

ANNUAL FINANCIAL REPORT

ORLEANS PARISH
COMMUNICATION DISTRICT

(A Component Unit of the City of New Orleans, Louisiana)

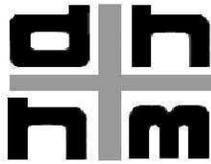
DECEMBER 31, 2012 AND 2011

ORLEANS PARISH
COMMUNICATION DISTRICT

DECEMBER 31, 2012 AND 2011

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INDEPENDENT AUDITOR'S REPORT

May 14, 2013

Board of Commissioners
Orleans Parish Communication District
New Orleans, Louisiana 70119

We have audited the accompanying financial statements of the Orleans Parish Communications District, a component unit of the City of New Orleans, (the District) as of and for the years ended December 31, 2012 and December 31, 2011, and the related notes to the financial statements which collectively comprise the District's basic financial statements as listed in the index to annual financial report.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

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considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2012 and December 31, 2011, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011

This section of the Orleans Parish Communication District's (the District) annual financial report provides important background information and management's analysis of the District's financial performance during the fiscal years that ended on December 31, 2012 and 2011. Please read this section in conjunction with the financial statements and the notes to the financial statements beginning on Page 9 in this report.

Financial Highlights:

- * For 2012 operating revenues increased by \$136,807. This is primarily due to the increase in wireless fees. Wireless revenues increased 7.87 percent but landline revenue decreased by 3.10 percent.
- * Operating expenditures in the year ended December 31, 2012, were greater than operating expenditures for 2011 by \$699,933. This is primarily due to higher depreciation expense and increased reimbursement to the City of New Orleans for operator salaries.
- * Operating expenditures increased approximately \$1,000,000 after the permanent 9-1-1 Center was placed in service in 2011.

Overview of the Financial Statements:

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

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

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011

Financial Analysis of the District:

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

Net Position:

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

Condensed Statements of Net Position		
December 31, 2012 and 2011		
	<u>2012</u>	(Restated) <u>2011</u>
Current Assets	\$ 7,005,872	\$ 7,467,386
Capital Assets – Net	<u>20,038,957</u>	<u>20,527,047</u>
Total Assets	<u>\$ 27,044,829</u>	<u>\$ 27,994,433</u>
Current Liabilities	\$ 966,515	\$ 993,026
Noncurrent Liabilities	<u>5,824,168</u>	<u>6,782,423</u>
Total Liabilities	<u>6,790,683</u>	<u>7,775,449</u>
Net Position:		
Invested in Capital Assets	14,513,957	14,347,047
Restricted for Debt Service	917,220	913,093
Unrestricted	<u>4,822,969</u>	<u>4,958,844</u>
Total Net Position	<u>20,254,146</u>	<u>20,218,984</u>
Total Liabilities and Fund Net Position	<u>\$ 27,044,829</u>	<u>\$ 27,994,433</u>

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011

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

The following table presents a summary of the District's revenues and expenses for the calendar years ended December 31, 2012 and 2011:

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position For the Years Ended December 31, 2012 and 2011		
	<u>2012</u>	(Restated) <u>2011</u>
Operating Revenues	\$ 4,932,531	\$ 4,795,724
Operating Expenses	<u>4,668,242</u>	<u>3,968,309</u>
Operating Income	<u>264,289</u>	<u>827,415</u>
Nonoperating Revenues (Expenses):		
Interest income	18,777	27,525
Interest expense	(283,590)	(312,714)
Other income	12,568	15,739
Rental income	<u>23,118</u>	<u>24,000</u>
Total Nonoperating Revenues (Expenses)	<u>(229,127)</u>	<u>(245,450)</u>
Change in Net Position	35,162	581,965
Total Net Position, Beginning of Year	<u>20,218,984</u>	<u>19,637,019</u>
Total Net Position, End of Year	<u>\$ 20,254,146</u>	<u>\$ 20,218,984</u>

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011

Current Operations and Accomplishments:

The Orleans Parish Communication District (OPCD) owns and maintains the Chief Warren E. McDaniels, Sr. 9-1-1 Center, where all three City public safety agencies are co-located. Prior to Hurricane Katrina, the City provided the three separate buildings for Police, Fire, and EMS. Immediately after Hurricane Katrina, the City of New Orleans asked OPCD to build the existing buildings on site, because the City lacked the necessary funding to rebuild the three centers destroyed in the flooding due to the failure of the federal levee system. The OPCD has assumed this cost and responsibility for 9-1-1 service permanently.

In March 2011, OPCD held a ribbon-cutting ceremony and dedicated the new building as the Chief Warren E. McDaniels, Sr. 9-1-1 Center. OPCD then began outfitting the building for operations. OPCD upgraded its call-taking equipment to an IP-capable system, which will position OPCD for the transition to Next Generation 9-1-1 (NG9-1-1). That upgrade was complete in January 2012, and OPCD staff immediately started migrating 9-1-1 operations into the new building. At the same time, OPCD undertook an upgrade to its Computer Aided Dispatch (CAD) System, which will position OPCD for the transition to NG9-1-1.

OPCD initiated the migration of 9-1-1 operations to the McDaniels 9-1-1 Center in January 2012, and completed the migration by July 23, 2012. Hurricane Isaac hit the New Orleans area August 28-30, 2012. For the first time in City history, 9-1-1 communications were housed together, in a storm-hardened facility. Although OPCD lost commercial power to the site for over five days, there was no disruption to 9-1-1 service because of the UPS and generator power in the building.

In 2011, the OPCD Board agreed to collaborate with the City of New Orleans on an ambitious project to improve the quality of 9-1-1 service by consolidating all 9-1-1 operations under OPCD. In August 2011, OPCD contracted with LR Kimball and Associates/CDI to assess current operations, as well as prepare an Implementation Report for consolidation. In March 2012, Kimball presented its Assessment Report to the OPCD Board of Commissioners, who unanimously approved the report. In June 2012, Kimball presented its Implementation Report to the Board of Commissioners, but the Board did not approve or accept the report.

In 2012, the City of New Orleans backed state legislation that would raise landline and wireless 9-1-1 fees in New Orleans, subject to a referendum. The referendum was held on December 6, 2012, but failed. According to the Secretary of State's Office, election turnout was 9.9 percent, with 36 percent (9,049) approving, and 64 percent (15,797) rejecting the fee increase.

In September 2011, OPCD began planning the renovation of the Interim Building to house OPCD administrative staff. Once staff moves into the newly renovated building, the seven trailers will be deconstructed or demolished.

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011

Plans and Projects:

The OPCD plans to continue equipping the McDaniels 9-1-1 Center to enable the three agencies to perform to their highest potentials. One such project is the Audio-Visual (A/V) system. OPCD staff released a Request for Proposals (RFP) for the A/V System, with a due date of October 28, 2012. After a thorough review and analysis, OPCD determined that Interstate Electronic Systems, LLC (IES) was the most responsive bidder. OPCD signed a contract with IES in December 2012, and plan to complete the A/V system in third quarter 2013. The A/V System will consist of audio and video presentation systems, video display systems, and distributed audio and video via a data network. The main part of the A/V System is the A/V Wall on the Communications floor. The A/V Wall will consist of multiple large wall displays to display such mission critical applications as Fire Station Alerting, CAD mapping, security camera video feeds, NOEMS Automatic Vehicle Location (AVL), call taker readiness status display, and 9-1-1 call queue.

In addition to the McDaniels 9-1-1 Center, OPCD is preparing to release a bid for the renovation of the Interim Building. Once renovated, the building will house OPCD administrative staff, along with an exercise/stress reduction room and a state-of-the art training room.

In order to provide quality 9-1-1 service to the public, OPCD has invested in cutting-edge technology, such as the Intrado/Positron VIPER IP-Capable E9-1-1 Call-Taking System and the Motorola CAD upgrade. In order to protect this investment into the future, the OPCD Board of Commissioners must establish a formal Equipment Replacement Fund. The Fund should be a budgetary set aside specifically to replace equipment as it physically wears out or becomes functionally obsolete. The ability to keep pace with technological advancements has allowed OPCD to be in the forefront in 9-1-1 service. Once the OPCD Board creates such a fund, the Board will need to contribute annually in the amount equal to a percentage of the replacement cost of each piece of equipment.

Financial Issues:

Now that the McDaniels 9-1-1 Center is almost complete, OPCD needs to fund the replacement of 9-1-1 equipment, which is not limited to just the call-taking equipment and CAD system. In addition, OPCD needs to provide funding for NG9-1-1 and a disaster recovery center. Although the McDaniels 9-1-1 Center is built for sustainability and survivability, OPCD must plan for the possibility that the building or site may not be accessible, or that 9-1-1 communications to the Center have been lost. In such scenarios, OPCD must have a secure site that will allow this agency to continue providing 9-1-1 service to the citizens of New Orleans.

Next Generation 9-1-1 (NG9-1-1) provides for the transmission of more than just 9-1-1 calls. One application of NG9-1-1 is text-to-9-1-1, which will provide the ability of cell phone users to text 9-1-1 for emergency assistance. The wireless industry and public safety (NENA and APCO) entered into a voluntary agreement where the wireless carriers will be able to text to 9-1-1 by summer 2014. The

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011

Financial Issues: (Continued)

Federal Communications Commission (FCC) issued a Notice of Proposed Rule Making for text-to-9-1-1. OPCD expects the FCC to issue a final order sometime in late 2013, or early 2014, mandating that PSAPs be able to receive and process text-to-9-1-1. It is possible that upgrades to the 9-1-1 equipment will not be needed. However, OPCD will need to provide significant training to all employees who work at the 9-1-1 Center, and will need to work with the agencies to determine the best way to provide this service.

Although New Orleans' population has increased since Hurricane Katrina in 2005, 9-1-1 revenue has not kept pace, even with the landline 9-1-1 fee increases in 2006 that were made permanent in 2009. In addition, the wireless 9-1-1 fee has not been changed since its inception in 1998; if adjusted for inflation, the wireless fee would be \$1.26. Measures need to be put in place that allow OPCD and the state's 9-1-1 districts to adjust their 9-1-1 rates annually by the change in the Consumer Price Index.

Finally, in order for consolidation to be successful, OPCD must have a permanent and dedicated revenue source. The current communications budgets of the City's three public safety agencies totals about \$8 million per year. At present time, OPCD does not have sufficient revenue to shoulder any of that expense, and will need to work with the City to determine how consolidated 9-1-1 operations will be funded permanently.

Contacting the District's Financial Management:

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

ORLEANS PARISH COMMUNICATION DISTRICT
 NEW ORLEANS, LOUISIANA
 STATEMENTS OF NET POSITION
DECEMBER 31, 2012 AND 2011

	<u>ASSETS</u>	(Restated)
	<u>2012</u>	<u>2011</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,171,696	\$ 5,237,165
Accounts receivable	773,082	803,975
Prepaid expenses	1,061,094	1,426,246
Total current assets	<u>7,005,872</u>	<u>7,467,386</u>
CAPITAL ASSETS:		
Capital assets (net of accumulated depreciation)	20,038,957	20,527,047
Total capital assets	<u>20,038,957</u>	<u>20,527,047</u>
TOTAL ASSETS	<u>\$ 27,044,829</u>	<u>\$ 27,994,433</u>
<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 125,684	\$ 167,181
Bonds payable	685,000	655,000
Bonds interest payable	77,407	86,031
Accrued payroll expenses	30,547	25,082
Accrued leave	47,877	39,785
Deferred revenue	-	19,947
Total current liabilities	<u>966,515</u>	<u>993,026</u>
NONCURRENT LIABILITIES:		
Bonds payable net of current portion	4,840,000	5,525,000
FEMA Community Disaster Loan/Principal	878,404	1,155,548
Accrued leave net of current portion	105,764	101,875
Total noncurrent liabilities	<u>5,824,168</u>	<u>6,782,423</u>
Total liabilities	<u>6,790,683</u>	<u>7,775,449</u>
NET POSITION:		
Invested in capital assets - net of related debt	14,513,957	14,347,047
Restricted:		
Expendable		
Restricted for debt service	917,220	913,093
Unrestricted:		
Unrestricted	4,822,969	4,958,844
Total fund net position	<u>20,254,146</u>	<u>20,218,984</u>
TOTAL LIABILITIES AND FUND NET POSITION	<u>\$ 27,044,829</u>	<u>\$ 27,994,433</u>

See accompanying notes.

ORLEANS PARISH COMMUNICATION DISTRICT
 NEW ORLEANS, LOUISIANA
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	(Restated) <u>2011</u>
OPERATING REVENUES:		
Charges for services	\$ 4,932,531	\$ 4,795,724
Total operating revenues	<u>4,932,531</u>	<u>4,795,724</u>
OPERATING EXPENSES:		
Contractual services, supplies, materials and other	2,573,078	2,236,212
Personnel services	1,043,668	1,015,657
Depreciation	1,051,496	716,440
Total operating expenses	<u>4,668,242</u>	<u>3,968,309</u>
OPERATING INCOME	<u>264,289</u>	<u>827,415</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income	18,777	27,525
Interest expense	(283,590)	(312,714)
Miscellaneous income	12,568	15,739
Rental income	23,118	24,000
Total nonoperating revenues (expenses)	<u>(229,127)</u>	<u>(245,450)</u>
CHANGE IN NET POSITION	35,162	581,965
TOTAL NET POSITION - BEGINNING	<u>20,218,984</u>	<u>19,637,019</u>
TOTAL NET POSITION - ENDING	<u>\$ 20,254,146</u>	<u>\$ 20,218,984</u>

See accompanying notes.

ORLEANS PARISH COMMUNICATION DISTRICT
 NEW ORLEANS, LOUISIANA
 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	(Restated) <u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for services	\$ 4,963,424	\$ 4,826,609
Cash paid for goods and services	(2,247,748)	(3,806,615)
Payments for salaries and related expenses	<u>(1,026,222)</u>	<u>(986,501)</u>
Net cash provided by operating activities	<u>1,689,454</u>	<u>33,493</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Interest paid	(292,214)	(469,637)
Purchase of capital assets	(565,081)	(1,433,626)
Construction of capital assets	-	(586,105)
Principal payments on bonds	(655,000)	(625,000)
Principal payments on FEMA loans	(277,144)	(115,022)
Miscellaneous receipts	<u>15,739</u>	<u>15,739</u>
Net cash used by capital and related financing activities	<u>(1,773,700)</u>	<u>(3,213,651)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	<u>18,777</u>	<u>27,525</u>
Net cash provided by investing activities	<u>18,777</u>	<u>27,525</u>
NET DECREASE	(65,469)	(3,152,633)
Cash and cash equivalents, January 1	<u>5,237,165</u>	<u>8,389,798</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 5,171,696</u>	<u>\$ 5,237,165</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	<u>\$ 264,289</u>	<u>\$ 827,415</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,051,496	716,440
Loss on disposal of fixed assets	1,675	-
Decrease/(Increase) in accounts receivable	30,893	30,885
Decrease/(Increase) in prepaid expenses	365,152	(1,095,116)
Increase (Decrease) in accounts payable	(41,497)	(475,287)
Increase (Decrease) in accrued payroll expenses	5,465	7,186
Increase/(Decrease) in accrued leave	<u>11,981</u>	<u>21,970</u>
Total adjustments	<u>1,425,165</u>	<u>(793,922)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,689,454</u>	<u>\$ 33,493</u>

See accompanying notes.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

Reporting Entity

For financial reporting purposes in conformance with Governmental Accounting Standards Board Statement No. 1, the District is a component unit of the City of New Orleans, Louisiana (the City), the reporting entity (the Oversight Unit). The accompanying financial statements present information only as to the transactions of the District and are not intended to present fairly the financial position and results of operations of the City of New Orleans, Louisiana.

Fund Accounting

The accounts of the District are organized and operated on a fund basis whereby a separate self-balancing set of accounts that comprise its assets, liabilities, net position, revenues and expenses are maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The District is presented in the accompanying financial statements as follows:

a) Proprietary Fund

- (1) The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting

The Proprietary Fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

New Accounting Pronouncements

These financial statements include the implementation of GASB Statement 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB Statement Number 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Both of these statements were effective for financial reporting periods beginning after December 15, 2011. GASB Statement 62 supersedes GASB Statement 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Implementation of the two pronouncements had no effect on the January 1, 2012 beginning balance of the District's fund net position.

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts

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

Property, Plant and Equipment

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

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property, Plant and Equipment (Continued)

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

Depreciation of these assets is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives may be found in Note 4.

Compensated Absences

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

Restricted Resources

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

Classification of Revenues

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

Operating Revenues

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

Non-operating Revenues

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

Risk Management

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

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

2. CASH AND CASH EQUIVALENTS:

Cash

At December 31, 2012 and 2011, the District has cash (book balances) totaling \$3,661,168 and \$3,729,175, respectively, and \$3,705,612 and \$4,557,364, respectively, in deposits (collected bank balances) at three financial institutions (the banks). At December 31, 2012 and 2011, these deposits are secured from risk by Federal Deposit Insurance Corporation (FDIC) insurance and pledged securities held by the banks in joint custody.

Cash Equivalents

For the years ended December 31, 2012 and 2011, cash equivalents in the amount of \$1,510,528 and \$1,507,990, respectively, consist of government pooled investments. The funds are managed by the Louisiana Asset Management Pool (LAMP) held by a custodial bank in the name of the District.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-RS 33:2955. LAMP is rated AAAM by Standard & Poor's.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool share.

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

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

3. RECEIVABLES:

The District had receivables due from the landline and wireless 911 tax collectors in the amount of \$773,082 and \$803,975 at December 31, 2012 and 2011, respectively. Receivable balances are unsecured.

4. PROPERTY, PLANT, EQUIPMENT, DEPRECIATION AND CONSTRUCTION IN PROGRESS:

A summary of changes in property, plant, equipment, depreciation and construction in progress for the years ended December 31, 2012 and 2011 are as follows:

	<u>Life</u>	Balance December 31, <u>2011</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2012</u>
Interim Building	40	\$ 2,868,943	\$ --	\$ --	\$ 2,868,943
Permanent Building	40	15,733,571	--	--	15,733,571
Equipment	10	6,293,638	565,081	(8,330)	6,850,389
Gately Building	40	84,947	--	--	84,947
Leasehold					
Improvements	40	1,003,917	--	--	1,003,917
Vehicles	5	<u>78,086</u>	<u>--</u>	<u>--</u>	<u>78,086</u>
		26,063,102	565,081	(8,330)	26,619,853
Accumulated depreciation		<u>(5,536,055)</u>	<u>(1,051,496)</u>	<u>6,655</u>	<u>(6,580,896)</u>
Total		<u>\$ 20,527,047</u>	<u>\$ (486,415)</u>	<u>\$ (1,675)</u>	<u>\$ 20,038,957</u>

	<u>Life</u>	Balance December 31, <u>2010</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2011</u>
Interim Building	40	\$ 2,868,943	\$ --	\$ --	\$ 2,868,943
Permanent Building	40	--	15,733,571	--	15,733,571
Equipment	10	4,938,218	1,428,246	(72,826)	6,293,638
Gately Building	40	84,947	--	--	84,947
Leasehold					
Improvements	40	998,537	5,380	--	1,003,917
Vehicles	5	<u>78,086</u>	<u>--</u>	<u>--</u>	<u>78,086</u>
		8,968,731	17,167,197	(72,826)	26,063,102
Accumulated depreciation		<u>(4,892,441)</u>	<u>(716,440)</u>	<u>72,826</u>	<u>(5,536,055)</u>
Total		<u>\$ 4,076,290</u>	<u>\$ 16,450,757</u>	<u>\$ --</u>	<u>\$ 20,527,047</u>

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

4. PROPERTY, PLANT, EQUIPMENT, DEPRECIATION
AND CONSTRUCTION IN PROGRESS: (Continued)

	Balance December 31, <u>2010</u>	<u>Additions</u>	<u>Completed Construction</u>	Balance December 31, <u>2011</u>
Construction in progress	\$ <u>15,607,139</u>	\$ <u>126,432</u>	\$ <u>(15,733,571)</u>	\$ <u> --</u>

5. COMPENSATED ABSENCES:

All full-time classified employees of the District are permitted to accrue a maximum of 90 days of vacation (annual leave) and an unlimited number of days of sick leave (accumulated at a maximum of 24 days per year). Upon termination of employment, an employee is paid for accrued annual leave based upon his or her current hourly rate of pay and for accrued sick leave on a formula basis. If termination is the result of retirement, the employee has the option of converting accrued sick and annual leave to additional years of service. At December 31, 2012 and 2011, total accrued annual and sick leave was \$153,641 and \$141,660, respectively.

A summary of changes in compensated absences for the year ended December 31, 2012 is as follows:

Balance at December 31, 2011	\$ 141,660
Additions	82,723
Reductions	<u>(70,742)</u>
	153,641
Less: Current portion at December 31, 2012	<u>(47,877)</u>
Long term portion at December 31, 2012	<u>\$ 105,764</u>

6. RELATED PARTY:

The City of New Orleans provides health and accident insurance to the District's employees exclusively through preferred provider organizations (PPOs). Under this type of program, the District pays initial premiums based on the level of the employee's participation and has no further liabilities on any claims. The total amount of contributions by the District for health insurance was \$60,947 and \$62,266 for 2012 and 2011, respectively. The District also pays the City for its employees' pension costs. See footnote number 7 for the disclosures.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

6. RELATED PARTY: (Continued)

For the years ended December 31, 2012 and December 31, 2011, the District's Board of Commissioners approved transfers of \$470,000 and \$291,367 to assist the City of New Orleans in paying New Orleans Police telecommunications operators' salaries (operator salaries).

As of December 31, 2011, the District prepaid \$470,000 to the City of New Orleans for the District's share of the 2012 operator salaries. The District's Board of Commissioners approved the prepayment at the December 31, 2011 board meeting.

7. PENSION PLAN:

The District's employees participate in the Employees' Retirement System of the City of New Orleans (the Plan).

Plan Membership

The Plan covers all City employees except for fire and police employees.

Plan Description

The Plan, a single-employer defined benefit pension plan is controlled and administered by a separate Board of Trustees. The Plan covers all employees of the District. The Plan provides retirement, deferred and disability benefits, survivor benefits and cost of living adjustments to plan members and beneficiaries. The Board issues a publicly available financial report that includes financial statements and required Plan supplementary information. The financial report for the Plan may be obtained by writing to: The Employees' Retirement System of the City of New Orleans, 1300 Perdido Street, New Orleans, Louisiana 70131.

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared using the accrual basis of accounting. Contributions from employees and employer and interest income are recognized as revenue when earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

7. PENSION PLAN: (Continued)

Funding Policy

Plan members are required to contribute 4% of their annual covered salary in excess of \$1,200. The District is required to contribute at an actuarially determined rate. The employer contribution rate for the year ended December 31, 2012 is 20.655% of annual payroll. The contribution requirement of plan members and the District are established and may be amended by state statute.

Annual Pension Cost

The annual pension cost and the net pension obligation for the Plan is calculated yearly however; the annual pension cost and the net pension obligation for the District is not separately reported. The contributions made by the District to the Plan for the years ended December 31, 2012 and 2011 was \$151,995 and \$165,945, respectively. The annual required contributions for the current year was determined as part of the December 31, 2011 actuarial valuation using the Entry Age Normal Cost Method with Unfunded Actuarial Accrued Liability. Under this method, normal cost of the plan is designed to be a level percentage of payroll; calculated on an aggregate basis, spread over the entire working lifetime of the participants.

Significant actuarial assumptions used in the latest valuation include: 1) life expectancy of participants is based on the 1971 Group Annuity Mortality Table, 2) retirement age assumptions are based on the results of the 1990-1995 periodic actuarial experience study, 3) rate of return on the investments of 7.50%, 4) projected salary increases of 5% compounded annually.

The actuarial value of assets is equal to adjusted market value using seven-year smoothing.

The percentage of the ARC contributed for the year ended December 31, 2012 for the District is not available. The Schedule of the ARC and percentage contributed by the District for the years ending December 31, 2009 through 2011 are noted below.

Schedule of Employer Contributions

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage of ARC Contributed</u>
12-31-09	\$ 115,081	80%
12-31-10	213,916	69%
12-31-11	159,563	104%

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

7. PENSION PLAN: (Continued)

Annual Pension Cost (Continued)

Schedule of Funding Progress for the Plan
(Amounts in Thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>(Unfunded) Excess of Assets Over AAL (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Excess as a Percentage of Covered Payroll ([a-b]/c)</u>
12-31-09	\$ 387,146	\$ 478,552	\$ 91,406	80.89%	\$ 89,366	102.28%
12-31-10	384,106	485,221	101,115	79.16%	85,927	117.68%
12-31-11	379,526	507,173	127,647	74.83%	93,636	136.32%

The Schedule of Funding Progress for the year ended December 31, 2012 was not available. The Schedule of Funding Progress located above presents multi-year trend information regarding whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

8. BOARD COMPENSATION:

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

9. LEASES:

During May 2002, the District entered into an operating lease agreement for the lease of land. The lease term is for fifty years with an option to renew for four ten-year periods beginning June 2052. The annual rent beginning June 1, 2002 is \$108,000 for the first two years. For years three through five, the annual rent will be \$216,000. For the remaining term of the lease, the annual rent will be \$216,000 multiplied by a formula based on consumer price index.

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

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

9. LEASES: (Continued)

Total rental expense for all leases for the years ended December 31, 2012 and 2011 was \$255,013 and \$253,832, respectively. Future minimum lease payments for all leases are as follows:

2013	\$ 216,000
2014	216,000
2015	216,000
2016	216,000
2017	216,000
Thereafter	<u>7,560,000</u>
Total	<u>\$ 8,640,000</u>

10. REVENUE BONDS:

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

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

A summary of changes in bonds payable for the year ended December 31, 2012 is as follows:

Balance at December 31, 2011	\$ 6,180,000
Payments	<u>655,000</u>
	5,525,000
Less: Current portion at December 31, 2012	<u>685,000</u>
Long term portion at December 31, 2012	<u>\$ 4,840,000</u>

The following amounts are expected future maturities of the bonds at December 31, 2012:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 685,000	\$ 232,220	\$ 917,220
2014	715,000	204,820	919,820
2015	750,000	175,505	925,505
2016	785,000	144,380	929,380
2017	825,000	111,410	936,410
2018-2019	<u>1,765,000</u>	<u>115,715</u>	<u>1,880,715</u>
	<u>\$ 5,525,000</u>	<u>\$ 984,050</u>	<u>\$ 6,509,050</u>

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

11. FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA) NOTES:

During the year ending December 31, 2006, the District received a loan from FEMA in the amount of \$799,416 plus interest at a rate of 2.68% per annum. The total principal and any unpaid accrued interest were originally due on January 17, 2011.

During the year ended December 31, 2007, the District received an additional loan from FEMA in the amount of \$122,310 and \$348,844, respectively, plus interest at a rate of 2.93%. The total principal in the amount of \$471,154 and any unpaid accrued interest were originally due on August, 27, 2011.

During 2010, the District signed loan extension and repayment agreements with FEMA on the two loans. The loans have been extended for a period not to exceed ten years from the date the loan was executed. The loan repayments begin in 2012 and interest continues to accrue on the loans until they are paid in full. For the years ended December 31, 2012 and December 31, 2011, the District prepaid the principal and interest that was due in 2013 and 2012. The prepayments were allowable per the terms of the loan extension and repayment agreements.

The following amounts are expected future maturities of the loans at December 31, 2012:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 284,830	\$ 24,360	\$ 309,190
2015	292,728	16,462	309,190
2016	<u>300,846</u>	<u>8,344</u>	<u>309,190</u>
	<u>\$ 878,404</u>	<u>\$ 49,166</u>	<u>\$ 927,570</u>

12. NET POSITION:

Restricted

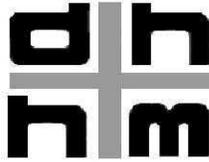
Net assets in the amount of \$917,220 and \$913,093 for the years ending December 31, 2012 and 2011, respectively, have been restricted for the payment of principal and interest on bonds.

Unrestricted – Board Designated

As of December 31, 2012 and 2011, unrestricted net assets in the amounts of \$3,952,802 and \$4,713,883, respectively, have been designated by the board for future capital outlay. Such plans are subject to change and have not been legally authorized.

13. RESTATEMENT:

The December 31, 2011 financial statements have been restated to report \$251,177 as a prepaid expense instead of an operating expense as previously reported. The effect of the restatement increased prepaid and net position by \$251,177 and decreased contractual services, supplies, materials and other expenses by \$251,177.



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

May 14, 2013

Board of Commissioners
Orleans Parish Communication District
New Orleans, Louisiana 70119

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Orleans Parish Communication District, a component unit of the City of New Orleans, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 14, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

ORLEANS PARISH COMMUNICATION DISTRICT
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

SUMMARY OF AUDITOR'S RESULTS:

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

Internal Control:

Significant deficiencies: none noted

Material weaknesses: none noted

Compliance with Laws and Regulations:

Noncompliance – none noted

2. Summary of Prior Findings

11-01 Public Bid Law

Louisiana Revised Statutes 38:2211 et seq. (the Public Bid law) requires that political subdivisions must obtain three fax or telephone quotes when making a purchase of supplies greater than \$30,000. During our testing, we noted two diesel fuel purchases of \$16,878 and \$17,446 where quotes were not obtained by the District. The error appears to have been an oversight on the part of District personnel. By not obtaining quotes, the District was not in compliance with the Public Bid Law and the District also risks overpaying for supplies when they do not obtain competitive bids. We recommend that District review the criteria for purchases under the Public Bid law to ensure compliance with the law.

This finding was resolved in the current year.

11-02 Public Bid Law

Louisiana Revised Statutes 38:2211 et seq. (the Public Bid law) requires that political subdivisions must obtain three fax or telephone quotes when making a purchase of supplies greater than \$30,000. During our testing, we noted three electrical supply purchases of \$13,199, \$14,045, and \$19,149 where quotes were not obtained by the District. The error appears to have been an oversight on the part of District personnel. By not obtaining quotes, the District was not in compliance with the Public Bid Law and the District also risks overpaying for supplies when they do not obtain competitive bids. We recommend that District review the criteria for purchases under the Public Bid law to ensure compliance with the law.

This finding was resolved in the current year.