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ANNUAL FINANCIAL REPORT

ORLEANS PARISH
COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA

DECEMBER 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-21-04

ANNUAL FINANCIAL REPORT

ORLEANS PARISH
COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA

DECEMBER 31, 2003

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INDEPENDENT AUDITOR'S REPORT

April 26, 2004

Board of Commissioners
Orleans Parish Communication District
New Orleans, Louisiana 70130

We have audited the accompanying component unit financial statements of the Orleans Parish Communication District, a component unit of the City of New Orleans, Louisiana under accounting principles generally accepted in the United States of America, as of and for the year ended December 31, 2003, as listed in the index to the report. These financial statements are the responsibility of the management of Orleans Parish Communication District. Our responsibility is to express an opinion 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 *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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Orleans Parish Communication District as of December 31, 2003, and the results of operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on Pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 26, 2004 on our consideration of the Orleans Parish Communication District's internal control over financial reporting and on its compliance with laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

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 year that ended on December 31, 2003. Please read this section in conjunction with the basic financial statements and the notes to the basic financial statements beginning on Page 6 in this report.

Financial Highlights

* For 2003 revenues exceeded budget projections by $199,102. This was primarily due to revenues from wireless surcharges surpassing estimates due to the continued proliferation of this technology in the population. This was offset somewhat by the decline in revenues from wireline sources. We anticipate that this trend will continue and perhaps intensify with recent actions of the FCC allowing for the transfer of an individual's wireline telephone number to a wireless phone.

* Operating expenditures were less than budgeted in the amount of $231,445. The primary component of these savings was due to personnel, which was $89,588 less than budgeted because two positions went unfilled for part of the year. A further major factor was OPCD's avoidance of the lease payment on the real property where the new communication center is to be located. This was due to the Lessor's failure to have certain title issues resolved timely as required by the lease agreement. Another contributing facor was toe cooperative endeavor payment that OPCD makes to the City, which was less than expected in the amount of $40,691.

* Major expenditures for year 2003 included Communication Equipment in the amount of $2,095,386, payment of recurring telephone charges (as required by LPSC tariff and FCC regulations) $812,672, Cooperative Endeavor Payments to the City of New Orleans (for call takes salary reimbursement) $439,309, and professional services $196,622 (legal, accounting, homeland security lobbying).

* OPCD's current assets were $7,393,062 as of December 31, 2003. Of this amount $6,043,731 was earmarked for projects that had been budgeted but had not yet been completed. Of this amount, $3,677,344 (of the approximately $6.7M necessary) has been earmarked toward the construction of the new Emergency Communication Center.

Overview of the Financial Statements

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

The basic 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 statement of net assets presents information about its assets (resources) and liabilities (the amounts obligated to its creditors). The statements of revenues, expenses, and changes in fund net assets present information about the current year's revenues and expenses. The statement can be used to measure operating

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

improvements or deterioration for the past year. The statement also provides useful information for determining whether the District's service revenue and other revenue sources were sufficient for all the District to recover all of its costs. The final financial statement in this report is the statement of cash flows, which provides information about the District's cash from operations, investing, and financing activities. In addition, this statement provides 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.

Financial Analysis of the District

The statement of net assets and the statement of revenues, expenses, and changes in net fund assets report information about the District's activities. These two statements report the net assets of the District and changes in them. Increases and decreases in the District's net assets 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 Assets

A summary of the District's statement of net assets is presented below.

Condensed Statement of Net Assets
December 31, 2003 and 2002

	2003	2002
Total Current Assets	$ 7,393,062	$ 6,925,513
Noncurrent Assets:		
Capital assets – net	3,014,806	967,972
Total Assets	10,407,868	7,893,485
Total Current Liabilities	583,619	75,492
Noncurrent Liabilities:		
Capital lease payable	1,177,774	86,435
Accrued leave	93,228	--
Total Liabilities	1,854,621	161,927
Net Assets:		
Unrestricted	8,553,247	7,731,558
Total Net Assets	$ 8,553,247	$ 7,731,558

Total assets increased by $2.5 million, from $7.9 million in 2002 to $10.4 million at December 31, 2003. Total liabilities were $1.9 million as of December 31, 2003, an increase of $1.7 million from the previous year.

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

Net Assets (Continued)

Changes in Net Assets

The District's net assets increased $0.8 million to $8.5 million in fiscal year 2003, up from $7.7 million in fiscal year 2002. The change results primarily from the increase in taxes collected from wireless communication service providers.

Summary of Revenues, Expenses, and Changes in Net Assets

The following table presents a summary of the District's revenues and expenses for the fiscal year ended December 31, 2003.

Condensed Statement of Revenues, Expenses,
and Changes in Net Assets
For the Years Ended December 31, 2003 and 2002

	2003	2002
Operating Revenues	$ 3,957,082	$ 3,767,110
Operating Expenses	3,237,026	2,977,109
Operating Income	720,056	790,001
Nonoperating Revenue (Expenses):		
Interest income	68,561	98,927
Interest expense	(44,201)	--
Total Nonoperating Revenues (Expenses)	24,360	98,927
Changes in Net Assets	744,416	888,928
Total Net Assets, Beginning of Year, restated	7,808,831	6,842,630
Total Net Assets, End of Year	$ 8,553,247	$ 7,731,558

Operating income was $720,056 in 2003 compared to $790,001 in 2002 due primarily to the increase in operating expenses. Interest income was $68,561 in 2003 and $98,927 in 2002. The decrease in interest income was due to the District keeping more cash in a low interest investment sweep account in order to have cash readily available to purchase and build capital assets and lower interest rates. Total net assets were $8.5 million and $7.7 million at the end of 2003 and 2002, respectively.

Future Plans and Projects

In response to the lessons learned from September 11, 2001 tragedy, OPCD in partnership with the City of New Orleans embarked upon a 5-year plan to revamp emergency communications for the City of New Orleans.

ORLEANS PARISH COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2003

Future Plans and Projects (Continued)

OPCD's plan includes the upgrade and integration of all call taking and dispatching computer and telephone equipment on a directed path toward the consolidation of all equipment and personnel into a state of the art multi jurisdictional emergency communication complex.

By the end of 2003, the land for the complex had been procured at a rental rate of $108,000 per year of the first two years ("the construction phase") rising to $216,000 for years 3-5, and then adjusted for CPA each five years thereafter. OPCD has the right under the 90-year commitment to sublease surplus portions of the property to generate income to defray the cost of the lease.

Total cost of the facility, including furniture and fixtures is approximately $16.7 M. Of this amount, OPCD will provide from its current assets the sum of $6.7M with the remaining $10M being raised through a bond issuance.

The new Emergency Communication Center is scheduled for completion in 2006 and will house OPCD, the call taking and dispatching functions of NOPD, NOFD, and EMS, a Command and Control center housing the City offices of Homeland Security and Emergency Preparedness, and up to 70 Federal, State and Local agencies when necessary to address natural or man made emergency.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, and other interested parties with a general overview of the District's finances and to demonstrate the District's accountability for money it receives. If you have questions about this report or need additional financial information, contact Williams Hawkins, Executive Director, Orleans Parish Communication District, 301 S. Broad Avenue, New Orleans, Louisiana 70119; (504) 826-1200.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUSIANA
STATEMENT OF NET ASSETS
DECEMBER 31, 2003

ASSETS

CURRENT ASSETS:		
Cash and cash equivalents	$	6,736,826
Accounts receivable		611,236
Prepaid expenses		45,000
Total current assets		7,393,062
Capital assets (net of accumulated depreciation)		2,549,216
Construction in progress		465,590
Total capital assets		3,014,806
TOTAL ASSETS	$	10,407,868

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	$	136,664
Due to other governments		36,496
Accrued payroll expenses		10,433
Capital lease, current portion		400,026
Total current liabilities		583,619
NONCURRENT LIABILITIES:		
Capital lease payable net of current portion		1,177,774
Accrued leave		93,228
Total noncurrent liabilities		1,271,002
Total liabilities		1,854,621
NET ASSETS:		
Unrestricted		8,553,247
TOTAL LIABILITIES AND NET ASSETS	$	10,407,868

The accompanying notes are an integral part of this statement.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003

OPERATING REVENUES:	
Charges for services	$ 3,957,082
Total operating revenues	3,957,082
OPERATING EXPENSES:	
Personnel services	453,289
Contractual services, supplies, materials, and other	2,269,595
Depreciation	514,142
Total operating expenses	3,237,026
OPERATING INCOME	720,056
NONOPERATING REVENUES (EXPENSES)	
Interest income	68,561
Interest expense	(44,201)
Total nonoperating revenues (expenses)	24,360
CHANGES IN NET ASSETS	744,416
TOTAL NETS ASSETS - BEGINNING AS PREVIOUSLY REPORTED	7,731,558
Prior period adjustment	77,273
TOTAL NET ASSETS - BEGINNING	7,808,831
TOTAL NET ASSETS - ENDING	$ 8,553,247

The accompanying notes are an integral part of this statement.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received for services	$ 3,945,498
Cash received from lease deposit	165,026
Cash paid for goods and services	(2,118,890)
Payments for salaries and related expenses	(438,354)
Net cash provided (used) by operating activities	1,553,280
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest paid	(44,201)
Purchases of capital assets	(261,768)
Acquisition and construction of capital assets	(465,590)
Principal payments on capital lease	(255,818)
Net cash provided (used) by capital and related financing activities	(1,027,377)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	68,562
Net cash provided (used) by investing activities	68,562
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	594,465
Cash and cash equivalents, January 1, 2003	6,142,361
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2003	$ 6,736,826
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 720,056
Adjustments to reconcile operating income to net cash provided (used by) operating activities:	
Depreciation expense	514,142
Increase in accounts receivable	(11,584)
Decrease in prepaid expenses	136,214
Decrease in deposits	165,026
Increase in accounts payable	17,194
Increase in accrued payroll expenses	14,935
Decrease in due to other governments	(2,703)
Total adjustments	833,224
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,553,280

The accompanying notes are an integral part of this statement.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Orleans Parish Communication District, comprised 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 assets, revenues and expenditures is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The District is present 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 (expenditures, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting (Continued)

In accordance with Statement No. 20 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Acounting*, it is the District's policy to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has not adopted any Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions or Accounting Research Bulletins of the Committee on Accounting Procedure issued after November 30, 1989. In addition, these financial statements include the implementation of GASB Statement Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* and related standards.

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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. 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.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Compensated Absences

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

2. CASH AND CASH EQUIVALENTS:

Cash

At December 31, 2003, the District has cash (book balances) totaling $6,736,826. The District has $6,866,399 in deposits (collected bank balances). These deposits are secured from risk by $100,000 of federal deposit insurance and $6,814,300 of pledged securities held by a different bank in joint custody.

3. RECEIVABLES:

The District had receivables due from the landline and wireless 911 tax collectors in the amount of $611,236 at December 31, 2003.

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

A summary of changes in property, plant, equipment, depreciation and construction in progress for the year ended December 31, 2003 follows:

	Balance December 31, 2002	Additions	Balance December 31, 2003
Equipment	$ 4,022,989	$ 2,095,386	$ 6,118,375
Vehicles	24,994	--	24,994
	4,047,983	2,095,386	6,143,369
Construction in progress	--	465,590	465,590
	$ 4,047,983	$ 2,560,976	$ 6,608,959

	Life	Accumulated Depreciation December 31, 2002	Depreciation	Accumulated Depreciation December 31, 2003
Equipment	10	$ 3,062,456	$ 506,703	$ 3,569,159
Vehicles	5	17,555	7,439	24,994
		$ 3,080,011	$ 514,142	$ 3,594,153

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

5. COMPENSATED ABSENCES:

All full-time classified employees of the District hired subsequent to December 31, 1978 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, 2003, the accrued annual and sick leave was $93,228.

6. DUE TO OTHER GOVERNMENTS:

The District owed $36,496 to the City of New Orleans for reimbursement for half of the New Orleans Police Department's telecommunicators' salaries at December 31, 2003.

7. HEALTH INSURANCE:

The City provides health and accident insurance to its 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 $19,073 for 2003.

8. PENSION PLAN:

The District's employees participate in the Employee's Retirement System of the City of New Orleans. The pension expense recorded by the District for contributions to the retirement system for the year ended December 31, 2003 was $26,248.

Plan Description:

The Employees' Retirement System of the City of New Orleans, 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 supplementary information for the Plan. The financial report for the year ended December 31, 2003 may be obtained by writing to: The Employees' Retirement System of the City of New Orleans, 2400 Canal Street, Room 342, New Orleans, Louisiana 70119 or by calling (504) 826-1985.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

8. PENSION PLAN:: (Continued)

Funding Policy

Plan members are required to contribute 4% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 7.5% of annual payroll. The contribution requirement of plan members and the District are established and may be amended by state statute.

9. BOARD COMPENSATION:

The District has no board compensation as each board member serves according to employment position in the public safety agencies.

10. PRIOR PERIOD ADJUSTMENT:

The accompanying financial statements for the year ended December 31, 2003 have been restated to reflect the following:

	Amount
2002 Telephone charges not accrued in the prior year	$ (66,146)
2002 Professional services not accrued in the prior year	(19,321)
2001 Prepaid expense not expensed in the prior year	(38,286)
2002 Refund of a deposit expensed during the prior year	165,026
2003 Prepaid expense expensed during the prior year	36,000
	$ 77,273

11. LEASES:

During the year ended December 31, 2003, the District entered into a capital lease agreement for equipment at the Police and Fire Departments. The lease requires quarterly payments of $100,007 and expires March 28, 2008. Future minimum lease payments on the lease are as follows at December 31, 2003:

Year Ended December 31	Amount
2004	$ 400,028
2005	400,028
2006	400,028
2007	400,028
2008	100,007
	1,700,119
Less: amounts representing interest	(122,319)
Capital lease obligation at December 31, 2003	$ 1,577,800

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

11. LEASES: (Continued)

Also, during the year ended December 31, 2003, 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 2053. The annual rent beginning June 1, 2003 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 the building where the administrative office is located for $24,000 per annual agreement and leases various equipment under month-to-month leases. Total rent expense for all leases for the year ended December 31, 2003 was $92,354.

12. EMERGENCY 911 SYSTEM:

During the year the District collected $2,258,252 in wireless charges for telephone services. Expenditures in the amount of $2,625,670 were made during the current year for implementation of the E911 System. These expenditures consisted of the following: Repairs and maintenance, software maintenance, acquisitions of communication equipment, engineering equipment, capital lease of equipment and capitalized equipment.

All wireless carriers operating in Orleans Parish were notified of the District's intent implement FCC Phase II technology. Phase II testing of the facility based wireless carriers serving Orleans Parish should be completed on or before January 2005 with the exception of one carrier, which awaits scheduling.

DUPLANTIER, HRAPMANN, HOGAN & MAHER, L.L.P.
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AMERICAN INSTITUTE OF
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SOCIETY OF LA C.P.A.'S

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

April 26, 2004

Board of Commissioners
Orleans Parish Communication District
New Orleans, Louisiana

We have audited the financial statements of the Orleans Parish Communication District, a component unit of the City of New Orleans, State of Louisiana. as of and for the year ended December 31, 2003, and have issued our report thereon dated April 26, 2004. 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.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Orleans Parish Communication District's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statements 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 that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Orleans Parish Communication District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Orleans Parish Communication District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is noted below:

During testing of fixed assets, our procedures disclosed that the District has inadequate provisions for the safeguarding of their fixed assets. There is little or no control over the movement of assets, disposal of assets, tagging of assets and physical inventory has not been taken for several years. The District should have provisions in place to safeguard their fixed assets. Not having provisions to safeguard fixed assets could result in the misappropriation or loss of fixed assets. We recommend that a formal policy for the movement and disposal of fixed assets be developed. The policy should include documentation to support the movement or disposal of the fixed asset with the appropriate level of approval noted on the documentation. This information should then be reported to the accounting department on a timely basis. In addition, we recommend developing procedures to ensure that all assets are properly tagged and can be located at any time. Lastly, we recommend the District take a physical inventory count of their fixed assets yearly. This will provide the District with an accurate inventory of fixed assets. The resulting fixed asset list will provide a strong source of detail and control to establish a future system of safeguards for fixed assets.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We noted other matters involving the internal control over financial reporting that we reported to management of the District in a separate letter dated April 26, 2004.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, L.L.P.

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CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

April 26, 2004

To the Board of Commissioners
and Management
Orleans Parish Communication District
New Orleans, Louisiana

In planning and performing our audit of the financial statements of Orleans Parish Communication District for the year ended December 31, 2003, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control and its operations that we consider to be material weaknesses as defined above.

We noted other matters during the course of the audit, which we feel should be presented to management:

The District has no formal capitalization policy for fixed assets. The District should have a formal capitalization policy. Not having a capitalization policy could result in fixed assets not being reported or reporting immaterial assets on the fixed assets list. We recommend that the District implement a formal capitalization policy. The policy should include capitalizing fixed assets greater than a specific dollar value with a specific useful life. Developing a capitalization policy will result in stronger controls over fixed assets.

During our audit we noted that there was a lack of segregation of duties within the payroll cycle. One person is responsible for inputting payroll, reviewing payroll journals, finalizing payroll, distributing of funds to the employees' accounts for each payroll and reconciling the payroll bank account. Payroll controls should include a separation of the functions of employment, timekeeping, payroll preparation and record keeping. The District's combination of duties increases the risk of an error or irregularity going undetected. We recommend that some of the payroll functions be segregated among other employees to protect the assets of the organization. This can be achieved by having someone else review each payroll and transfer the funds to the employees' accounts.

During our audit we noted that there was a lack of segregation of duties within the cash receipts cycle. One person is handling the cash receipt transactions from beginning to end. The objective of internal control over cash receipts is to obtain control over amounts received at the time of receipt. We feel that separating these closely related functions in the cash receipts system of the District will result in much greater internal control in this particular area. To achieve this control, more than one member of the District's personnel should handle certain duties involving receipts. We recommend implementing the following procedures to ensure a strong internal control over cash receipts:

* One employee, preferably the receptionist, after opening the mail, should make a control list of all receipts, and restrictively endorse all items received as "for deposit only." This would prevent any unauthorized endorsement should the checks be misplaced or lost before being deposited.

* The receipts should then go to another employee to record in the general ledger, to generate a two-part deposit slip and tape and to deposit at the bank on a timely basis. One part of the deposit slip should be retained by the employee and the other part is sent to the person who handles the next step.

* Lastly, someone who does not otherwise handle receipts should compare the validated deposit slips to the list of receipts generated by the receptionist to ensure that all funds reflected on the receipts were deposited. This person should also reconcile the bank account.

Through discussions with management we determined that the District has no procedures in place to determine when a new landline or wireless telephone company opens for business in the City to ensure collection of the 911 taxes from all entities. In addition, the District has no procedures in place to determine if the phone companies are remitting the amount of 911 taxes collected from its customers. As a result, the possibility exists that revenue may be incomplete. We recommend that the District periodically inquire with the licensing agency at the City to determine if any new landline or wireless companies have obtained an operating license. In addition, we recommend that the District begin auditing one or two phone companies periodically to ensure that the District is receiving all the taxes that the phone companies are charging their customers. The cost/benefit of these recommendations should be considered by the District.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the administration and the Legislative Auditor, State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP

Michelle H Cunningham

Michelle H. Cunningham, CPA
Partner

MHC/fk

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April 26, 2004

Legislative Auditor
Engagement Processing
Post Office Box 94397
Baton Rouge, LA 70804-9373

Dear Sir or Madam:

SCHEDULES AND DATA COLLECTION FORM
SECTION I: SUMMARY OF AUDITOR'S REPORTS

A. FINANCIAL STATEMENT AUDIT OPINION:

We have audited the financial statements of the Orleans Parish Communication District, a component unit of the City of New Orleans, as of and for the year ended December 31, 2003 and have issued our report thereon dated April 26, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit as of December 31, 2003 resulted in an unqualified opinion.

B. REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING:

Internal Control:

Material weaknesses – none noted
Reportable conditions – see finding 03-01

Compliance:

None noted

C. FEDERAL AWARDS:

Not applicable

D. MANAGEMENT LETTER COMMENTS:

See findings – 03-02 to 03-05

SECTION 2: FINDINGS

A. CURRENT YEAR FINDINGS:

COMMENT NOTED IN AUDIT REPORT

FIXED ASSETS:

03-01. During testing of fixed assets, our procedures disclosed that the District has inadequate provisions for the safeguarding of their fixed assets. There is little or no control over the movement of assets, disposal of assets, tagging of assets and physical inventory has not been taken for several years. The District should have provisions in place to safeguard their fixed assets. Not having provisions to safeguard fixed assets could result in the misappropriation or loss of fixed assets. We recommend that a formal policy for the movement and disposal of fixed assets be developed. The policy should include documentation to support the movement or disposal of the fixed asset with the appropriate level of approval noted on the documentation. This information should then be reported to the accounting department on a timely basis. In addition, we recommend developing procedures to ensure that all assets are properly tagged and can be located at any time. Lastly, we recommend the District take a physical inventory count of their fixed assets yearly. This will provide the District with an accurate inventory of fixed assets. The resulting fixed asset list will provide a strong source of detail and control to establish a future system of safeguards for fixed assets.

MANAGEMENT LETTER COMMENTS

03-02. The District has no formal capitalization policy for fixed assets. The District should have a formal capitalization policy. Not having a capitalization policy could result in fixed assets not being reported or reporting immaterial assets on the fixed assets list. We recommend that the District implement a formal capitalization policy. The policy should include capitalizing fixed assets greater than a specific dollar value with a specific useful life. Developing a capitalization policy will result in stronger controls over fixed assets.

03-03. During our audit we noted that there was a lack of segregation of duties within the payroll cycle. One person is responsible for inputting payroll, reviewing payroll journals, finalizing payroll, distributing of funds to the employees' accounts for each payroll, and reconciling the payroll bank account. Payroll controls should include a separation of the functions of employment, timekeeping, payroll preparation and record keeping. The District's combination of duties increases the risk of an error or irregularity going undetected. We recommend that some of the payroll functions be segregated among other employees to protect the assets of the organization. This can be achieved by having someone else review each payroll and transfer the funds to the employees' accounts.

PAYROLL:

CASH RECEIPTS:

03-04. During our audit we noted that there was a lack of segregation of duties within the cash receipts cycle. One person is handling the cash receipt transactions from beginning to end. The objective of internal control over cash receipts is to obtain control over amounts received at the time of receipt. We feel that separating these closely related functions in the cash receipts system of the District will result in much greater internal control in this particular area. To achieve this control, more than one member of the District's personnel should handle certain duties involving receipts. We recommend implementing the following procedures to ensure a strong internal control over cash receipts:

- One employee, preferably the receptionist, after opening the mail, should make a control list of all receipts, and restrictively endorse all items received as "for deposit only." This would prevent any unauthorized endorsement should the checks be misplaced or lost before being deposited.
- The receipts should then go to another employee to record in the general ledger, to generate a two- part deposit slip and tape and to deposit at the bank on a timely basis. One part of the deposit slip should be retained by the employee and the other part is sent to the person who handles the next step.
- Lastly, someone who does not otherwise handle receipts should compare the validated deposit slips to the list of receipts generated by the receptionist to ensure that all funds reflected on the receipts were deposited. This person should also reconcile the bank account.

REVENUE:

03-05. Through discussions with management we determined that the District has no procedures in place to determine when a new landline or wireless telephone company opens for business in the City to ensure collection of the 911 tax fee from all entities. In addition, the District has no procedures in place to determine if the phone companies are remitting the amount of 911

taxes collected from its customers. As a result, the possibility exists that revenue may be incomplete. We recommend that the District periodically inquire with the licensing agency at the city to determine if any new landline or wireless companies have obtained an operating license. In addition, we recommend that the District begin auditing one or two phone companies periodically to ensure that the District is receiving all the taxes that the phone companies are charging their customers. The cost/benefit of these recommendations should be considered by the district.

B. PRIOR YEAR FINDINGS (OTHER MATTERS):

There were no prior year findings.

ORLEANS PARISH COMMUNICATION DISTRICT

Administrators of New Orleans' 9-1-1 System

June 29, 2004

BOARD OF COMMISSIONERS:

Chairman:

Warren E. McDaniels
At-Large-Member

Members of the Board:

Edwin P. Compass III, Supt.
N. O. Police Department

Terry Ebbert, N. O. Homeland Security
At-Large-Member

Brian H. Etland, Captain
Louisiana State Police

Bennett Landreneau, Major Gen.
Louisiana National Guard

Brobson Lutz, MD, MPH
Orleans Parish Medical Society

Supt. Charles Parent
N. O. Fire Department

Kevin U. Stephens, MD, JD, Director
N. O. Department of Health

Dwayne Thomas, MD, CEO
Medical Center of Louisiana

Terry C. Tullier, Director
N.O. Emergency Preparedness

William A. Hawkins, J.D.
Executive Director

Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Response to Management Letter and Exit Conference

Dear Sirs:

We offer the following responses to the Management Letter and Exit Conference Report prepared for the Orleans Communication District by our auditors, Duplantier, Hrapmann, Hogan and Maher.

1) 1 - Fixed Asset Controls and Safeguards
   a) The District will implement controls as suggested by our auditors including the development of procedures to safeguard the movement of assets, the disposal of assets and the tagging of assets
   b) The District will complete a physical inventory of assets by December 31, 2004.
2) Asset Capitalization Policy:
   a) The District's past policy has been to tag and capitalize all fixed assets.
   b) The District is in the process of creating an Asset Capitalization Policy that will be complete before year-end. This policy will include all assets $400 and above with a useful life of at least 3 years.
3) Payroll Segregation of Duties:
   a) The District will implement the recommended segregation of duties between its 2 clerical personnel within 60 days.
4) Cash Receipts Segregation of Duties:
   a) The District will implement the recommended segregation of duties between its 2 clerical personnel within 60 days.

5) Procedure to identify new phone companies opening for business in New Orleans:

a) As discussed with the auditors there is no single repository for identifying wireline and wireless carriers. The District monitors wireless licensing from the FCC and actions of both the FCC and PSC regarding wireline carriers. The District actively participates with other Parish 9-1-1 entities in the State emergency communications organizations (NENA and APCO) and the Director sits on the legislation committees of both. Legislation to require carriers to contact a District upon commencing business in a Parish has failed in the Legislature, most recently with the failure of SB 705 in 2004. The FCC requires that all wireline carriers be listed in the telephone directory, and the PSC notifies all carriers to contact the communication district upon commencing business in the Parish. The District utilizes all of the above resources and is certain that its efforts have located all of the major carriers and resellers (and most , if not all of the minor ones) who are required to remit the 9-1-1 service charges.

b) In addition to the above as recommended by the auditors, the District will periodically contact the various Orleans Parish Business Licensing Boards to identify any new carriers in the area that its other efforts might possibly miss. However it is noted that there is a certain cost/benefit analysis that needs to be considered in utilizing limited personnel resources to attain a potentially very small, if any, recovery.

Respectfully submitted,
ORLEANS PARISH COMMUNICATION DISTRICT

William Hawkins,
Executive Director