEDULE OF PRIOR YEAR FINDINGS**

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**Section I - Internal Control and Compliance Material to the Financial Statements**

No matters were reported.

**Section II - Internal Control and Compliance Material to Federal Awards**

Not applicable.

**Section III - Management Letter**

No comments were reported.

**NEW ORLEANS TOURISM MARKETING CORPORATION**  
**(A Component Unit of the City of New Orleans)**

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**



Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA  
Waldo J. Moret, Jr., CPA  
Paul K. Andoh, Sr., CPA  
Joseph A. Akanji, CPA

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES**

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To the Board of Directors of the  
**New Orleans Tourism Marketing Corporation**  
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the **New Orleans Tourism Marketing Corporation (NOTMC)** and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. **NOTMC's** management is responsible for those control and compliance areas identified in the SAUPs.

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

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**(CONTINUED)**

**PROCEDURES AND FINDINGS**

The procedures and findings related to the Statewide Agreed-Upon Procedures are as follows:

**Written Policies and Procedures**

1. We obtained NOTMC's written policies and procedures to determine whether the policies and procedures address each of the following financial/business functions, as applicable:

- a) Budgeting, including preparing, adopting, monitoring, and amending the budget.

*No exceptions were noted.*

- b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

*No exceptions were noted.*

- c) Disbursements, including processing, reviewing, and approving.

*No exceptions were noted.*

- d) Receipts, including receiving, recording, and preparing deposits.

*No exceptions were noted.*

- e) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

*No exceptions were noted.*

- f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

*No exceptions were noted.*

- g) Credit Cards, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**(CONTINUED)**

- h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

*No exceptions were noted.*

- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

*NOTMC's ethics policy does not address (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.*

**Management's Response**

**NOTMC will update its policy to include actions to be taken if an ethics violation occurs, a description of the system set to monitor for possible ethics violations and a requirement that annual ethics training take place for all NOTMC employees.**

- j) Debt Service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

*No exceptions were noted.*

**Board (or Finance Committee, if applicable)**

2. We obtained and reviewed the Board/Finance Committee minutes for the fiscal period to determine whether:
- a) the Board met (with a quorum) at least monthly, or on a frequency in accordance with the Board's enabling legislation, charter, or other equivalent document.

*No exceptions were noted.*



**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**(CONTINUED)**

- b) the Board minutes referenced or included monthly budget-to-actual comparisons on NOTMC's fund, and if the budget-to-actual comparisons showed that management was deficit spending during the fiscal period, there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

*No exceptions were noted.*

- c) the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

*No exceptions were noted.*

**Bank Reconciliations**

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

*No exceptions were noted.*

- 4. From the listing provided by management, we selected all four of NOTMC's bank accounts and obtained bank statements and reconciliations for all months in the fiscal period to determine whether:

- a) Bank reconciliations have been prepared;

*No exceptions were noted.*

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) have reviewed each bank reconciliation;

*No exceptions were noted.*

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**(CONTINUED)**

**Cash Collections**

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

*No exceptions were noted.*

6. From the listing provided by management, we selected NOTMC's only cash collection location and:

- a) Obtained existing written documentation (e.g. insurance policy, policy manual, job description) to determine whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

*No exceptions were noted.*

- b) Obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) to determine whether NOTMC has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

*No exceptions were noted.*

- c) Selected the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- 1) Using entity collection documentation, deposit slips, and bank statements, traced daily collections to the deposit date on the corresponding bank statement to determine whether the deposits were made within one day of collection.

*No exceptions were noted.*

- 2) Using sequentially numbered receipts, system reports, or other related collection documentation, verified that daily cash collections are completely supported by documentation.

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**(CONTINUED)**

7. We obtained existing written documentation (e.g. policy manual, written procedure) to determine whether NOTMC has a process specifically defined (identified as such by NOTMC) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

*No exceptions were noted.*

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

8. We obtained NOTMC's consolidated check register for the year ended December 31, 2017 and filtered for purchases only. We obtained management's representation that the consolidated check register population was complete.

*No exceptions were noted.*

9. Using the disbursement population from #8 above, we randomly selected 25 disbursements, excluding credit card/debit card/fuel card/P-card purchases or payments. We obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction to determine whether:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

*No exceptions were noted.*

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

*No exceptions were noted*

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; (2) a receiving report showing receipt of goods purchased, or electronic equivalent; and (3) an approved invoice.

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**(CONTINUED)**

10. We reviewed NOTMC's documentation (e.g. electronic system control documentation, policy manual, written procedure) to determine whether the person responsible for processing payments is prohibited from adding vendors to NOTMC purchasing/disbursement system.

*No exceptions were noted.*

11. We reviewed NOTMC's documentation (e.g. electronic system control documentation, policy manual, written procedure) to determine whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

*No exceptions were noted.*

12. We inquired of management and observed the supply of unused checks to determine whether unused checks are maintained in a locked location, with access restricted to those persons that do not have signatory authority.

*No exceptions were noted.*

13. We inquired of the individual with a signature stamp whether his or her signature is maintained under his or her control or is used only with his or her knowledge and consent. We also inquired whether signed checks are likewise maintained under the control of the signer or authorized user until mailed.

**Credit Cards**

14. We obtained from management a listing of all active credit cards, including the card numbers and the names of the persons who maintained possession of the cards and we obtained management's representation that the listing is complete.

*No exceptions were noted.*

15. Using the listing prepared by management, we randomly selected two (2) of the six (6) cards that were used during the fiscal period and obtained the monthly statements. We selected the monthly statement with the largest dollar activity for each card to determine whether:

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

*No exceptions were noted*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

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

*No exceptions were noted.*

16. Using the monthly statements selected under #15 above, we obtained supporting documentation for all transactions for each of the two cards selected.

- a) We reviewed each transaction to determine whether the transaction is supported by:

- 1) An original itemized receipt (i.e., identifies precisely what was purchased)

*No exceptions were noted*

- 2) Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

*No exceptions were noted*

- 3) Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

*No exceptions were noted*

- b) For each transaction, we reviewed the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) for compliance with NOTMC's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes).

*No exceptions were noted.*

- c) For each transaction, we compared NOTMC's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed).

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

**Travel and Expense Reimbursement**

17. We obtained the consolidated check register for the year ended December 31, 2017 and filtered for travel reimbursements. We obtained management's representation that the consolidated check register population is complete.

*No exceptions were noted.*

18. We obtained NOTMC's written policies related to travel and expense reimbursements and compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) to determine whether there are any amounts that exceed GSA rates.

*No exceptions were noted.*

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

- a) We compared expense documentation to written policies to determine whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging).

*No exceptions were noted*

- b) We determined whether each expense is supported by:

- 1) An original itemized receipt that identifies precisely what was purchased.

*No exceptions were noted*

- 2) Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

*No exceptions were noted.*

- 3) Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

- c) We compared NOTMC's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value.

*No exceptions were noted.*

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

*No exceptions were noted.*

**Contracts**

20. We obtained a listing of all contracts in effect during the fiscal period and obtained the consolidated check register for the year ended December 31, 2017 and filtered for contract payments. We obtained management's representation that the consolidated check register population is complete.

*No exceptions were noted.*

21. Using the listing above, we selected the five contract vendors that were paid the most money during the fiscal period, including the transportation contract and excluding purchases on state contract and payments to the practitioner. We obtained the related contracts and paid invoices and:

- a) We determined whether there is a formal/written contract that supports the services arrangement and the amount paid.

*No exceptions were noted.*

- b) We compared each contract's detail to the Louisiana Public Bid Law or Procurement Code to determine whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

*None of the five contracts selected were subject to the Louisiana Public Bid Law or Procurement Code.*

- 1) If yes, we obtained and compared supporting contract documentation to legal requirements to determine whether NOTMC's complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

*Not Applicable.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

- 2) If no, we obtained supporting contract documentation to determine whether NOTMC's solicited quotes as a best practice.

*No exceptions were noted.*

- c) We determined whether the contract was amended, and if so, we determined whether the original contract terms contemplated or provided for such an amendment.

*No exceptions were noted.*

- d) We selected the largest payment from each of the five contracts, obtained the supporting invoice, and compared the invoice to the contract terms, to determine whether the invoice and related payment complied with the terms and conditions of the contract.

*No exceptions were noted.*

- e) We obtained and reviewed contract documentation and board minutes to determine whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

*No exceptions were noted.*

**Payroll and Personnel**

22. We obtained a listing of employees (and elected officials, if applicable) with their related salaries. We randomly selected the five employees, obtained their personnel files, and:

- a) Reviewed compensation paid to each employee during the fiscal period to determine whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

*No exceptions were noted.*

- b) Reviewed changes made to hourly pay rates/salaries during the fiscal period to determine whether those changes were approved in writing and in accordance with written policy.

*No exceptions were noted.*

23. We obtained attendance and leave records and randomly selected one pay period in which leave was taken by at least one employee (October 16, 2017 to October 31, 2017). Within that pay period, we randomly selected 10 employees (the total number of employees



**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

NOTMC had during the period January 1, 2017 to December 31, 2017) employees to determine whether:

- a) all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

*Of the 10 employees selected for testing, the employee's daily attendance and leave were not documented for 9 selected employees.*

**Management's Response**

**Our personnel policy does not require fulltime employees to submit timesheets. If an employee is unable to work, the employee is required to notify his/her manager as soon as possible. The current policy has worked well and we will update the policy, if the need arises in the future.**

- b) there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees.

*No exceptions were noted.*

- c) there is written documentation that NOTMC maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees that earn leave.

*No exceptions were noted.*

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

*No exceptions were noted.*

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

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT  
ON  
APPLYING STATEWIDE AGREED-UPON PROCEDURES  
(CONTINUED)**

**Ethics**

26. Using the five randomly selected employees from procedure #22 under "Payroll and Personnel" above, we obtained ethics compliance documentation from management to determine whether NOTMC maintained documentation to demonstrate that required ethics training was completed. We also reviewed the employee files for the employees selected to determine whether there was a signed verification of having read the ethics policy included in the file.

*NOTMC did not provide the required ethics training to the 5 selected employees. Also, no signed verification was included in the 5 selected employee files to support that the employee read the ethics policy.*

**Management's Response**

**Our updated policy will include a requirement for all employees to attend ethics training and attest by signature that the ethics policy has been received and read.**

27. We inquired of management whether any alleged ethics violations were reported to NOTMC during the fiscal period and, if applicable, reviewed documentation demonstrating that management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with NOTMC's ethics policy.

*No alleged ethics violations were reported to NOTMC during the fiscal period.*

**Debt Service**

28. If debt was issued during the fiscal period, we obtained supporting documentation from NOTMC to determine whether State Bond Commission approval was obtained.

*No debt noted during the period.*

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29. If NOTMC had outstanding debt during the fiscal period, we obtained supporting documentation from NOTMC and report whether NOTMC made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

*No debt noted during the period.*

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**(CONTINUED)**

30. If NOTMC had tax millages relating to debt service, obtained supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

*No tax millage noted during the period.*

**Other**

31. We inquired of management whether NOTMC had any misappropriations of public funds or assets. If so, we obtained and reviewed supporting documentation to determine whether NOTMC reported the misappropriation to the Louisiana Legislative Auditor.

*No misappropriations of public funds or assets were reported during the period.*

32. We observed NOTMC's premises and website to determine whether NOTMC posted the notice required by R.S. 24:523.1.

*No exceptions were noted.*

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

*No exceptions were noted.*

**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON**  
**APPLYING STATEWIDE AGREED-UPON PROCEDURES**  
**(CONTINUED)**

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We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions, respectively, on those control and compliance areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
New Orleans, Louisiana

June 29, 2018