ANNUAL FINANCIAL REPORT

ORLEANS PARISH
COMMUNICATION DISTRICT
(A Component Unit of the City of New Orleans, Louisiana)

DECEMBER 31, 2016 AND 2015

ORLEANS PARISH
COMMUNICATION DISTRICT

DECEMBER 31, 2016 AND 2015

INDEX TO ANNUAL FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

June 12, 2017

Board of Commissioners
Orleans Parish Communication District
118 City Park Avenue
New Orleans, Louisiana 70119

We have audited the accompanying financial statements of the Orleans Parish Communication District, a component unit of the City of New Orleans (the District), as of and for the years ended December 31, 2016 and December 31, 2015, 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 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.

Opinion

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, 2016 and December 31, 2015, 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.

Emphasis of Matter

As disclosed in Note 1, for the year ended December 31, 2015, the District adopted Governmental Accounting Statement No. 68 - *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27. The new standard required the District to record its proportionate share of pension amounts related to its participation in a cost-sharing multiple employer defined benefit pension plan, restating the earliest year presented. As a result of the adoption of the new accounting standard, the District's net position decreased by $1,441,408, net pension liability was recorded in the amount of $1,471,380, deferred outflows were recorded in the amount of $102,314 and deferred inflows were recorded in the amount of $72,342 as of January 1, 2015.

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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The other supplementary information as listed in the index is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information as listed in the index is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2017 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.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

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, 2016 and 2015. Please read this section in conjunction with the financial statements and the notes to the financial statements beginning on Page 12 in this report.

Financial Highlights:

* During 2016, the District and the City entered into a Cooperative Endeavor Agreement to consolidate the operations of the 9-1-1 System.

* During 2016, the District received $6,172,370 from the City of New Orleans to fund operations of the 9-1-1 System in conjunction with the Cooperative Endeavor Agreement.

* Operating expenditures in the year ended December 31, 2016, increased over operating expenditures for 2015 by $7,982,615 due to the consolidation of operations.

* Capital expenditures for 2016 were $508,929. Primarily, these expenditures were for a call control integration system and computer equipment for the call center.

Overview of the Financial Statements:

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

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 statements of net position is presented below:

Condensed Statements of Net Position
December 31, 2016 and 2015

	2016	Restated 2015
Current Assets	$ 6,411,779	$ 5,718,924
Capital Assets - Net	17,984,251	18,930,577
Total Assets	24,396,030	24,649,501
Deferred outflows of resources	7,384,099	508,243
Total Assets and Deferred Outflows	$ 31,780,129	$ 25,157,744
Current Liabilities	$ 2,051,567	$ 1,104,614
Noncurrent Liabilities	12,118,866	4,724,296
Total Liabilities	14,170,433	5,828,910
Deferred inflows of resources	288,826	91,692
Net Position		
Net investment in capital assets	15,394,251	15,555,577
Restricted for Debt Service	936,410	929,380
Unrestricted	990,209	2,752,185
Total Net Position	17,320,870	19,237,142
Total Liabilities, Deferred Inflows and Fund Net Position	$ 31,780,129	$ 25,157,744

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, 2016 and 2015:

Condensed Statement of Revenues, Expenses and
Changes in Fund Net Position
For the years ended December 31, 2016 and 2015

	2016	Restated 2015
Operating Revenues	$ 5,080,056	$ 4,649,879
Operating Expenses	13,107,386	5,124,771
Operating Loss	(8,027,330)	(474,892)
Nonoperating Revenues (Expenses):		
Intergovernmental revenue	6,172,370	-
Interest Income	23,554	13,744
Interest Expense	(137,824)	(168,748)
Other Income	22,662	96,442
Rental Income	30,296	28,132
Total Nonoperating Revenues (Expenses)	6,111,058	(30,430)
Change in Net Position	(1,916,272)	(505,322)
Total Net Position, Beginning of Year, before restatement	19,237,142	21,183,872
Change in accounting principle	-	(1,441,408)
Total Net Position, End of Year, as restated	$ 17,320,870	$ 19,237,142

Current Operations and Accomplishments:

On April 24, 2016, OPCD implemented the transfer of City employees from NOFD and NOEMS Communication Divisions to the OPCD. The following Sunday, May 1, 2016, the NOPD Communication Division employees were transferred. This consolidated all public safety communications for agency field operations within the OPCD. All 9-1-1 call processing and radio dispatching to the field moved within the OPCD.

The OPCD increased in size from about 16 employees to about 160 employees. The OPCD Board promoted the Training Coordinator to the Director of Operations, hired an HR Manager and the agencies maintained their previous Communication Division Commanders to act as Agency Coordinators in an exchange of information between the newly formed consolidated center and the agencies the OPCD serve.

Integration was a challenge due to the large increase of employees, training, the initial setup of the new ADP Payroll system and monitoring of finances.

Current Operations and Accomplishments: (Continued)

All Operations employees went through training with Paramount Call-Taking Protocol from Priority Dispatch. Tele-communicators learned to accept and process emergency 9-1-1 calls from all three disciplines, Police, Fire and EMS. As employees learn how to dispatch for each discipline, the employees earn the opportunity for promotion.

Two (2) redundant generators in the 9-1-1 center provide electrical power when commercial power is lost. Only one generator provides all the needs of the building with a second generator as redundancy if one generator is unable to operate. An analogy would be a vehicle with two (2) spare tires in case of flats.

Both redundant generators were grossly oversized by the architect and electrical engineers when the building was originally designed. The building's electrical needs do not place a sufficient load on the generators creating a detrimental effect known as "wet stacking." The electrical needs only place about a 12% capacity on either generator. The generators do not reach a high enough temperature for the diesel fuel to burn properly causing a term known as "slobbering." The condition would be like purchasing a new vehicle, starting it, but never placing it in gear. Over time the vehicle's engine would begin to experience mechanical problems since it would not operate as designed.

Following the advice of electrical engineers and generator professionals, the OPCD bid the purchase and installation of an electrical load bank. This piece of equipment is a large resistor, like a large electrical heater, outside of the 9-1-1 center, which places additional electrical load so the generators can eliminate the "wet stacking" effect. This project was completed to prevent damage to the generators. A civil action has been filed against the architect and electrical engineer for improperly designing the generators and the electrical system that supports it. Depositions are expected to be taken in July 2017 and the dispute is set to be heard before a three-member arbitration panel in November 2017.

Communication continued with Marco Outdoor Advertising, the New Orleans Building Corporation, the Fireman's Charitable and Benevolent Association, Amtrak Railroad and the OPCD to construct a large electronic billboard on land the OPCD has leased from the FCBA, next to I-10, to assist the City comply with a contract between the NOBC and Marco from several decades earlier. Obtaining proper authorizations have been an ongoing process and continued through 2016. An agreement on this project has not been reached.

Plans and Projects:

The OPCD bid a project for an outside company to conduct a billing audit / revenue true-up with the telephone carriers. Winbourne Consultants LLC., was awarded the contract and work has begun. Communication between AT&T and Winbourne Consultants is progressing. The OPCD will ensure the expenses we pay for the 9-1-1 network in Orleans Parish is not overcharged and that the 9-1-1 fee remittances from carriers are at the proper amount.

Financial Issues:

In 2016 the Louisiana Legislature allowed an increase in the wireless 9-1-1 rates from $.85 to $1.25 per unit. The authority in each parish also needed to determine a need for the increase and to approve the increase before it would become effective in each individual parish. The OPCD Board approved this increase.

This legislation also established the rate for VoIP telephone service at $1.25. It is known that some businesses in Orleans Parish stopped paying their 9-1-1 fee for landline service which is set at $2.00 and began remitting at the lower $1.25 VoIP rate. Winbourne Consultants will review this issue in their revenue true-up with the carriers.

The legislature also approved raising the percentage on pre-paid minutes for the 9-1-1 fee at the point of sale from 2% to 4%. This money is forwarded by retailers to the Louisiana Department of Revenue for distribution quarterly to each parish according to the population from the most recent ten-year U.S. census.

This is much needed revenue due to the increased cost of consolidation. OPCD is now responsible for personnel in addition to the technology and facilities for the Public Safety Answering Point. The City is providing a financial allocation each year for personnel, as required by the Cooperative Endeavor Agreement.

Expenses for Operations personnel must remain within the parameters of this allocation. Many things to consider regarding the consolidation is the payment of accrued annual and sick leave for retiring or terminating personnel. The OPCD is considering creation and maintenance of a reserve for these payments.

In order to provide quality E9-1-1 service to the public, OPCD has invested in cutting-edge technology, such as the West (previously Intrado) VIPER IP-Capable E9-1-1 Call-Taking System and the Motorola Computer Aided Dispatch (CAD) system. This has prepared the OPCD for future development of Next Generation (NG-911) which will have the capability to receive pictures, video, crash notification information and any other source of data useful for dispatching emergency services.

In order to prepare for the future of 9-1-1, and in order to continue providing E9-1-1 service to the public, the OPCD Board of Commissioners must create an Equipment Replacement Plan so that when this equipment needs replacing, OPCD has the funds to do so. The Board of Commissioners should create a budgetary set-aside that can be used only to replace E9-1-1 equipment (such as VIPER or CAD) as it wears out or becomes functionally obsolete. The ability to keep pace with technological advancements has allowed OPCD to purchase the equipment that is needed to meet the public's requirements for E9-1-1 service. OPCD has only been able to do so because previous Boards had looked ahead and were willing to set funds aside to do so. Had previous Boards not done so, we would not have the building or equipment that we currently have and use, and we would not be able to react as quickly as we did after Katrina. The OPCD Board will need to contribute annually in the amount equal to a percentage of the replacement cost of each piece of equipment.

Financial Issues: (Continued)

In addition to funding now for the future replacement of our 9-1-1 equipment, the Board of Commissioners must fund an adequate 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 inhabitable, or that 9-1-1 telephone calls cannot be sent to the center by our 9-1-1 provider. In such scenarios, OPCD must have a secure site to continue providing full and complete enhanced 9-1-1 service to the citizens of New Orleans.

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 Communication 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, 2016 AND 2015

	2016	Restated 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,989,561	$ 4,689,041
Accounts receivable	783,300	695,986
Prepaid expenses	248,345	333,897
Due from other governments	390,573	-
Total current assets	6,411,779	5,718,924
Capital assets:		
Capital assets (net of accumulated depreciation)	17,984,251	18,930,577
Total capital assets	17,984,251	18,930,577
Total assets	24,396,030	24,649,501
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	7,384,099	508,243
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 31,780,129	$ 25,157,744
LIABILITIES		
Current liabilities:		
Accounts payable	$ 819,641	$ 206,766
Bonds payable	825,000	785,000
Bonds interest payable	37,137	48,127
Accrued payroll expenses	369,789	64,721
Total current liabilities	2,051,567	1,104,614
Noncurrent liabilities:		
Bonds payable (net of current portion)	1,765,000	2,590,000
Accrued leave	789,681	234,024
Net pension liability	9,564,185	1,900,272
Total noncurrent liabilities	12,118,866	4,724,296
Total liabilities	14,170,433	5,828,910
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	288,826	91,692
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	14,459,259	5,920,602
NET POSITION		
Net investment in capital assets	15,394,251	15,555,577
Restricted for debt service	936,410	929,380
Unrestricted	990,209	2,752,185
Total fund net position	17,320,870	19,237,142
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND NET POSITION	$ 31,780,129	$ 25,157,744

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, 2016 AND 2015

	2016	Restated 2015
OPERATING REVENUES:		
Charges for services	$ 5,080,056	$ 4,649,879
Total operating revenues	5,080,056	4,649,879
OPERATING EXPENSES:		
Contractual services, supplies, materials and other	2,421,323	2,453,653
Personnel services	9,230,808	1,307,313
Depreciation	1,455,255	1,363,805
Total operating expenses	13,107,386	5,124,771
OPERATING LOSS	(8,027,330)	(474,892)
NONOPERATING REVENUES (EXPENSES):		
Intergovernmental revenue	6,172,370	-
Interest income	23,554	13,744
Interest expense	(137,824)	(168,748)
Miscellaneous income	22,662	96,442
Rental income	30,296	28,132
Total nonoperating revenues (expenses)	6,111,058	(30,430)
CHANGE IN NET POSITION	(1,916,272)	(505,322)
TOTAL NET POSITION - Beginning of year, before restatemen	19,237,142	21,183,872
Change in accounting principle	-	(1,441,408)
TOTAL NET POSITION - End of year, as restated	$ 17,320,870	$ 19,237,142

See accompanying notes.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUISIANA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	Restated 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received for services	$ 4,992,744	$ 4,747,246
Cash paid for goods and services	(1,128,280)	(2,010,030)
Payments for salaries and related expenses	(8,370,083)	(1,244,218)
Net cash provided or (used) by operating activities	(4,505,619)	1,492,998
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Intergovernmental revenue	6,172,370	-
Interest paid	(148,814)	(179,123)
Purchase of capital assets	(508,929)	(1,162,233)
Principal payments on bonds	(785,000)	(750,000)
Miscellaneous receipts	52,958	124,574
Net cash provided or (used) by capital and related financing activities	4,782,585	(1,966,782)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	23,554	13,744
Net cash provided by investing activities	23,554	13,744
NET INCREASE (DECREASE)	300,520	(460,040)
Cash and cash equivalents, January 1	4,689,041	5,149,081
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 4,989,561	$ 4,689,041
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED OR (USED) BY OPERATING ACTIVITIES:		
Operating loss	$ (8,027,330)	$ (474,892)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	1,455,255	1,363,805
Loss on disposal of asset	-	239,439
Change in net pension liability	985,191	42,313
Decrease/(Increase) in accounts receivable	(87,314)	97,368
Decrease/(Increase) in prepaid expenses	85,552	135,346
Decrease/(Increase) in due from other governments	(390,573)	-
Increase/(Decrease) in accounts payable	612,875	32,955
Increase/(Decrease) in accrued payroll expenses	305,068	(1,588)
Increase/(Decrease) in accrued leave	555,657	58,252
Total adjustments	3,521,711	1,967,890
NET CASH PROVIDED OR (USED) BY OPERATING ACTIVITIES	$ (4,505,619)	$ 1,492,998

See accompanying notes.

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.

The District and the City of New Orleans (City) entered into a Cooperative Endeavor Agreement on January 1, 2003 that allowed the City to provide pension and health benefits to District employees, while the District provided funding support for call takers, administrative and maintenance support for the 9-1-1 system, building and personnel. Effective April 13, 2016, the District and the City of New Orleans entered into another Cooperative Endeavor Agreement that terminated all previous Cooperative Endeavor Agreements and consolidated operations of the 9-1-1 System. The consolidation resulted in the physical and organizational placement of all emergency communication functions into one facility as one organization supporting New Orleans Police Department, New Orleans Fire Department, New Orleans Emergency Management Services and New Orleans Homeland Security and Preparedness using common systems. All City personnel assigned to the 9-1-1 call center by various City departments are now assigned to the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity:

For financial reporting purposes the District is a component unit of the City of New Orleans, Louisiana (the City). 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.

Proprietary Fund Type:

The proprietary fund is used to account for the District's ongoing operations and activities which are similar to those often found in the private sector. The District maintains one proprietary fund type – the enterprise fund. The enterprise fund is used to account for operations: a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance. With this measurement focus,

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Proprietary Fund Type: (Continued)

all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Net position is segregated into amounts invested in capital assets (net of related debt), restricted for debt service, and unrestricted.

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.

Cash and Cash Equivalents:

For purposes of the Statement of Cash Flows, cash and cash equivalents include all highly liquid investments with an original 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 expensed when occurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation of these assets is computed using the straight-line method over the estimated useful lives of the assets.

Compensated Absences:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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, rental income, and intergovernmental revenue.

Risk Management:

The District is exposed to various risks of loss related to torts such as 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.

Deferred Outflows of Resources and Deferred Inflows of Resources:

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure/expense) until that future time.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Adoption of New Accounting Principles:

For the year ended December 30, 2015, the following GASB statements were implemented: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. These statements changed the accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System of the City of New Orleans (NOMERS) and changes in NOMERS' fiduciary net position have been determined on the same basis as they are reported by NOMERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. CASH AND CASH EQUIVALENTS:

Cash:

At December 31, 2016 and 2015, the District has cash (book balances) totaling $3,470,097 and $3,176,536, respectively, and $3,645,937 and $3,699,170, respectively, in deposits (collected bank balances) at three financial institutions (the banks). At December 31, 2016 and 2015, these deposits are secured from risk by $250,000 of Federal Deposit Insurance Corporation (FDIC) insurance and pledged securities held by the banks in joint custody, respectively.

Cash Equivalents:

For the years ended December 31, 2016 and 2015, cash equivalents in the amount of $1,519,464 and $1,512,505, 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.

2. CASH AND CASH EQUIVALENTS: (Continued)

Cash Equivalents: (Continued)

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.

3. RECEIVABLES:

The District had receivables due from the landline and wireless 9-1-1 tax collectors in the amount of $783,300 and $695,986 at December 31, 2016 and 2015, respectively. Receivable balances are unsecured.

4. CAPITAL ASSETS:

A summary of changes in capital assets for the years ended December 31, 2016 and 2015 are as follows:

	Life	Balance at 12/31/15	Additions	Disposals/ Completed Construction	Balance at 12/31/16
Administration Building	40	$ 2,868,943	$ 487,214	$ -	$ 3,356,157
OPS Building	40	15,733,571	-	-	15,733,571
Gately Building	40	121,473	-	-	121,473
Equipment	10	8,818,734	492,929	(1,949,585)	7,362,078
Leasehold Improvements	40	1,067,403	16,000	-	1,083,403
Vehicles	5	104,161	-	-	104,161
		28,714,285	996,143	(1,949,585)	27,760,843
Construction in Progress		487,214	-	(487,214)	-
		29,201,499	996,143	(2,436,799)	27,760,843
Accumulated Depreciation		(10,270,922)	(1,455,255)	1,949,585	(9,776,592)
Total		$ 18,930,577	$ (459,112)	$ (487,214)	$ 17,984,251

4. CAPITAL ASSETS: (Continued)

	Life	Balance at 12/31/14	Additions	Disposals/ Completed Construction	Balance at 12/31/15
Administration Building	40	$ 2,868,943	$ -	$ -	$ 2,868,943
OPS Building	40	15,733,571	-	-	15,733,571
Gately Building	40	121,473	-	-	121,473
Equipment	10	8,318,773	817,030	(317,069)	8,818,734
Leasehold Improvements	40	1,067,403	-	-	1,067,403
Vehicles	5	104,161	-	-	104,161
		28,214,324	817,030	(317,069)	28,714,285
Construction in Progress		142,011	345,203	-	487,214
		28,356,335	1,162,233	(317,069)	29,201,499
Accumulated Depreciation		(8,984,747)	(1,363,805)	77,630	(10,270,922)
Total		$ 19,371,588	$ (201,572)	$ (239,439)	$ 18,930,577

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, 2016 and 2015, total accrued annual and sick leave was $789,681 and $234,024, respectively.

A summary of changes in compensated absences for the year ended December 31, 2016 is as follows:

Balance at December 31, 2015	$ 234,024
Additions	1,019,832
Reductions	(464,175)
Balance at December 31, 2016	$ 789,681

6. COOPERATIVE ENDEAVOR AGREEMENT:

Through an agreement, the District is to reimburse the City salary and benefits for 11 tele-communicators employed by the City of New Orleans' Police Department. During the year ended December 31, 2015, the City allowed the District to use the funds to cover cost associated with the consolidation. The reimbursement used for consolidated expenses was $443,500.

6. COOPERATIVE ENDEAVOR AGREEMENT: (Continued)

Effective April 13, 2016, the District and the City of New Orleans (City) entered into a Cooperative Endeavor Agreement (CEA) to consolidate operations of the 9-1-1 call center. As a result of the CEA all City personnel assigned to the 9-1-1 call center by various other City departments were assigned to the District.

The CEA requires the City is to provide an annual appropriation to the District for the OPS personnel cost including health and accident insurance, employer retirement contributions, workers compensation, unemployment insurance, life insurance, uniform allowance, sick leave, annual leave, and terminal leave. In addition, the City is to provide the District with access to computer programs and software applications which the City has purchased enterprise-wide licenses, provided the license agreements allow the City.

The District is required to develop an administrative and organizational structure that ensures consolidated operations and maintain and improve upon the current operational performance of 9-1-1 services with the City. Also, the District is to purchase, implement, and maintain hardware, software, and systems required for the provisions of E9-1-1 service throughout Orleans Parish, provide personnel with professional training and support, and maintain the physical facility known as the Warren E. McDaniel 9-1-1 center for E9-1-1 services.

The CEA requires the District to provide an offset to the City's general fund in the amount equal to \$500,000 which shall be dedicated to support the consolidated 9-1-1 operations. During the year ended December 31, 2016, the City allowed the District to retain and use the \$500,000 required payment by the District to cover the additional cost that resulted from the consolidation. The additional costs consisted of equipment acquisitions, advertising, salaries, and related expenses.

During the year ended December 31, 2016, the District received intergovernmental revenue in the amount of \$6,172,370 from the City to fund the OPS personnel cost. The City owes the District \$390,573 as of December 31, 2016 for the cost of the accrued annual and sick leave earned by employees assigned to the District from other City departments.

7. 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 \$975,837 and \$73,832 for 2016 and 2015, respectively.

The District also pays the Municipal Employees' Retirement System of the City of New Orleans for its employees' pension costs. See footnote number 8 for the disclosures.

8. PENSION PLAN:

The District's employees participate in the Employees' Retirement System of the City of New Orleans (the Plan) (NOMERS). 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. It is supported by joint contributions of the City and employee members and income from investments. The Plan became operative on July 1, 1947. The City of New Orleans makes contributions for members during active service as well as for periods of service of members employed prior to July 1, 1947. In this way, reserves are accumulated from the city and employee contributions.

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.

Benefits Provided:

Retirement Benefits:

Under the Plan, employees with 30 years of service, or who attain age 60 with 10 years of service or age 65 and 5 years of service, are entitled to a retirement allowance. Effective January 1, 2002, any member whose age and service total 80 may retire with no age reduction. The benefits to retirees consist of the following:

An annuity, which is the actuarial equivalent of the employee's accumulated contribution; plus

1. Effective for members retiring on or after January 1, 2002, an annual pension, which, together with above annuity, provides total retirement allowance equal to 2.5% of average compensation times first 25 years, plus 4% of average compensation times creditable service over 25 years.

2 Effective for members retiring before 2002, but on or after January 1, 1983, an annual pension, which, together with above annuity, provides total retirement allowance equal to 2% of average compensation times first 10 years, plus 2.5% of average compensation times next 10 years, plus 3% of average compensation times next 10 years, plus 4% of average compensation times creditable service over 30 years.

8. PENSION PLAN: (Continued)

Benefits Provided: (Continued)

Retirement Benefits: (Continued)

3. Effective January 1, 1983, additional pension equal to 2% of $1,200 times first 10 years, plus 2.5% of $1,200 times next 10 years, plus 3% of $1,200 times next 10 years, plus 4% of $1,200 times service over 30 years, ceases at 62 or at eligibility for Social Security, whichever comes first. Effective January 1, 2002, the $1,200 exclusion will not apply.
4. Additional pension for members, who reach age 65 with 20 or more years and the retirement allowance under (1) and (2) above is less than $1,200 per year, to produce total retirement allowance of $1,200 per year.
5. Effective January 1, 1982, for service retirement prior to age 62 with less than 30 years of Service, (3) and (4) above are reduced by 3% for each year below 62. However, effective January 1, 1996, this reduction is not made if employee has at least 30 years of service. Effective January 1, 2002, no reduction if age and service total at least 80.

The maximum benefit will not be greater than 100% of average compensation, unless member has already accrued a larger benefit as of April 1978. Effective June 1, 1999, the minimum benefit will be $300 per month for retirees with 10 years of service at retirement.

Form of Benefit: Modified cash refund annuity - If a member dies after retirement and before receiving the amount of his accumulated contributions in annuity payments, then the lump sum balance of his contributions is paid to beneficiary.

Cost-of-Living: Board of Trustees retains excess over average 3.5% interest earnings to provide Cost-of-Living increases in benefits to retirees (past or future) not to exceed 3% of original benefit per each year of retirement. Effective January 1, 2001, additional one-time increase of 1% times member's or beneficiary's current monthly benefit times whole calendar years from date benefit commenced.

Death Benefits:

Members that expire during active service are eligible for death benefits. The benefits represent the members accumulated plan contributions and are paid to the member's beneficiary. Additional information is as follows:

1. If a member has three years creditable service, additional lump sum benefit equal to 1/4 of earnable compensation for year preceding death, plus 5% of such earnable compensation for each additional year of creditable service (benefit not to exceed compensation made before death).

8. PENSION PLAN: (Continued)

Benefits Provided: (Continued)

Death Benefits: (Continued)

2. If, at date of death, a member was eligible for retirement and leaves a surviving spouse, the surviving spouse shall be eligible to elect either Option number 2 or Lump Sum refund of employee's contributions.
3. Offset by worker's compensation benefits.
4. If, at date of death, a member was ineligible for retirement, but was at least 55 years of age and had 10 or more years of creditable service or was under age 55 and had at least 20 years of creditable service, then the surviving spouse may elect to receive benefit equal to an actuarially reduced amount based upon the member's age and years of creditable service. Benefit to cease when the surviving spouse reaches age of eligibility for Social Security.

Separation Benefits:

1. Effective January 1, 2002, a member who separates with 5 years of creditable service may allow his accumulated contributions to remain on deposit and service retirement allowance to begin as early as age 65.
2. Prior to January 1, 2002, withdrawal with 10 years of creditable service prior to separation, a member may allow accumulated contributions to remain on deposit and service retirement allowance to begin as early as age 60 (subject to reduction if retirement is elected before age 62). If death occurs before retirement, return of accumulated contributions with interest.
3. Upon withdrawal without 5 years creditable service, the employee is entitled to return of his accumulated contributions with interest or may allow contributions to remain on deposit for maximum of five years. (In case of employee's death, then accumulated contribution plus interest are paid to beneficiary.)
4. If employee re-enters after receipt of refund and continues service thereafter for at least six months, he may repay amount of refund plus the amount of employer contributions, with compound interest, to receive prior creditable service again.

Optional Forms of Benefits:

1. If a member dies before receiving, in annuity payments, the value of his annuity at the time of his retirement, then balance is payable to his beneficiary.
2. 100% survivor's benefits - reduced retirement benefit continued to beneficiary at member's death. If the spouse predeceases the retiree, the benefit reverts back to the maximum amount.

8. PENSION PLAN: (Continued)

Benefits Provided: (Continued)

Optional Forms of Benefits: (Continued)

3. 50% survivor's benefits - 50% of reduced retirement benefit continued to beneficiary at member's death. If the spouse predeceases the retiree, the benefit reverts back to the maximum amount.

4. Other benefits of equal actuarial value may be available upon approval of the Board.

Disability:

Any amounts which may be paid or payable under the provisions of any workmen's compensation statute or similar law to a member or to a dependent or a member on account of accidental disability or accidental death shall, in such a manner as the Board shall approve, be offset against and payable in lieu of any benefits payable out of the funds provided by the City under the provisions of the retirement system on account of the same accidental disability or on account of death.

Ordinary Disability Retirement:

Upon written application of a member in active service or of the head of his department, any member who has had 10 or more years of creditable service may be retired by the Board on an ordinary disability retirement allowance if a physician nominated by the Board shall certify that the member is mentally or physically totally incapacitated for the further performance of duty, that such incapacity is likely to be permanent, and that the member should be retired. Upon retirement for ordinary disability, a member will receive a service retirement allowance, if eligible, otherwise the member will receive a disability retirement allowance, which will consist of:

a. An annuity which is the actuarial equivalent of the employee's accumulated contributions; and

b. An annual pension, which, together with (a), equals 75% of service allowance that would have been payable at age 65, had member continued in service to age 65, computed on the average compensation.

Accidental Disability Retirement:

Upon the application of a member or the head of his department, any member whom the Board finds has been totally and permanently incapacitated as result of an accident sustained in service as a member and occurring while in performance of his duty may be retired by the

8. PENSION PLAN: (Continued)

Benefits Provided: (Continued)

Accidental Disability Retirement: (Continued)

Board; provided, that a physician nominated by the Board will certify that the member is, mentally or physically, totally incapacitated and that the member should be retired.

Upon retirement for accidental disability, a member will receive a service retirement allowance, if eligible; otherwise the member will receive an accidental disability retirement allowance, consisting of:

a. An annuity which is the actuarial equivalent of the employee's accumulated contributions; and

b. An annual pension equal to the difference between the employee's annuity and 65% of earnable compensation for year preceding date of accident.

Medical examinations are required every three years for those disability retirees under 60. Accidental disability benefits are offset by workmen's compensation payments, if any.

Reciprocity:

Effective July 16, 1974, provisions made for reciprocal transfers of service and funds between this System and the Employees' Retirement System of the Sewerage and Water Board of New Orleans, in the event an employee transfers from one employer to the other; service credits were transferred from sending system to receiving system provided all employee contributions plus earned interest and all employer contributions, plus agreed-upon interest, are transferred. Effective September 23, 1993 retroactive for transfers on and after the October 17, 1988, agreement was amended to provide for a transfer from the sending system to the receiving system equal to the GASB No.5 liability of the sending system at 7% interest, 5% salary scale, the remaining GASB No. 5 actuarial assumptions and the salary and benefit structure in effect for the sending system at time of transfer.

A detailed plan agreement has been published and made available to all plan participants. Their agreement contains all information regarding the plan's benefits, amendments, actuarial assumptions, and contribution requirements.

Early Retirement Window:

From January 1, 1987 through April 30, 1987, an early retirement window was available. Any member, who had at least 15 years of service and whose age plus service totaled at least 70, could retire during the window with no reduction for early retirement. The member must have converted all sick leave into service credits.

8. PENSION PLAN: (Continued)

Benefits Provided: (Continued)

DROP Account:

Effective January 1, 1994, any member who is eligible for a service retirement under Section 114-201(a) may participate in the DROP program. A member can participate for up to five years. When a member joins the DROP, he stops contributing to and earning benefits in the system. Employer contributions also stop. His retirement benefit begins being paid into his DROP account.

1. Interest is earned on the DROP account at an annual rate set by the Board. Members of the DROP receive cost-of-living increases, as if they would have received such raises as a retiree.
2. Upon termination of employment at the end of the specified period of DROP participation, the DROP account is paid out. After his DROP period ends and upon continued or re-employment, the member may resume contributions and earn a supplemental benefit based on current covered compensation.
3. If at the end of a member's period of DROP participation he does not terminate employment, payments into DROP shall cease and no further interest shall be earned or credited to the account. Payments shall not be made until employment is terminated.

Contributions:

Plan members are required to contribute 6% of their annual covered salary. The District is required to contribute at an actuarially determined rate. The employer contribution rate for the years ended December 31, 2016 and 2015 are 22.512% and 22.578% of annual payroll, respectively. The contribution requirement of plan members and the District are established and may be amended by state statute. The contribution made by the District to the Plan for the years ended December 31, 2016 and 2015 was $1,014,482 and $185,691, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions:

At December 31, 2016 and 2015, the District reported a liability for the Plan in the amount of $9,564,185 and $1,900,272, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016 and December 31, 2015, and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuations as of that date. The District's proportion of the net pension liability for the retirement system was based on the District's pension wages reported to the pension plan over total pension wages reported to the Plan. At December 31, 2016 and 2015, the District's proportion for the Plan was 3.7438% and 0.8499%, respectively.

8. PENSION PLAN: (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: (Continued)

At December 31, 2016 and 2015, the District recognized pension expense for its participation in the Plan of $1,999,673 and $229,803, respectively.

At December 31, 2016 and 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,004,721	$ 218,600
Net difference between projected and actual earnings on pension plan investments	996,094	-
Change in proportion and differences between employer contributions and proportionate share of contributions	4,383,284	70,226
Total	$ 7,384,099	$ 288,826

2015	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 150,879	$ 59,552
Net difference between projected and actual earnings on pension plan investments	342,006	-
Change in proportion and differences between employer contributions and proportionate share of contributions	15,358	32,140
Total	$ 508,243	$ 91,692

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized in pension expense (benefit) as follows:

8. PENSION PLAN: (Continued)

Year Ending December 31,	Amount
2017	$ 1,244,031
2018	1,244,029
2019	1,153,080
2020	844,663
2021	872,427
Thereafter	1,737,043
Total	$ 7,095,273

Actuarial Assumptions:

The total pension liability for the Plan in the December 31, 2016 and 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Expected Remaining Service Lives	8 Years
Investment rate of return	7.50% compounded annually
Inflation rate	2.50%
Projected salary increases	5.00% compounded annually
Cost-of-living adjustments	None
Mortality	RP-2000 Combined Healthy Mortality Table (Sex Distinct) RP-2000
Termination and disability	RP-2000 Disability Mortality Table (Sex Distinct) Without Projection

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target allocation as of December 31, 2016 and 2015 are summarized as follows:

8. PENSION PLAN: (Continued)

Actuarial Assumptions: (Continued)

December 31, 2016

Asset Class	Target Asset Allocation	Long-term expected portfolio real rate of return
Cash Equivalents	2.0%	0.04%
Equity Securities	58.0%	4.77%
Fixed Income	25.0%	0.77%
Real Estate	5.0%	0.34%
Other Alternate Investments	10.0%	0.73%
Total Real Return	100%	6.65%
Inflation		2.26%
Expected arithmetic nominal rate		8.91%

December 31, 2015

Asset Class	Target Asset Allocation	Long-term expected portfolio real rate of return
Domestic Equity	49.1%	3.69%
International Equity	15.7%	1.33%
Domestic Bonds	24.6%	0.61%
International Bonds	5.6%	0.20%
Real Estate	5.0%	0.23%
Total Real Return	100%	6.06%
Inflation		2.50%
Expected arithmetic nominal rate		8.56%

Discount Rates:

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from System members will be made at the current contribution rates and those contributions from participating employers will be made at the actuarially determined rates approved by the System's board, taking into consideration the recommendation of the System's actuary. Based on those assumptions, the system fiduciary net positon was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

8. PENSION PLAN: (Continued)

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rates:

The following presents the net pension liability of the District calculated using the discount rate of 7.5% as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.5% or one percentage point higher 8.5% than the current rate for the years ending December 31, 2016 and 2015:

	1% Decrease 6.5%	Current Rate 7.5%	1% Increase 8.5%
NPL - December 31, 2016	$ 11,905,007	$ 9,564,185	$ 7,600,645
NPL - December 31, 2015	$ 2,381,715	$ 1,900,272	$ 1,497,678

Pension Plan Fiduciary Net Position:

Detailed information about the pension plans fiduciary net position is available in the separately issued financial reports for NOMERS.

Payables to the Pension Plan:

As of December 31, 2016 and 2015, the District had outstanding contributions payable to the pension plan of $321,743 and $0, respectively.

9. BOARD COMPENSATION:

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

10. 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 is $216,000. For years six through ten, the annual rent is $274,262. The remaining term of the lease shall be divided into consecutive five-year rent periods. The annual rent for each rent period will be adjusted by a formula based on the consumer price index.

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

10. LEASES: (Continued)

Total rental expense for all leases for the years ended December 31, 2016 and 2015 was $292,762 and $258,865, respectively. Future minimum lease payments for all leases are as follows:

Year	Amount
2017	$ 274,262
2018	274,262
2019	274,262
2020	274,262
2021	274,262
Thereafter	8,364,991
Total	$ 9,736,301

11. 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, 2016 is as follows:

Balance at December 31, 2015	$ 3,375,000
Payments	(785,000)
	2,590,000
Less: Current portion at December 31, 2016	(825,000)
Long-term portion at December 31, 2016	$ 1,765,000

The following amounts are expected future maturities of the bonds at December 31, 2016:

Year	Principal	Interest	Total
2017	$ 825,000	$ 111,410	$ 936,410
2018	860,000	76,348	936,348
2019	905,000	39,368	944,368
	$ 2,590,000	$ 227,126	$ 2,817,126

12. NET POSITION:

Restricted:

Net position in the amount of $936,410 and $929,380 for the years ending December 31, 2016 and 2015, respectively, have been restricted for the payment of principal and interest on bonds.

Unrestricted – Board Designated:

As of December 31, 2016 and 2015, unrestricted net position in the amounts of $873,467 and $2,752,185, respectively, have been designated by the board for future capital outlay. Such plans are subject to change and have not been legally authorized.

13. CHANGE IN ACCOUNTING PRINCIPLE:

The District adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, during the fiscal year ended December 31, 2015. The adoption of this statement required the District to record a beginning net pension, deferred outflows of resources and deferred inflows of resources (fiscal year ending December 31, 2014). As a result, the beginning net position as reflected in the Statement of Net Position has been restated to reflect the following adjustments:

	Net Position
Balance as of December 31, 2014 previously reported	$21,183,872
Implementation of GASB 68:	
Recognition of net pension liability	(1,471,380)
Recognition of deferred outflows of resources	102,314
Recognition of deferred inflows of resources	(72,342)
Balance as of December 31, 2014, as restated	$19,742,464

14. RESTATEMENT:

The District discovered accounts receivable was overstated for the year ended December 31, 2015. Accordingly, the District restated its financial statements which resulted in a decrease in accounts receivable and a decrease in the net position of in the amount of $118,430 for the year ended December 31, 2015.

The District changed the measurement date for the recognition period of the net pension liability for the year ended December 31, 2015. This change decreased net position in the amount of $142,198 for the recognition of the beginning net pension liability, deferred inflows of resources and deferred outflows of resources as of December 31, 2014. For the year ended December 31, 2015 the change increased net pension liability in the amount of $501,494, increased deferred outflows in the amount of $220,805, decreased deferred inflows in the amount of $142,964 and decreased personnel services in the amount of $4,473.

ORLEANS PARISH COMMUNICATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
FOR THE TWO YEARS ENDED DECEMBER 31, 2016

	2016	2015
District's proportion of the net pension liability	3.7438 %	0.8499 %
District's proportionate share of the net pension liability	$ 9,564,185	$ 1,900,272
District's covered-employee payroll	$ 4,324,216	$ 826,428
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	221.18 %	229.94 %
Plan fiduciary net position as a percentage of the total pension liability	58.06 %	60.26 %

This schedule is intended to show information for 10 years. Additional years will be presented as they become available.

ORLEANS PARISH COMMUNICATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
FOR THE TWO YEARS ENDED DECEMBER 31, 2016

Statutorily required contribution	$ 973,410	$ 186,591
Contributions in relation to the statutorily required contribution	973,410	186,591
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 4,324,216	$ 826,428
Contributions as a percentage of covered-employee payroll	22.51%	22.58%

This schedule is intended to show information for 10 years. Additional years will be presented as they become available.

1. CHANGE IN BENEFIT TERMS:

There was no change in benefit terms during any of the years presented.

2. CHANGE IN ASSUMPTIONS:

There was no change in assumptions during any of the years presented.

ORLEANS PARISH COMMUNICATION DISTRICT
NEW ORLEANS, LOUSIANA
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD
DECEMBER 31, 2016

Agency Head Name: Stephen Gordon, Executive Director

PURPOSE	AMOUNT
Salary	$ 112,845
Benefits - insurance	8,666
Benefits - retirement	23,411
Vehicle provided by government	2,000
Per diem	150
Reimbursements	1,105
Conference travel	260
TOTAL	$ 148,437

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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*)

June 12, 2017

Board of Commissioners
Orleans Parish Communication District
118 City Park Avenue
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 year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 12, 2017

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 16-01 described in the accompanying schedule of findings to be a material weaknesses.

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. We consider the deficiency 16-02 described in the accompany schedule of findings to be a significant deficiency.

The results of our tests disclosed instances of immaterial matters of internal control over financial reporting and compliance or other matters that we have communicated to management in a separate letter.

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 did not disclose noncompliance or other matters that is required to be reported under *Government Auditing Standards.*

The results of our test disclosed an immaterial instance of noncompliance that we have communicated to management in a separate letter.

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.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

SUMMARY OF AUDITOR'S RESULTS:

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

Internal Controls – Significant deficiency with material weakness

16-01 Cash

During the audit we noted bank statements accumulated for several months before they were reconciled to the appropriate general ledger controls. We also noted material outstanding checks listed on the cash reconciliations that had been voided, no review of the cash reconciliations by another person and checks that had been voided in the accounting system had cleared on the bank statement with a different check number. Not reconciling the bank statements to the appropriate general ledger controls could result in errors occurring in both cash transactions and reporting and not detected timely. In order to make the financial reports generated by the accounting system as meaningful as possible, the District should correctly reconcile the general ledger cash accounts on a timely basis. Cash reconciliations between the bank balance and the general ledger balance assists the District to ensure all cash transactions are recorded properly and to discover any bank errors. We recommend all cash bank statements be reconciled on a timely basis to the appropriate general ledger controls and review the reconciliations by management.

Internal Controls – Significant deficiency

16-02 Payroll

During the audit of payroll, we noted the following deficiencies relating to payroll:

a. Duplicate posting of payroll expenses.
b. Documentation supporting promotions did not specify an effective date for the promotion resulting in improper pay rates for employees.
c. Payroll reports are not reviewed and approved.
d. Access to the payroll system is not limited to the payroll manager only.
e. Lack of documented support for approval of sick, annual leave and leave without pay.
f. Lack of segregation of duties relating to the funding of payroll and the reconciliation of cash.
g. Not all time cards reviewed and approved by shift supervisors.

The District should have a payroll system with strong internal controls in place to ensure the proper reporting and recording of payroll and payroll related expenses. Without a payroll system with strong internal controls employee wages could be over and under paid in addition reporting of the payroll expense could be over and under stated which will result in incorrect financial statements. We recommend the District review their payroll system and implement additional controls to ensure the proper payment and recording of all payroll and payroll related expenses.

SUMMARY OF AUDITOR'S RESULTS: (Continued)

Compliance with Laws and Regulations: none noted

Management Letter Comments:

16-03 Public Bid Law

The District received three quotes for the purchase of computers totaling \$18,500. However, at the time of the quotes, the District intended to make an additional purchase of the same type of equipment at the same prices in the future, therefore, making the aggregates of the purchase exceed \$30,000. The purchase was not properly advertised, requesting bids. In addition the District received three quotes for the purchase of materials and supplies between \$10,000 and \$30,000. The District did not accept the lowest bidder for the materials and supplies, and the reason for the rejection was not documented. Louisiana Revised Statues 38:2212.1 states all purchases of any materials or supplies exceeding the sum of thirty thousand dollars are subject to bid law provisions which requires an advertisement for bids to be published two times in a newspaper of the locality and awarded to the lowest bidder meeting specifications. In addition, any quote or bid accepted that is not the lowest bid must be documented with an appropriate reason. Not advertising for bids, in addition to not documenting the reason for rejection of the lowest bidder, results in noncompliance of the Louisiana Public Bid law. We recommend the District ensure employees are knowledgeable regarding the requirements of the Louisiana Public Bid law to ensure compliance with all aspects of the law.

16-04 Employee Reimbursement Policy

During employee business expense reimbursement testing, it was noted that the District does not have a written policy in place regarding employee reimbursement of business expenses. The District should have an employee business expense reimbursement policy. Not having an employee business expense reimbursement policy could result in the misuse of funds. The employee reimbursement policy should include the type of business expenses that will be reimbursed, the documentation required to be submitted for reimbursement and review procedures. Lastly, the reviewer should not review and approve their own reimbursement. We recommend that the District develop a written policy regarding the employee business expense reimbursements.

SUMMARY OF AUDITOR'S RESULTS: (Continued)

16-05 Credit Card Disbursements

During credit card disbursement testing of three months, there were instances in which a purchase did not include a receipt, instances in which travel/lodging was not approved by the Executive Director, and instances in which the receipt did not contain an explanation detailing the nature of the purchase. Additionally, 2 of the 3 statements tested were not stamped and signed by the Executive Director authorizing payment. All credit card disbursements should be support by detailed receipts and where appropriate an explanation detailing the nature of the purchase and approval by the Executive Director. Not obtaining detail receipts for purchases in addition to the explanation of the purchase and review by the Executive Director could result in the misuse or misappropriation of funds. We recommend the District develop a policy over credit card disbursements and require all detail receipts be obtained, and where appropriate include a detail explanation on the nature of the purchase and review by the Executive Director.

2. Summary of Prior Year Findings:

Management Letter Comments:

15-01 Public Bid Law

Louisiana Revised Statues 38:2212 states that contracts for public works exceeding $150,000 shall be awarded to the lowest bidder for that contract that meets the specification. OPCD was unable to provide documentation that they accepted the lowest bidder meeting specifications on the contract that was awarded for the audio visual system installation. Not retaining documents to support compliance with the La Public Bid law results on non-compliance with the law. We recommend that the District retain all records to support compliance with the law. A current year comment was made regarding compliance with the Louisiana Public Bid Law. See comment 16-03.

15-02 Employee Reimbursement Policy

During employee business expense reimbursement testing, it was noted that the District does not have a written policy in place regarding employee reimbursement of business expenses. The District should have an employee business expense reimbursement policy. Not having an employee business expense reimbursement policy could result in the misuse of funds. The employee business expense reimbursement policy should include the type of business expenses that will be reimbursed in addition to the documentation required to be submitted for reimbursement. We recommend that the District develop a written policy regarding the employee business expense reimbursements. This comment is repeated in the current year. See comment 16-04.

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June 12, 2017

Orleans Parish Communication District
Captain Stephen Gordon, Executive Director
118 City Park Avenue
New Orleans, Louisiana 70119

In planning and performing our audit of the financial statements of the Orleans Parish Communication District (District) as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Orleans Parish Communication District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the following deficiency in internal control to be material weakness:

During the review of cash, we noted material outstanding checks listed on the cash reconciliations that had been voided, cash reconciliations were not performed timely, and no review of the cash reconciliations by another person. Additionally, checks that had been voided in the accounting system had cleared on the bank statement with a different check number. In order to make the financial reports generated by the accounting system as meaningful as possible, the District should correctly reconcile the general ledger for cash accounts on a timely basis. Cash reconciliations between the bank balance and the general ledger balance assists the District to ensure all cash transactions are recorded properly and to discover any bank errors. We recommend that all cash bank statements be reconciled on a timely basis to the appropriate general ledger accounts and review of the reconciliation by management.

A significant deficiency is a deficiency, or 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. We consider the following deficiencies in internal control to be significant deficiencies:

During the review of payroll, we noted the following deficiencies relating to payroll:

a. Duplicate posting of payroll expenses.
b. Documentation supporting promotions did not specify an effective date for the promotion resulting in improper pay rates for employees.
c. Payroll reports are not reviewed and approved.
d. Access to the payroll system is not limited to the payroll manager only.
e. Lack of documented support for approval of sick, annual leave and leave without pay.
f. Lack of segregation of duties relating to the funding of payroll and the reconciliation of cash.
g. Not all time cards reviewed and approved by shift supervisors.

The District should have a payroll system with strong internal controls in place to ensure the proper reporting and recording of payroll and payroll related expenses. Without a payroll system with strong internal controls, employee wages could be over and under paid in addition to reporting of the payroll expenses could be over and under stated which will result in incorrect financial statements. We recommend the District review their payroll system and implement additional controls to ensure the proper payment and recording of all payroll and payroll related expenses.

During the course of the audit, we noted one matter of noncompliance that we wanted to communicate to management.

The District received three quotes for the purchase of computers totaling $18,500. However, at the time of the quotes, the District intended to make an additional purchase of the same type of equipment at the same prices in the future, therefore, making the aggregate of the purchases exceed $30,000. The purchase was not properly advertised, requesting bids. In addition the District received three quotes for the purchase of materials and supplies between $10,000 and $30,000. The District did not accept the lowest bidder for the materials and supplies, and the reason for the rejection was not documented. Louisiana Revised Statues 38:2212.1 states that all purchases of materials or supplies exceeding the sum of $30,000 are subject to bid law provisions, which requires an advertisement for bids to be published two times in a newspaper of the locality and awarded to the lowest bidder meeting the

the specifications. In addition, any quote or bid accepted, that is not the lowest bid, must be documented with an appropriate reason. Not advertising for bids, in addition to not documenting the reason for rejection of the lowest bidder, results in noncompliance of the Louisiana Public Bid law. We recommend the District ensure employees are knowledgeable regarding the requirements of the Louisiana Public Bid law to ensure compliance with all aspects of the law.

During the course of our audit, we noted the following matters of internal control over financial reporting that we believe represents an opportunity to strengthen internal controls and operating efficiency.

During employee business expense reimbursement testing, it was noted that the District does not have a written policy in place regarding employee reimbursement of business expenses. The District should have an employee business expense reimbursement policy. Not having an employee business expense reimbursement policy could result in the misuse of funds. The employee reimbursement policy should include the type of business expenses that will be reimbursed, the documentation required to be submitted for reimbursement and review procedures. Lastly, the reviewer should not review and approve their own reimbursement. We recommend that the District develop a written policy regarding the employee business expense reimbursements.

During credit card disbursement testing of three months, there were instances in which a purchase did not include a receipt, instances in which travel/lodging were not approved by the Executive Director, and instances in which the receipt did not contain an explanation detailing the nature of the purchase. Additionally, 2 of the 3 statements tested were not stamped and signed by the Executive Director authorizing payment. All credit card disbursements should be supported by detailed receipts and, where appropriate, an explanation detailing the nature of the purchase and approval by the Executive Director. Not obtaining detailed receipts for purchases in addition to the explanation of the purchase and review by the Executive Director could result in the misuse or misappropriation of funds. We recommend the District develop a policy over credit card disbursements and require all detailed receipts be obtained, and where appropriate include a detail explanation on the nature of the purchase and review by the Executive Director.

This communication is intended solely for the information and use of management, the Board, and others within the Orleans Parish Communication District, 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