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# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Orleans Levee District  
State of Louisiana  
New Orleans, Louisiana

October 2, 1996



***Financial and Compliance Audit Division***

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***Daniel G. Kyle, Ph.D., CPA, CFE***  
***Legislative Auditor***

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**LEGISLATIVE AUDITOR**

**Daniel G. Kyle, Ph.D., CPA, CFE**

**DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT**

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**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

General Purpose Financial Statements and  
Legislative Auditor's Independent Reports  
As of and for the Year Ended June 30, 1996

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**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
New Orleans, Louisiana**

**General Purpose Financial Statements  
and Independent Auditor's Reports  
As of and for the Year Ended June 30, 1996  
With Supplemental Information Schedules**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor.

October 2, 1996



DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (504) 339-3800  
FACSIMILE: (504) 339-3870

September 20, 1996

Independent Auditor's Report  
on the Financial Statements

**BOARD OF COMMISSIONERS OF  
THE ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
New Orleans, Louisiana**

We have audited the accompanying general purpose financial statements of the Orleans Levee District, a component unit of the State of Louisiana, as of and for the year ended June 30, 1996, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the Orleans Levee District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and generally accepted governmental auditing standards contained in the *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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Orleans Levee District as of June 30, 1996, and the results of operations and cash flows of its enterprise funds for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 20, 1996, on our consideration of the Orleans Levee District's internal control structure and a report dated September 20, 1996, on its compliance with laws and regulations.

As discussed in note 2, the unreserved/undesignated fund balance for the General Fund has declined from \$25,867,588 at June 30, 1991, to a deficit of (\$6,797,123) at June 30, 1995, and further declined to a deficit of (\$6,870,561) at June 30, 1996. This represents a decrease of \$73,438 in the unreserved/undesignated fund balance from June 30, 1995, to June 30, 1996.

LEGISLATIVE AUDITOR

ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Audit Report, June 30, 1996

As discussed in note 27, the levee district has been named in 79 lawsuits. Several of these lawsuits involve revenues collected from the Bohemia Spillway in the parish of Plaquemines since July 1984. The Fourth Circuit Court of Appeal has ruled against the levee district and remanded the matter back to a district court for further proceedings. The amounts in dispute total \$27,309,906, plus interest, and no provision for the potential loss has been made in the accompanying financial statements. The levee district intends to appeal this matter to the Supreme Court.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements. The accompanying supplemental information schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Orleans Levee District. Such information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

SAZ:LWM:dl

[OLD]



**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
ALL FUND TYPES AND ACCOUNT GROUPS**

**Combined Balance Sheet, June 30, 1996  
(With Comparative Totals for the Year  
Ended June 30, 1995)**

	GOVERNMENTAL FUNDS		
	GENERAL	DEBT SERVICE	CAPITAL PROJECTS
<b>ASSETS AND OTHER DEBITS</b>			
Cash (note 5)	\$1,217,591	\$337,870	\$509,779
Investments (note 6)	9,326,226	83,076,045	40,678,370
Investments held for litigation settlement (note 6)	1,597,662		
Receivables (note 7)	635,292	374,602	2,492,694
Due from other funds (note 26)	7,851,897		4,343,385
Inventory (note 1-G)	393,716		
Other assets	5,026		
Restricted assets (note 16)			
Deferred charges (note 1-J)			
Advance to other funds (note 8)	1,790,163		
Property, plant, and equipment (net of accumulated depreciation) (note 9)			
Other Debits:			
Amount available in General Fund			
Amount available in Debt Service Fund			
Amount to be provided for retirement of general long-term obligations			
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$22,817,573</b>	<b>\$83,788,517</b>	<b>\$48,024,228</b>
<b>LIABILITIES, EQUITY, AND OTHER CREDITS</b>			
Liabilities:			
Payables (note 17)	\$1,131,369		\$2,347,855
Deferred revenues - current	132,041		
Due to other funds (note 26)	19,273,130		
Amounts held in custody for others (note 18)			
Other liabilities			
Accrued bond interest payable		\$637,511	
Payable from restricted assets - accrued bond interest payable			
Deferred revenues - long-term			
Accrued bond interest payable - long-term			
Other liability - lease deposit			
Advance from other funds (note 8)			

(Continued)

The accompanying notes are an integral part of this statement.



Statement A

PROPRIETARY FUNDS - ENTERPRISE	ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)	
	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	JUNE 30, 1996	JUNE 30, 1995
	\$35,200			\$2,100,440
			133,080,641	151,686,298
			1,597,662	2,185,015
1,837,862			5,340,450	2,981,182
14,929,745			27,125,027	22,804,843
162,026			555,742	697,572
750			5,776	6,122
35,675,423			35,675,423	36,624,712
1,547,605			1,547,605	723,947
			1,790,163	1,901,671
70,402,641	\$44,941,598		115,344,239	106,742,283
		\$1,597,662	1,597,662	2,185,015
		83,151,006	83,151,006	87,374,660
		61,825,846	61,825,846	59,556,038
<u>\$124,591,252</u>	<u>\$44,941,598</u>	<u>\$146,574,514</u>	<u>\$470,737,682</u>	<u>\$482,799,971</u>
\$2,032,444			\$5,511,668	\$3,473,729
174,810			306,851	176,511
7,851,897			27,125,027	22,804,843
				112
1,654			1,654	12,534
			637,511	297,055
1,883,872			1,883,872	1,636,098
916,963			916,963	589,796
1,539,901			1,539,901	1,901,637
340,500			340,500	340,500
1,790,163			1,790,163	1,901,671

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
ALL FUND TYPES AND ACCOUNT GROUPS**

**Combined Balance Sheet, June 30, 1996  
(With Comparative Totals for the Year  
Ended June 30, 1995)**

	GOVERNMENTAL FUNDS		
	GENERAL	DEBT SERVICE	CAPITAL PROJECTS
<b>LIABILITIES, EQUITY, AND OTHER CREDITS (CONT.)</b>			
Liabilities: (Cont.)			
Obligation under capital lease (notes 15 and 19)			
Obligation under litigation settlement (note 28)			
Accrued compensated absences (notes 14 and 19)			
Bonds payable (note 19)			
Total Liabilities	<u>\$20,536,540</u>	<u>\$637,511</u>	<u>\$2,347,855</u>
Equity and Other Credits:			
Contributed capital (notes 1-Q and 24)			
Investment in general fixed assets (note 9)			
Retained earnings - (deficit) (note 3)			
Fund balances:			
Reserved (note 22)	3,428,857	83,151,006	15,886,478
Unreserved:			
Designated (note 23)	5,722,737		
Undesignated (note 2)	(6,870,561)		29,789,895
Total Equity and Other Credits	<u>2,281,033</u>	<u>83,151,006</u>	<u>45,676,373</u>
<b>TOTAL LIABILITIES, EQUITY, AND OTHER CREDITS</b>	<u><u>\$22,817,573</u></u>	<u><u>\$83,788,517</u></u>	<u><u>\$48,024,228</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

Statement A

PROPRIETARY FUNDS - ENTERPRISE	ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)	
	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	JUNE 30, 1996	JUNE 30, 1995
		\$306,482	\$306,482	\$446,901
		1,800,000	1,800,000	2,400,000
\$140,924		662,041	802,965	746,262
67,729,656		143,805,991	211,535,647	214,752,997
<u>84,402,784</u>	<u>NONE</u>	<u>146,574,514</u>	<u>254,499,204</u>	<u>251,480,646</u>
56,990,633			56,990,633	56,989,480
	\$44,941,598		44,941,598	39,583,056
(16,802,165)			(16,802,165)	(15,709,504)
			102,466,341	103,780,343
			5,722,737	5,708,827
			22,919,334	40,967,123
<u>40,188,468</u>	<u>44,941,598</u>	<u>NONE</u>	<u>216,238,478</u>	<u>231,319,325</u>
<u>\$124,591,252</u>	<u>\$44,941,598</u>	<u>\$146,574,514</u>	<u>\$470,737,682</u>	<u>\$482,799,971</u>

ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
GOVERNMENTAL FUNDS

Combined Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
For the Year Ended June 30, 1996  
(With Comparative Totals for the Year  
Ended June 30, 1995)

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTALS (MEMORANDUM ONLY)	
				JUNE 30, 1996	JUNE 30, 1995
<b>REVENUES</b>					
Ad valorem taxes	\$6,730,261		\$8,074,537	\$14,804,798	\$15,125,873
Intergovernmental revenues:					
State revenue sharing	1,583,544			1,583,544	1,655,910
State grants			2,150,602	2,150,602	
Use of money and property:					
Oil and gas royalties	368,109			368,109	951,178
Rents and leases:					
Bohemia Spillway	26,570			26,570	18,100
East Lakefront camps	13,885			13,885	13,050
Other locations	27,708			27,708	151,019
Interest earnings	407,321	\$6,042,561	2,701,060	9,150,942	10,411,481
Miscellaneous	80,140			80,140	95,085
Total revenues	<u>9,237,538</u>	<u>6,042,561</u>	<u>12,926,199</u>	<u>28,206,298</u>	<u>28,421,696</u>
<b>EXPENDITURES</b>					
Flood and drainage protection:					
Personal services	9,041,843			9,041,843	8,356,433
Travel	19,804			19,804	30,145
Contractual services	2,368,788			2,368,788	2,191,151
Materials and supplies	781,277			781,277	824,937
Professional services	3,258,770			3,258,770	3,544,414
Other charges	545,190	81,089	234,298	860,577	588,004
Machinery and equipment	295,759			295,759	1,419,722
Capital outlay			19,106,722	19,106,722	17,070,185
Debt service:					
Principal retirement		1,831,386		1,831,386	1,792,529
Interest and bank charges		11,159,379		11,159,379	10,413,278
Capital lease principal	140,419			140,419	158,800
Capital lease interest	24,253			24,253	23,388
Litigation settlement principal	587,353			587,353	
Litigation settlement interest	12,647			12,647	
Total expenditures	<u>17,076,103</u>	<u>13,071,854</u>	<u>19,341,020</u>	<u>49,488,977</u>	<u>46,412,986</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<u>(7,838,565)</u>	<u>(7,029,293)</u>	<u>(6,414,821)</u>	<u>(21,282,679)</u>	<u>(17,991,290)</u>
<b>OTHER FINANCING SOURCES (Uses)</b>					
Operating transfers in (note 31)	8,389,054	4,417,362	971,050	13,777,466	9,110,509
Operating transfers out (note 31)	(979,241)	(1,594,500)	(8,776,755)	(11,350,496)	(10,955,165)
Proceeds from sale of fixed assets					177,000
Proceeds from capital lease					588,846

(Continued)

The accompanying notes are an integral part of this statement.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
GOVERNMENTAL FUNDS  
Combined Statement of Revenues, Expenditures,  
and Changes in Fund Balances, 1996  
(With Comparative Totals for the Year  
Ended June 30, 1995)**

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTALS (MEMORANDUM ONLY)	
				JUNE 30, 1996	JUNE 30, 1995
<b>OTHER FINANCING SOURCES (Uses) (CONT.)</b>					
Proceeds from financing litigation settlement					\$2,185,015
Settlement of litigation	(\$176,539)			(\$176,539)	(4,685,015)
Loss on sale of investments	(183,661)	(\$17,223)	(\$114,749)	(315,633)	(788,929)
Total other financing sources (uses)	<u>7,049,613</u>	<u>2,805,639</u>	<u>(7,920,454)</u>	<u>1,934,798</u>	<u>(4,367,739)</u>
<b>EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(788,952)	(4,223,654)	(14,335,275)	(19,347,881)	(22,359,029)
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	3,069,985	87,374,660	60,011,648	150,456,293	173,315,322
Residual equity transfer					(500,000)
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$2,281,033</u>	<u>\$83,151,006</u>	<u>\$45,676,373</u>	<u>\$131,108,412</u>	<u>\$150,456,293</u>

(Concluded)

The accompanying notes are an integral part of this statement.

ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
GOVERNMENTAL FUNDS - GENERAL FUND

Statement of Revenues, Expenditures,  
and Changes in Fund Balance -  
Budget (GAAP Basis) and Actual  
For the Year Ended June 30, 1996

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>			
Ad valorem taxes	\$6,764,153	\$6,730,261	(\$33,892)
Intergovernmental revenues - state revenue sharing	1,500,000	1,583,544	83,544
Uses of money and property:			
Oil and gas royalties	510,000	368,109	(141,891)
Rents and leases:			
Bohemia Spillway	19,081	26,570	7,489
East Lakefront camps	13,250	13,885	635
Other locations	16,345	27,708	11,363
Interest earnings	376,350	407,321	30,971
Miscellaneous	133,349	80,140	(53,209)
Total revenues	<u>9,332,528</u>	<u>9,237,538</u>	<u>(94,990)</u>
<b>EXPENDITURES</b>			
Flood and drainage protection:			
Personal services	9,802,598	9,041,843	760,755
Travel	20,526	19,804	722
Contractual services	2,958,310	2,368,788	589,522
Materials and supplies	1,026,757	781,277	245,480
Professional services	3,232,658	3,258,770	(26,112)
Other charges	77,905	545,190	(467,285)
Machinery and equipment	657,224	295,759	361,465
Debt service:			
Capital lease principal		140,419	(140,419)
Capital lease interest		24,253	(24,253)
Litigation settlement principal		587,353	(587,353)
Litigation settlement interest		12,647	(12,647)
Total expenditures	<u>17,775,978</u>	<u>17,076,103</u>	<u>699,875</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<u>(8,443,450)</u>	<u>(7,838,565)</u>	<u>604,885</u>

(Continued)

The accompanying notes are an integral part of this statement.

Statement C

ORLEANS LEVEE DISTRICT  
 STATE OF LOUISIANA  
 GOVERNMENTAL FUND - GENERAL FUND  
 Statement of Revenues, Expenditures,  
 and Changes in Fund Balance -  
 Budget (GAAP Basis) and Actual, 1996

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>OTHER FINANCING SOURCES (Uses)</b>			
Operating transfers in	\$8,237,125	\$8,389,054	\$151,929
Operating transfers out	(1,113,712)	(979,241)	134,471
Settlement of litigation		(176,539)	(176,539)
Loss on sale of investments		(183,661)	(183,661)
Total other financing sources (uses)	<u>7,123,413</u>	<u>7,049,613</u>	<u>(73,800)</u>
<b>EXCESS OF EXPENDITURES AND OTHER USES OVER REVENUES AND OTHER SOURCES</b>	(1,320,037)	(788,952)	531,085
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>(11,239,147)</u>	<u>3,069,985</u>	<u>14,309,132</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u><u>(\$12,559,184)</u></u>	<u><u>\$2,281,033</u></u>	<u><u>\$14,840,217</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.



ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
PROPRIETARY FUNDS - ENTERPRISE FUNDS

Combined Statement of Revenues, Expenses,  
and Changes in Retained Earnings  
For the Year Ended June 30, 1996  
(With Comparative Totals for the Year  
Ended June 30, 1995)

	<u>JUNE 30, 1996</u>	<u>JUNE 30, 1995</u>
<b>OPERATING REVENUES</b>		
Rentals	\$3,237,663	\$2,787,086
Fuel farm sales and fees	2,858,746	3,190,889
Gaming fees	5,188,006	5,579,027
Other	314,270	276,552
Total operating revenues	<u>11,598,685</u>	<u>11,833,554</u>
<b>OPERATING EXPENSES</b>		
Personal services	1,951,943	2,042,062
Travel	5,971	12,572
Contractual services	821,231	820,120
Materials and supplies:		
Fuel farm	2,233,131	2,569,293
Other	295,090	315,574
Professional services	115,304	49,975
Other charges - maintenance contracts, etc.	1,442,197	3,098,696
Depreciation	2,907,852	3,013,268
Total operating expenses	<u>9,772,719</u>	<u>11,921,560</u>
<b>OPERATING INCOME (Loss)</b>	<u>1,825,966</u>	<u>(88,006)</u>
<b>NONOPERATING REVENUES (Expenses)</b>		
Interest earned on investments	2,212,650	2,725,179
Debt service - interest and bank charges	(4,985,681)	(4,996,137)
Federal and state grants	2,798,478	1,589,062
Bond issuance costs	(117,104)	(101,665)
Total nonoperating revenues (expenses)	<u>(91,657)</u>	<u>(783,561)</u>
<b>INCOME (Loss) BEFORE OPERATING TRANSFERS</b>	<u>1,734,309</u>	<u>(871,567)</u>
<b>OPERATING TRANSFERS</b>		
Operating transfers in (note 31)	339,690	2,755,779
Operating transfers out (note 31)	(2,766,660)	(911,123)
Total operating transfers	<u>(2,426,970)</u>	<u>1,844,656</u>
<b>NET INCOME (Loss)</b>	<u>(692,661)</u>	<u>973,089</u>

(Continued)

The accompanying notes are an integral part of this statement.

ORLEANS LEVEE DISTRICT  
 STATE OF LOUISIANA  
 PROPRIETARY FUNDS - ENTERPRISE FUNDS  
 Combined Statement of Revenues, Expenses,  
 and Changes in Retained Earnings, 1996  
 (With Comparative Totals for the Year  
 Ended June 30, 1995)

	<u>JUNE 30, 1996</u>	<u>JUNE 30, 1995</u>
RETAINED EARNINGS (Deficit) AT BEGINNING OF YEAR	(\$15,709,504)	(\$16,682,593)
Prior period adjustment (note 32)	(400,000)	
RETAINED EARNINGS (Deficit) AT BEGINNING OF YEAR AS RESTATED	<u>(16,109,504)</u>	<u>(16,682,593)</u>
RETAINED EARNINGS (Deficit) AT END OF YEAR (note 3)	<u><u>(\$16,802,165)</u></u>	<u><u>(\$15,709,504)</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
PROPRIETARY FUNDS - ENTERPRISE FUNDS

Combined Statement of Cash Flows  
For the Year Ended June 30, 1996  
(With Comparative Totals for the Year  
Ended June 30, 1995)

	<u>JUNE 30, 1996</u>	<u>JUNE 30, 1995</u>
Cash flows from operating activities:		
Operating income (loss)	\$1,825,966	(\$88,006)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	2,907,852	3,013,268
Adjustment to beginning fund balance	(400,000)	
Changes in assets and liabilities:		
(Increase) decrease in receivables	(1,002,140)	829,097
(Increase) decrease in due from other funds	1,479,012	(1,785,144)
(Increase) decrease in inventory	91,790	37,764
Decrease in other assets	(750)	211
Increase (decrease) in payables	742,618	809,541
Increase (decrease) in deferred revenues	359,737	(427)
Increase (decrease) in due to other funds	4,135,242	(727,154)
Increase (decrease) in other liabilities	(10,880)	310,042
Increase in accrued compensated absences	26,097	(2,825)
Net cash provided (used) by operating activities	<u>10,154,544</u>	<u>2,396,367</u>
Cash flows from noncapital financing activities:		
Operating transfers in from other funds	339,690	2,755,779
Operating transfers out to other funds	(2,766,660)	(911,123)
State and federal grants	2,798,478	1,589,062
Net cash provided by noncapital financing activities	<u>371,508</u>	<u>3,433,718</u>
Cash flows from capital and related financing activities:		
Principal paid on bonds	(911,808)	(4,500,447)
Advance from other funds	(111,508)	1,901,671
Interest paid on bond maturities (excluding amortized premium and discount on bonds payable)	(5,573,799)	(5,630,413)
Bond issuance costs	(940,762)	
Acquisition of capital assets	(6,150,114)	(2,225,617)
Residual equity transfer		500,000
Net cash used in capital and related financing activities	<u>(13,687,991)</u>	<u>(9,954,806)</u>
Cash flows from investing activities:		
Receipt of interest and dividends earned on investments	2,212,650	2,725,178
Proceeds from guaranteed insurance contracts	949,289	833,176
Net cash provided by investing activities	<u>3,161,939</u>	<u>3,558,354</u>

(Continued)

The accompanying notes are an integral part of this statement.

ORLEANS LEVEE DISTRICT  
 STATE OF LOUISIANA  
 PROPRIETARY FUNDS - ENTERPRISE FUNDS  
 Combined Statement of Cash Flows, 1996  
 (With Comparative Totals for the Year  
 Ended June 30, 1995)

	<u>JUNE 30, 1996</u>	<u>JUNE 30, 1995</u>
Net increase (decrease) in cash	NONE	(\$566,367)
Cash at beginning of year	<u>\$35,200</u>	<u>601,567</u>
Cash at end of year	<u>\$35,200</u>	<u>\$35,200</u>
Noncash investing, capital, and financing activities:		
Assets acquired by transfer	\$18,105	\$27,348
Assets transferred to other funds	(17,121)	(26,616)
Assets written-off	<u>168</u>	<u>(137,838)</u>
Total noncash investing, capital, and financing activities	<u>\$1,152</u>	<u>(\$137,106)</u>

(Concluded)

The accompanying notes are an integral part of this statement.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
PROPRIETARY FUNDS - ENTERPRISE FUNDS**

**Combined Statement of Revenues, Expenses,  
and Changes in Retained Earnings - Budget  
(GAAP Basis) and Actual  
For the Year Ended June 30, 1996**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>			
Rentals	\$3,045,734	\$3,148,418	\$102,684
Fuel farm sales and fees	2,600,000	2,766,655	166,655
Commissions:			
Vending machines	800	674	(126)
Fuel commissions	53,000	92,095	39,095
Transfer fees	4,000	2,381	(1,619)
Visiting slips	95,000	86,186	(8,814)
Gaming fees	4,906,928	5,188,006	281,078
Miscellaneous	33,132	314,270	281,138
Total revenues	<u>10,738,594</u>	<u>11,598,685</u>	<u>860,091</u>
<b>EXPENSES</b>			
Personal services	2,146,619	1,951,943	194,676
Travel	5,974	5,971	3
Contractual services	844,805	821,231	23,574
Materials and supplies:			
Fuel farm	2,141,950	2,233,131	(91,181)
Other	342,819	295,090	47,729
Other charges	333,313	1,557,501	(1,224,188)
Depreciation	2,719,996	2,907,852	(187,856)
Total expenses	<u>8,535,476</u>	<u>9,772,719</u>	<u>(1,237,243)</u>
<b>OPERATING INCOME (Loss)</b>	<u>2,203,118</u>	<u>1,825,966</u>	<u>(377,152)</u>
<b>NONOPERATING REVENUES (Expenses)</b>			
Interest earned on investments		2,212,650	2,212,650
Debt service - interest and bank charges	(2,932,769)	(4,985,681)	(2,052,912)
Federal and state grants	195,505	2,798,478	2,602,973
Bond issuance costs		(117,104)	(117,104)
Total nonoperating revenues (expenses)	<u>(2,737,264)</u>	<u>(91,657)</u>	<u>2,645,607</u>
<b>INCOME (Loss) BEFORE OPERATING TRANSFERS</b>	<u>(534,146)</u>	<u>1,734,309</u>	<u>2,268,455</u>

(Continued)

The accompanying notes are an integral part of this statement.

**Statement F**

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
PROPRIETARY FUNDS - ENTERPRISE FUNDS  
Combined Statement of Revenues, Expenses,  
and Changes in Retained Earnings - Budget  
(GAAP Basis) and Actual, 1996**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>OPERATING TRANSFERS</b>			
Operating transfers in	\$474,161	\$339,690	\$134,471
Operating transfers out	(2,614,731)	(2,766,660)	(151,929)
Total operating transfers	<u>(2,140,570)</u>	<u>(2,426,970)</u>	<u>(286,400)</u>
<b>NET INCOME (Loss)</b>	<u>(2,674,716)</u>	<u>(692,661)</u>	<u>1,982,055</u>
<b>DEFICIT IN RETAINED EARNINGS AT BEGINNING OF YEAR</b>	(14,883,619)	(15,709,504)	(825,885)
Prior year adjustment (note 32)		(400,000)	(400,000)
<b>DEFICIT IN RETAINED EARNINGS AT BEGINNING OF YEAR, AS RESTATED</b>	<u>(14,883,619)</u>	<u>(16,109,504)</u>	<u>(1,225,885)</u>
<b>DEFICIT IN RETAINED EARNINGS AT END OF YEAR (note 3)</b>	<u>(\$17,558,335)</u>	<u>(\$16,802,165)</u>	<u>\$756,170</u>

(Concluded)

The accompanying notes are an integral part of this statement.



**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements  
As of and for the Year Ended June 30, 1996

**INTRODUCTION**

The Orleans Levee District and its board of commissioners were established by Act 93 of the 1890 General Assembly (Legislature) of the State of Louisiana. The board has primary responsibility for the operation and maintenance of levees, embankments, seawalls, jetties, breakwaters, water basins, and other hurricane and flood protection improvements surrounding the City of New Orleans, including the southern shores of Lake Pontchartrain and along the Mississippi River. The board is responsible for the maintenance of almost 129 miles of levees and floodwalls. To enhance flood protection, the Orleans Levee District and the United States Corps of Engineers participate in several joint flood protection projects (note 33) relative to the Lake Pontchartrain and Vicinity Hurricane Protection Plan (High Levee Plan).

Act 292 of the 1928 Louisiana Legislature authorized the board to dedicate, construct, operate, and maintain public parks, beaches, marinas, aviation fields, and other like facilities. The board owns and operates a general aviation airport, the New Orleans Lakefront Airport. The board also owns and operates the Orleans Marina and the South Shore Harbor Marina. The Orleans Marina has 352 boat slips. The South Shore Harbor Marina, which was officially dedicated September 19, 1987, has a 43-acre calm water basin, 447 open boat slips, and 26 covered boat slips. In addition, Orleans Levee District receives certain boarding and other gaming related monies from a steamboat operator located at the South Shore Harbor Marina. The board has 327 employees, which include 54 police officers, 19 firefighters, and 5 maritime (harbor master) officers.

The board is governed by eight commissioners, six of whom are appointed by the governor. Two commissioners serve in an ex-officio capacity, the mayor of the City of New Orleans or his designee and one member appointed by the mayor from a list of three city councilmen selected by the members of the city council of New Orleans.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and financial reporting standards.



**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**B. REPORTING ENTITY**

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The levee district is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the majority of commissioners and can impose his will upon the levee district. The accompanying financial statements present information only as to the transactions of the Orleans Levee District, a component unit of the State of Louisiana. Annually, the State of Louisiana issues general purpose financial statements, which include the activity contained in the accompanying financial statements.

Certain component units are blended or reported as part of the levee district because the relationship between the component unit and the levee district is such that although the component unit is legally separate, it is substantively the same as the levee district. The levee district has included the Floodcomm Fund as a blended component unit in the enterprise funds.

**C. FUND ACCOUNTING**

The levee district uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the levee district are classified into three categories: governmental, fiduciary, and proprietary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows:

**Governmental Funds**

Governmental funds account for all or most of the levee district's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds include:

1. General Fund--the general operating fund of the levee district and accounts for all financial resources, except those required to be accounted for in other funds.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

2. Debt Service Fund--accounts for transactions relating to resources retained and used for the payment of principal and interest on those long-term obligations recorded in the general long-term obligations account group.
3. Capital projects funds--account for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other funds.

**Proprietary Funds**

Proprietary funds account for activities similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement which, together with the maintenance of equity, is an important financial indicator. Proprietary funds of the levee district consist of enterprise funds that account for the operations of the community center, marinas, and airport. The district also reports the operations of the public benefit corporation that it created to oversee a long-term lease with a private corporation to lay fiber-optic cables on the levees of the Orleans Levee District as an enterprise fund. The intent of the levee district for these facilities is (a) that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Fiduciary - Agency Funds**

Fiduciary - agency funds are deposits in which the levee district acts as custodian or fiscal agent on behalf of employees and tenants.

**D. BASIS OF ACCOUNTING**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by the governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**Revenues**

Ad valorem taxes and the related state revenue sharing (which is based on *population and homesteads in the parish*) are recorded in the year the taxes are assessed, to the extent that they are available to finance current operations. As provided by Louisiana Revised Statute (LSA-R.S.) 47:1997(b), ad valorem taxes are assessed for the calendar year, become due on the first day of January each year, and become delinquent on the first day of February. The taxes are generally collected in January, February, March, and April of each year.

Oil and gas royalties are recorded as revenue when received, which is four to five weeks after the production of the oil or gas.

Interest income on investments held at year-end is accrued.

Substantially all other revenues are recorded when received.

**Expenditures**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for accumulated annual and sick leave, which is recognized when paid, and principal on general long-term debt, which is not recognized until due.

**Other Financing Sources (Uses)**

Other financing sources (uses), representing transfers between funds that are not expected to be repaid; sale of fixed assets; proceeds from capital leases; and proceeds from financing litigation settlements, are recognized when they become available and measurable. Litigation settlements and loss on sale of investments are recognized in the period in which they occur.

Proprietary funds are accounted for using a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and liabilities associated with the operations of these funds are included on the balance sheet. The proprietary funds - enterprise funds use the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred. Major revenues and expenses are recorded as follows:

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**Revenues**

Rentals and fuel farm sales are recorded as operating revenues in the accounting period in which they are earned.

Gaming fees are recorded as operating revenues in the accounting period in which they are earned.

Interest income and federal and state grants are recognized as nonoperating revenue in the accounting period in which they are earned.

**Expenses**

Salaries are recognized as expenses in the accounting period earned.

Depreciation expense on all exhaustible fixed assets is determined by the straight-line method using the estimated useful life and is recorded as an operating expense during the accounting period.

Substantially all other expenses are recognized when incurred.

**E. BUDGET PRACTICES**

The levee district prepares its budget in accordance with LSA-R.S. 38:318. The budget is prepared on a modified accrual basis for the General Fund and on an accrual basis for the enterprise funds. The budget for the fiscal year ended June 30, 1996, was adopted on March 22, 1995, and subsequent amendments were adopted on May 17, 1995; August 16, 1995; September 20, 1995; October 18, 1995; and December 20, 1995; January 24, 1996; March 20, 1996; April 17, 1996; and May 15, 1996. Formal budget integration is employed as a management control device during the year for the General Fund and the enterprise funds. The Debt Service Fund is not budgeted; however, operating transfers relating to debt service are budgeted in the General Fund. All appropriations lapse at year-end, and any encumbrances outstanding at year-end in the governmental funds are included in the next year's budget with funds appropriated in that year to finance them.

**F. CASH AND INVESTMENTS**

Cash includes petty cash, demand deposits, money market accounts, and cash with paying agents as well as short-term investments with a maturity date within three months of the date acquired by the levee district. Under state law, the Orleans Levee District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United



**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

States. Furthermore, the levee district may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the levee district may invest in United States Treasury obligations, United States government agency obligations, and direct security repurchase agreements. In addition, the levee district may invest bond proceeds and monies held in any fund established in connection with bonds in any direct obligation of, or obligation guaranteed by, the United States and in tax exempt bonds until proceeds or monies are required to be expended for the purpose of the issue. Investments are stated at cost.

**G. INVENTORY**

The levee district maintains a perpetual inventory system for general government materials and supplies and fuel purchased for resale by the South Shore Harbor Marina and New Orleans Lakefront Airport (enterprise funds). The general government inventory is recorded as an expenditure in the General Fund at the time the individual items are withdrawn from stock. The general government inventory is valued at average cost. The year-end balance consists of flood protection items that could be needed at any time. The fuel purchases are recorded as an expense in the above mentioned enterprise funds when consumed. The fuel purchases are valued at cost using the first-in, first-out (FIFO) method.

**H. RESTRICTED ASSETS**

Restricted assets represent proceeds from debt and funds set aside for payment of enterprise fund general obligation debt. These funds are classified as restricted assets since their use is limited by applicable bond indentures.

**I. ENCUMBRANCES**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable fund balance, is employed as an extension of formal budget integration in the General Fund and capital projects funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute available spendable resources.

**J. DEFERRED CHARGES**

Deferred charges consist of unamortized bond issue costs. These costs are capitalized and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**K. FIXED ASSETS**

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Bridges acquired before 1985 are the only infrastructures that are capitalized. They are shown in the general fixed assets account group as improvements other than buildings. No depreciation has been provided on general fixed assets. Purchased fixed assets are valued at historical cost. Donated fixed assets, which comprise less than one percent of total assets, are valued at their fair market value on the date donated.

All assets and liabilities (current and noncurrent) associated with proprietary fund type operations (enterprise funds) are included on the enterprise funds' balance sheet. Contributed capital used to purchase fixed assets is not amortized.

Depreciation of all exhaustible fixed assets used by the enterprise funds is charged as an expense against operations. Enterprise fixed assets are reflected on the enterprise balance sheet net of accumulated depreciation. Depreciation is computed using the straight-line method based on the estimated useful lives as follows:

	<u>Years</u>
Buildings	20-50
Improvements other than buildings	15-30
Furniture and equipment	7-10

**L. DEFERRED REVENUES**

These are amounts collected in the current accounting period for which asset recognition criteria have been met, but for which revenue criteria have not been met.

**M. COMPENSATED ABSENCES**

Employees earn and accumulate annual and sick leave at various rates, depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the General Fund when leave is actually taken; it is recognized in the enterprise funds when the leave is earned. The

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

cost of leave privileges applicable to general government operations not requiring current resources is recorded in the general long-term obligations account group.

**N. LONG-TERM OBLIGATIONS**

Long-term obligations expected to be financed from governmental funds, including long-term debt and compensated absences for accumulated unpaid annual leave benefits of General Fund employees, and capital lease commitments are accounted for in the general long-term obligations account group, not in the governmental funds. Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

**O. POSTEMPLOYMENT HEALTH CARE  
AND LIFE INSURANCE BENEFITS**

The Orleans Levee District provides certain continuing health care and life insurance benefits for its retired employees. The levee district recognizes the cost of providing these retiree benefits as an expenditure when paid during the year.

**P. DEFERRED COMPENSATION PLAN**

Certain employees of the Orleans Levee District participate in the Louisiana Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to this statewide plan are available in the financial statements of the State of Louisiana.

**Q. FUND EQUITY**

**Contributed Capital**

Contributed capital is recorded in proprietary funds that have received capital contributions from other governments or other funds when such resources are restricted for the acquisition or construction of capital assets. Residual equity transfers from governmental funds are recorded as contributed capital in proprietary funds.

**Reserves**

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.



**Designated Fund Balances**

Designated fund balances represent tentative plans for future use of financial resources.

**R. BOND PREMIUMS AND DISCOUNTS**

Bond premiums and discounts for proprietary fund types are deferred and amortized over the term of the bonds using the straight-line method. Bond premiums are presented as additions to the face amount of bonds payable and bond discounts are presented as reductions to the face amount of bonds payable (note 19).

**S. INTERFUND TRANSACTIONS**

Transactions that constitute reimbursements to a fund for expenditures/expenses, initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**T. TOTAL COLUMNS ON COMBINED STATEMENTS**

Total columns on the combined statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

**U. COMPARATIVE DATA**

Comparative total data for the prior year has been presented in the accompanying financial statements to provide an understanding of changes in the levee district's financial position and operations.

**2. DEFICIT IN UNRESERVED/UNDESIGNATED FUND BALANCE**

As shown on Statement A, the General Fund has a deficit in unreserved/undesignated fund balance of (\$6,870,561) for the year ended June 30, 1996. The levee district has been drawing down on its unreserved/undesignated fund balance for several years to cover revenue shortfalls and increased expenditures as shown on the following page:

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

<u>Fiscal year</u>	<u>Unreserved/ Undesignated Fund Balance</u>	<u>Increase (Decrease) from Previous Year</u>
1991	\$25,867,588	
1992	15,532,051	(\$10,335,537)
1993	9,093,067	(6,438,954)
1994	6,680,173	(2,412,894)
1995	(6,797,123)	(13,447,296)
1996	(6,870,561)	(73,438)

Management of the levee district plans to address the deficit in unreserved/undesignated fund balance of the General Fund by proposing the following actions:

- a. Actual reduction in position control in the Fiscal Year 1997 General Operating Budget from approved positions (332) to actual filled positions (310) on the payroll for an annual projected savings in Personnel Services of approximately \$660,000. The Board will continue to monitor positions and attempt to lower position control to around 300.
- b. Elimination of consulting services for lobbying, public relations, management, legal and other professional services for an approximate annual savings of \$960,000.
- c. Elimination of any further expenditures for non-flood protection capital projects such as a film studio, amusement park, promenade, airport roadway, expansion to the Mardi Gras Fountain, et cetera.
- d. Refinancing of the remaining balance of the Series 1987 Public Improvement (Marina) Bonds in the amount of \$3,260,000 at a lower fixed rate of 5.75% from a higher fixed rate of 8.20%. This reduction in the Debt Service will result in a lower annual operating transfer from the General Fund to South Shore Harbor Marina Fund in an approximate amount of \$75,000, annually.
- e. Engaging the Board's Real Estate Consultant for marketing of the OLD idle properties for lease or sale:
  1. Lincoln Beach property
  2. Six acre site (former sand bagging location)

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

3. Stanton Levee Set-back
  4. Chevron/Coleman site
  5. New Basin Canal properties
  6. Various other real estate property under Board review.
- f. Completed multi-year cash flow model for the Operating Funds through fiscal year 2001 with periodic up-date to the OLD Finance Committee and the Board.
  - g. Reduction by Board Resolution #02-061996 to down-size the consultant effort for implementation of a fully automated distributive L.A.N. based computing system for migration from the current mainframe computing system.
  - h. Other costs containment measures that are presently under consideration by the Board that will require formal resolution through the current and future fiscal periods.
  - i. Various select revenue producing projects that will require special review by the Real Estate Consultant, financial advisors and by Board Resolution.
  - j. The Administration is currently in process of relieving the designation of funds in the General Fund fund balance, which would increase the undesignated fund balance by approximately \$5 million.
  - k. Subscribing to the Internet for a web site to provide information on the OLD profile: hurricane protection, law enforcement, recreational facilities, as well as marketing of related services by Lakefront Airport, Orleans Marina, South Shore Harbor Marina and Lake Vista Community Center.

These projected activities by the Orleans Levee District are intended to address the short-term as well as the long-term financial strategy to begin restoring the General Fund fund balance.

Obviously, the turnaround will not be accomplished within the timeframe of one fiscal period. But with a more conservative Board in-place for the next three years, there is a reasonably good probability that the financial strategies that are herein described should accomplish an annual balanced budget and a restoration of a fund surplus.

The Orleans Levee District President, Mr. James Huey, since appointed in June, 1996, has personally pledged the efforts of the Board and staff to be fully committed to stabilizing and significantly improving the financial position of the Orleans Levee District.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**3. DEFICIT IN RETAINED EARNINGS**

As shown on Statement D, the enterprise funds have a deficit in total retained earnings of \$16,802,165, for the year ended June 30, 1996. Individual enterprise funds with deficit retained earnings at June 30, 1996, include the South Shore Harbor Marina and the New Orleans Lakefront Airport funds with amounts of \$11,224,844 and \$12,435,422, respectively.

Management of the levee district plans to address the deficit in retained earnings by proposing the following actions:

1. South Shore Harbor Marina:

- a. Debt Service - by recent action of the Board at the August 21, 1996, regular meeting and at the State Bond Commission on September 19, 1996, the Public Improvement Bonds Series 1987 have been defeased and that the remaining balance of Public Improvement Bonds (Marina) approximately \$3,260,000 has been refinanced at the lower fixed rate of 5.75% realizing a present value savings of approximately \$480,000.
- b. Active marketing of the 26 boathouses on a long-term basis through the efforts of the Board's Real Estate Consultant and marina management.
- c. Revision of the lease agreement between the Board and Bally's for the formula for variable rents (boarding fees) from a \$2.50 per boarder admission fee to a 3% charge on gross gaming take with a base monthly minimum of \$110,000.
- d. Increased marketing efforts by marina management towards full occupancy of the open slips at South Shore Harbor Marina.
- e. Continued efforts by the Board towards development of the South Shore Harbor Marina facility at the northern most perimeter as well as the southern land area (dry dock, shipyards, marine supply shops, boat launch, etc.).
- f. Recent installation of a marina fuel dock and further development of transient slip business at the South Shore Harbor Marina are anticipated to realize additional revenue that have not been previously received.

2. New Orleans Lakefront Airport

- a. Follow-up on a recent marketing study for up-grade of the Airport's commercial flight service from category D to category C.



**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

- b. Transfer of the Airport Maintenance Group from the Airport Enterprise Fund to the General Fund-Field Forces.
- c. Reduce by attrition the Airport's Safety Section to the lower requirement established by the Federal Aviation Administration.
- d. Continued airfield improvements and expansion with federal and state sponsor funding to enhance airport flight operations.
- e. Transfer the required unobligated funds from the Levee Fund to the General Fund in support of the Field Forces for routine maintenance for earthen levees, floodgates, floodvalves and flood control structures.
- f. Increased aviation sales anticipated from up-grade of the airport airfield operations from commercial flight service.

These projected activities by the Orleans Levee District are intended to address the short-term as well as the long-term financial strategy to begin relieving the present deficit condition in both enterprise funds. At the point in time that the Lakefront Airport reaches a break even position and/or an operating profit, the funding transfer from the General Fund will no longer be required such that the General Fund will not be burdened with a recurring drain on General Fund equity.

With a conservative Board in-place for the next three years, there is a reasonably good probability that the financial strategies that are herein described should accomplish the retirement of the outstanding deficits and produce accumulating profits.

**4. EXPENSES - ACTUAL AND BUDGET**

The Lake Vista Community Center Enterprise Fund has budgeted expenses of \$41,426 and actual expenses of \$121,437, resulting in an unfavorable variance of \$80,011. The South Shore Harbor Marina Enterprise Fund has budgeted expenses of \$1,750,810 and actual expenses of \$2,308,464, resulting in an unfavorable variance of \$557,654. The New Orleans Lakefront Airport Enterprise Fund has budgeted expenses of \$6,134,818 and actual expenses of \$6,849,518, resulting in an unfavorable variance of \$714,700.

Budget amendments were made to the enterprise funds through administrative authorization of previously approved funds designated for health insurance and equipment. Based on future operations, more extensive amendments may be requested, as appropriate, to stabilize any unfavorable variances.

**5. CASH**

At June 30, 1996, the levee district has cash (book balances), totaling \$2,100,440, as follows:

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Petty cash	\$700
Demand deposits	461,231
Money market accounts	1,564,065
Cash with paying agent	<u>74,444</u>
 Total	 <u><u>\$2,100,440</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent banks. The market value of the pledged securities plus the federal deposit insurance and/or similar federal security must at all times equal the amount on deposit with the fiscal agents. These securities are held in the name of the pledging fiscal agent bank in a custodial bank that is mutually acceptable to both parties. At June 30, 1996, the levee district has \$3,528,216 in deposits (collected bank balances). These deposits are secured from risk by \$484,116 of federal deposit insurance and \$267,687 of securities investor protection insurance (GASB Category 1). In addition, \$2,776,413 of pledged securities are held by the custodial banks in the name of the fiscal agent banks (GASB Category 3).

**6. INVESTMENTS**

At June 30, 1996, investments of the levee district total \$170,353,726, which is shown on Statement A as \$133,080,641 of investments, \$1,597,662 as investments held for settlement of litigation, and \$35,675,423 of restricted assets (note 16).

A summary of levee district investments follows:

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Notes to the Financial Statements (Continued)

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	Carrying Amount		Total	Market Value
	Governmental Funds	Enterprise Funds		
Government Securities:				
United States Treasury obligations	\$48,716,647	\$432,500	\$49,149,147	\$48,425,248
Federal National Mortgage Association	12,945,206		12,945,206	12,797,684
Federal Home Loan Bank	5,345,337		5,345,337	5,345,337
Federal Home Loan Mortgage	999,000		999,000	999,260
Tennessee Valley Authority	5,635,880		5,635,880	5,651,862
Governmental National Mortgage Association	3,301,932		3,301,932	3,096,314
Total government securities	<u>76,944,122</u>	<u>432,500</u>	<u>77,376,622</u>	<u>\$76,317,735</u>
Guaranteed investment contracts - Crown Life Insurance Company - (see below)	57,734,181	35,242,923	92,977,104	
Total investments	<u>\$134,678,303</u>	<u>\$35,675,423</u>	<u>\$170,353,726</u>	

Investments of governmental securities reflected in the governmental funds and the enterprise funds are stated at cost of \$77,376,622 and have a market value of \$76,317,735. These investments are direct obligations of the United States Department of Treasury and other federal governmental agencies. These investments are considered uninsured and unregistered for which the securities are not in the name of the levee district and are held by the fiscal agents and/or their trust departments. They are classified in Category 3 in applying the credit risk of GASB Codification Section 150.164.

The guaranteed investment contracts of the governmental funds, totaling \$57,734,181, and the enterprise funds, included in the restricted assets on Statement A, totaling \$35,242,923 (note 16), are not classified into one of the three categories of credit risk of GASB Codification Section 150.164 as this type of investment is not evidenced by securities.

**7. RECEIVABLES**

At June 30, 1996, the levee district has receivable balances, totaling \$5,340,450, as follows:



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Class of Receivable	Governmental Funds			Proprietary	Total
	General	Debt Service	Capital Projects	Funds - Enterprise	
Grants:					
State			\$350,602	\$179,510	\$530,112
Federal			802,130	771,329	1,573,459
Ad valorem taxes	\$407,674		489,101		896,775
Accrued interest on investments	167,247	\$374,602	703,849		1,245,698
Fuel farm sales and fees				218,527	218,527
Rents, leases, and other	60,371		147,012	668,496	875,879
Total receivables	<u>\$635,292</u>	<u>\$374,602</u>	<u>\$2,492,694</u>	<u>\$1,837,862</u>	<u>\$5,340,450</u>

**8. ADVANCE TO OTHER FUNDS**

In a resolution approved on June 15, 1994, the board authorized calling the Lakefront Airport Series 1988 Fuel Flowage Revenue Bonds on September 1, 1994, from funds held in the related reserves and from the General Fund. In September 1994, the General Fund advanced \$2,408,789 to the Lakefront Airport Enterprise Fund. The balance of the advance at the beginning of the year was \$1,901,671. Net transfers of Fuel Flowage fees from the Lakefront Airport Enterprise Fund to the General Fund, in the amount of \$111,507, reduced this amount to \$1,790,163 at June 30, 1996. The resolution also required that the payout be amortized at 12 cents a gallon for 12 years or until such time that \$4,000,000 is collected.

**9. CHANGES IN GENERAL FIXED ASSETS**

A summary of changes in general fixed assets follows:

	Balance July 1, 1995	Additions	Deletions	Balance June 30, 1996
Land	\$12,508,310	\$5,100,000		\$17,608,310
Buildings	8,133,830			8,133,830
Improvements other than buildings	10,832,135			10,832,135
Equipment	8,108,781	296,464	\$37,922	8,367,323
Total	<u>\$39,583,056</u>	<u>\$5,396,464</u>	<u>\$37,922</u>	<u>\$44,941,598</u>

In accordance with Board Resolution No. 4-081695, and through act of donation on September 28, 1995, the levee district accepted land area shoreline known as Lincoln Beach, which comprises a total land area of approximately 14.6 acres. This land was donated by Camac Development Corporation who planned to convert the property into a multi-use, family oriented entertainment complex. A development coordinator was retained to market the

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Notes to the Financial Statements (Continued)

development. According to the real estate appraisal report of the property, which was prepared for Camac Development Corporation, the estimated fair market value at August 30, 1995, was \$5,100,000. The site was a former amusement park and has not been used in excess of 10 years. The buildings and other improvements that occupy the site are in disrepair and are considered of no value. The property was accepted by the levee district subject to the following terms:

1. The act of donation will provide clear title to the property with no encumbrances, except delinquent and accrued real property taxes. Real property taxes are estimated to be \$465,116 (note 17).

A summary of fixed assets and related depreciation at June 30, 1996, for the enterprise funds is as follows:

	Cost	Accumulated Depreciation	Net Property, Plant, and Equipment
Land	\$19,338,813		\$19,338,813
Buildings	9,471,029	\$5,742,073	3,728,956
Improvements other than buildings	71,298,042	31,002,215	40,295,827
Equipment	1,392,454	901,282	491,172
Construction in progress	6,547,873		6,547,873
Total	<u>\$108,048,211</u>	<u>\$37,645,570</u>	<u>\$70,402,641</u>

**10. RETIREMENT SYSTEM**

Substantially all employees of the levee district are members of the Louisiana State Employees Retirement System (System), a cost sharing, multiple employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time levee district employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5 percent of their highest consecutive 36 months' average salary multiplied by their years of credited service. Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement

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Notes to the Financial Statements (Continued)

System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (504) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5 percent of gross salary, and the levee district is required to contribute at an actuarially determined rate as required by Louisiana Revised Statute 11:102. The contribution rate for the fiscal year ended June 30, 1996, increased to 12.0 percent, of annual covered payroll from the 11.9 percent required in fiscal years ended June 30, 1995 and 1994. The levee district contributions to the System for the years ending June 30, 1996, 1995, and 1994 were \$824,796, \$799,974, and \$809,718, respectively, equal to the required contributions for each year.

**11. HEALTH INSURANCE PROGRAM**

The levee district operates a self-insurance group medical and dental benefit plan administered by Gilsbar, Incorporated. The plan is financed by contributions from the employer for all employee basic coverage and additional contributions from the employee for the dependent and retiree portion of coverage. The plan is underwritten by the Equitable Life Assurance Society of the United States. Employees are required to submit a notice of claim no later than 90 days after injury or illness has occurred. These claims are submitted to the administrator for review and processing of eligible benefits as prescribed by the health plan. The administrator prepares a weekly report of claims and forwards it to the levee district's finance department for review and documentation of the deposit needed to cover amounts to be disbursed. Also, the levee district pays the administrator monthly administrative costs. For the year ended June 30, 1996, the cost of the program was \$2,043,981, which represents \$1,726,487 of reported claims costs and \$317,494 of administrative costs. During the year, the program was financed by employee contributions of \$242,522, an employer contribution of \$1,555,056, and excess reinsurer reimbursements of \$246,403 for a total of \$2,043,981. The estimate that follows was based on a schedule provided by the administrator of the program.

A summary of changes in claims liabilities for the health insurance program follows:

Claims payable at June 30, 1995	\$22,701
Claims reported during fiscal year 1996	1,726,487
Less:	
Prior year claims paid	269,076
Current year claims paid	<u>1,363,067</u>
Claims payable at June 30, 1996	<u><u>\$117,045</u></u>

Annually, 10 percent of salary costs are budgeted for the health insurance program. In addition to the amount budgeted, the levee district has a designation of fund balance in the General Fund for the health insurance program of \$863,881 (note 23) at June 30, 1996.



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Because of the degree of risk assigned and assumed, the underwriter and the levee district have agreed on certain coverage limits for the policy period from March 1, 1996, to March 1, 1997. Specific excess insurance provides for the underwriter to pay claims that exceed the \$45,000 individual specific deductible coverage provided by the levee district up to the \$1,000,000 lifetime plan benefit per employee. In the event the levee district's total claims exceed \$1,756,958 during the year, the aggregate excess policy covers claims up to the \$1,000,000 limit for the current policy year. The aggregate excess coverage is limited to \$45,000 per employee.

**12. WORKERS' COMPENSATION INSURANCE PROGRAM**

The levee district operates a self-insurance workers' compensation plan administered by ITT Specialty Risk Services, Incorporated. The plan is financed by contributions from the employer. The levee district's excess workers' compensation insurance carrier is Aetna Casualty and Surety Company. Employees are required to submit a notice of claim no later than 30 days after injury or illness has occurred. These claims are submitted to the administrator for review and processing of eligible benefits as prescribed by the plan. A seven day waiting period is required from date of injury or illness before benefits can be allowed under the plan. The administrator prepares a monthly report of claims and forwards to the levee district's finance department for review and documentation of the deposit needed to cover amounts to be disbursed. Also, the levee district pays the administrator a monthly administrative cost, based on the type of claim. For the year ended June 30, 1996, the cost of the program was \$386,811, which represents \$240,764 of reported claims costs, \$29,374 of administrative fees, and \$116,673 of premiums for excess workers' compensation insurance. The estimate that follows was based on a schedule provided by the administrator of the program.

A summary of the changes in the claims liabilities of the worker's compensation program follows:

Claims payable at June 30, 1995	\$9,204
Claims reported for fiscal year 1996	240,764
Less:	
Prior year claims paid	63,711
Current year claims paid	<u>151,603</u>
Claims payable at June 30, 1996	<u><u>\$34,654</u></u>

Annually, the costs of the program are budgeted based on advisement by the insurance consultant. The levee district has a designation of fund balance in the General Fund for the workers' compensation plan of \$100,000 (note 23) at June 30, 1996.

Because of the degree of risk assigned and assumed, the insurance carrier and the levee district have agreed on certain coverage limits for the policy period from July 1, 1996, to July 1, 1997. Specific excess insurance provides for the insurance carrier to pay for claims that

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exceed \$225,000 per accident deductible coverage provided by the levee district up to the \$1,000,000 per policy period. In the event the levee district's total claims exceed the minimum aggregate retention of \$626,794 during the annual period, the aggregate excess policy covers claims up to the \$1,000,000 limit for the current policy year.

**13. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS**

Substantially all levee district employees become eligible for postemployment health care and life insurance benefits if they reach normal retirement age while working for the levee district. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and by the levee district. For 1996, the cost of providing those benefits for the 87 retirees totaled \$538,396.

**14. COMPENSATED ABSENCES**

At June 30, 1996, employees of the levee district have accumulated and vested \$802,965 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. Of this amount, \$622,041 is recorded within the general long-term obligations account group, and \$140,924 is accounted for within the enterprise funds.

**15. LEASE AND RENTAL COMMITMENTS**

The levee district records assets acquired through capital leases as an asset and an obligation in the accompanying financial statements. In 1995, the levee district entered into a capital lease agreement for a computer system with an initial payment of \$165,149 and six quarterly payments of \$82,336, starting in January 1996.

For the fiscal year ending June 30, 1997, the future minimum lease payments under the capital lease amounts to \$329,334, including interest in the amount of \$22,862. The present value of net minimum lease payments, at June 30, 1996, amounts to \$306,482.

In addition to the capital lease, the levee district has entered into several noncancelable operating leases for four copiers for 60 months and one copier for 48 months. The annual operating lease payments for the next three fiscal years are presented as follows:

Fiscal year:	
1996-97	\$33,015
1997-98	32,121
1998-99	<u>27,075</u>
Total	<u><u>\$92,211</u></u>



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All lease agreements have non-appropriation exculpatory clauses that allow for lease cancellation if the levee board does not make an appropriation for their continuation during any future fiscal period.

**16. RESTRICTED ASSETS**

Restricted assets in the South Shore Harbor Marine Fund at June 30, 1996, in the amount of \$35,675,423, Statement A, consist of governmental securities of \$432,500 held by a fiscal agent bank for the public improvement fixed rate refunding bonds, series 1986, and \$35,242,923 of guaranteed investment contracts, for the public improvement fixed rate refunding bonds, series 1987 (note 6).

**17. PAYABLES**

The following is a summary of payables at June 30, 1996:

	Governmental Funds		Proprietary	Total
	General	Capital Projects	Funds - Enterprise	
Accounts payable	\$478,590		\$69,818	\$548,408
Property taxes payable (note 9)	465,116			465,116
Contracts payable	17,190	\$457,719	180,804	655,713
Salaries payable	84,392		1,361	85,753
Payroll deductions and employer's payable	6,984	1,890,136	1,780,461	3,677,581
Litigation claims payable	79,097			79,097
Total	<u>\$1,131,369</u>	<u>\$2,347,855</u>	<u>\$2,032,444</u>	<u>\$5,511,668</u>

**18. CHANGES IN AGENCY FUND AMOUNTS  
HELD IN CUSTODY FOR OTHERS**

A summary of changes in Special Events Agency Fund amounts held in custody for others follows:

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	<u>Special Events Fund</u>
Balance, July 1, 1995	\$112
Deductions	<u>112</u>
Balance, June 30, 1996	<u><u>NONE</u></u>

**19. CHANGES IN LONG-TERM OBLIGATIONS**

The following is a summary of the long-term obligation transactions for the year ended June 30, 1996:

	<u>Long-Term Obligations Payable at July 1, 1995</u>	<u>Additions</u>	<u>Deductions and Retirement</u>	<u>Long-Term Obligations Payable at June 30, 1996</u>
General obligations bonds	\$510,000		(\$45,000)	\$465,000
Capital Recovery Funding Bonds	24,805,000		(205,000)	24,600,000
Levee Improvement:				
Variable Rate Demand Bonds, Series 1986	58,170,000		(58,170,000)	
Fixed Rate Refunding Bonds, Series 1986		\$56,780,000		56,780,000
Fixed Rate Refunding Bonds, Series 1987	62,152,377		(191,386)	61,960,991
Total general obligation bonds payable	<u>145,637,377</u>	<u>56,780,000</u>	<u>(58,611,386)</u>	<u>143,805,991</u>
Marina Refunding Bonds	530,000		(530,000)	
Public Improvement:				
Variable Rate Demand Bonds, Series 1986	35,050,000		(35,050,000)	
Fixed Rate Refunding Bonds, Series 1986		34,780,000		34,780,000
Fixed Rate Refunding Bonds, Series 1987	33,262,466		(111,806)	33,150,660
Total enterprise fund bonds	<u>68,842,466</u>	<u>34,780,000</u>	<u>(35,691,806)</u>	<u>67,930,660</u>
Add - unamortized premiums	800,544		(501,674)	298,870
Less - unamortized discounts	(527,390)		27,516	(499,874)
Total enterprise fund bonds payable	<u>69,115,620</u>	<u>34,780,000</u>	<u>(36,165,964)</u>	<u>67,729,656</u>
Total bonds payable	<u>214,752,997</u>	<u>91,560,000</u>	<u>(94,777,350)</u>	<u>211,535,647</u>
Compensated absences (note 14)	746,262	56,703		802,965
Capital leases (note 15)	446,901		(140,419)	306,482
Litigation settlement (note 27)	2,400,000		(600,000)	1,800,000
Total	<u><u>\$218,346,160</u></u>	<u><u>\$91,616,703</u></u>	<u><u>(\$95,517,769)</u></u>	<u><u>\$214,445,094</u></u>

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The additions to compensated absences during the 1995-96 fiscal year represent the net change during the year. The additions and deductions could not readily be determined; therefore, the net additions and deductions are reflected in the previous summary.

General obligation bonds, demand bonds, refunding bonds, and revenue bonds are comprised of the following individual issues:

**A. GENERAL OBLIGATION BONDS**

General obligation bonds are secured by the full faith, credit, and resources of the Orleans Levee District. General obligation bonds payable at the beginning of the year were \$510,000. Payments of \$45,000 reduced this amount to \$465,000 at June 30, 1996. This is the outstanding balance of the \$1,000,000 Public Improvement Bonds Series 1973A issued to improve the New Orleans Lakefront Airport. Interest to maturity amounts to \$108,038 at a rate of 5.4 percent through October 1, 2003. This obligation was not transferred to the New Orleans Lakefront Airport Enterprise Fund because the debt service will continue to be financed by resources of the General Fund.

**B. CAPITAL RECOVERY FUNDING BONDS**

On March 4, 1988, the Orleans Levee District issued \$25,000,000 of Capital Recovery Funding Bonds, which are secured on a junior lien basis, subject to certain prior claims as provided by the indenture and pledge of (1) the 5.46 mill ad valorem tax, (2) the 6.55 mill ad valorem tax, and (3) other security as provided in the indenture. The bonds bear interest at a rate that cannot be less than 3.5 percent or more than 13 percent. These bonds were issued to reimburse the levee district for prior capital expenditures. Capital Recovery Funding Bonds payable at the beginning of the year were \$24,805,000. Payments of \$205,000 reduced this amount to \$24,600,000 at June 30, 1996. The bonds are due in future annual installments of \$215,000 to \$24,155,000 beginning October 1, 1996, through October 1, 1998. The interest to maturity amounts to \$2,129,402 at a rate of 3.5 percent (the minimum rate the bonds can carry) through October 1, 1998.

**C. LEVEE IMPROVEMENT VARIABLE RATE DEMAND  
CONVERTED TO FIXED RATE BONDS, SERIES 1986**

On August 28, 1986, the levee district issued \$64,920,000 in Levee Improvement Variable Rate Demand Bonds, which were secured by the 6.55 mill ad valorem tax, with interest rates that could not be less than 3.95 percent or more than 14 percent. Levee improvement variable rate demand bonds payable at the beginning of the year were \$58,170,000. Payments of \$1,390,000 reduced this amount to \$56,780,000 at December 1, 1995, the date of conversion to fixed interest rate bonds. The original bonds were issued to advance refund \$53,111,097 of outstanding Levee Improvement

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Refunding Bonds Series 1985. On December 1, 1995, the levee district converted \$56,780,000 of the Levee Improvement Variable Rate Demand Bonds to a fixed interest rate of 5.95 percent. The Levee Improvement Fixed Rate Refunding Bonds, Series 1986, with an outstanding balance of \$56,780,000 at June 30, 1996, are secured by the 6.55 mill ad valorem tax. The scheduled payment of principal and interest are guaranteed under insurance policies issued by Financial Security Assurance, Inc. The interest to maturity amounts to \$39,103,400 at a rate of 5.95 percent through November 1, 2014. The bonds are due in future annual installments of \$1,485,000 to \$5,295,000, beginning November 1, 1996, through November 1, 2014.

**D. LEVEE IMPROVEMENT FIXED RATE  
REFUNDING BONDS, SERIES 1987**

On August 4, 1987, the levee district issued \$61,905,000 of Levee Improvement Fixed Rate Refunding Bonds, Series A and \$2,840,862 of Levee Improvement Fixed Rate Junior Lien Refunding Bonds, Series 1987-B. Fixed rate refunding bonds payable at the beginning of the year were \$62,152,377. Payments of \$191,386 reduced the amount to \$61,960,991 at June 30, 1996. The levee district issued these bonds, which are called crossover refunding bonds, to redeem the Series 1986 Levee Improvement Variable Rate Demand Bonds as of the crossover date or such other date the 1986 bonds are redeemed in accordance with the 1986 bond resolution.

As discussed previously (note 19-C), instead of being redeemed, the Series 1986 Levee Improvement Variable Rate Demand Bonds were converted to a Fixed Rate on December 1, 1995. The Series A bonds are secured prior to and on the crossover date solely by amounts on deposit in the Series A Escrow Account, and the levee district plans to redeem and/or defease these bonds to the extent possible with the proceeds from the Series A Escrow Account on November 1, 1996. The Series B bonds are secured by the 6.55 mill ad valorem tax. The Series A bonds are due in future annual installments of \$1,595,000 to \$6,355,000 beginning November 1, 1997, through November 1, 2014, and bear interest at the rate of 7.4 percent to 8.25 percent. The interest to maturity amounts to \$61,656,564 through November 1, 2014. The Series B term bonds are due in a future installment of \$55,991 on November 1, 1996. Interest is compounded at a rate of 7.8 percent and will be payable only at maturity or redemption. The interest to maturity amounts to \$814,009 through November 1, 1996.

**E. MARINA REFUNDING BONDS**

On December 1, 1985, the Orleans Levee District issued \$32,000,000 in Marina Refunding Bonds at an average interest rate of 8.7 percent, which are secured by the proceeds of a 5.46 mill ad valorem tax. On August 29, 1986, the district defeased \$29,320,000 of the issue (note 19-F) reducing the outstanding balance to \$2,680,000.



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The remaining Marina refunding bonds payable at the beginning of the year of \$530,000 were paid on November 1, 1995.

**F. PUBLIC IMPROVEMENT VARIABLE RATE DEMAND  
AND FIXED RATE BONDS, SERIES 1986**

On August 20, 1986, the levee district issued \$36,225,000 in Public Improvement Variable Rate Demand Bonds, which were secured by a 5.46 mill ad valorem tax, with interest rates that could not be less than 3.95 percent or more than 14 percent. Public improvement variable rate demand bonds payable at the beginning of the year were \$35,050,000. Payment of \$270,000 reduced this amount to \$34,780,000 at December 1, 1995, the date of conversion to fixed rate bonds. The original bonds were issued to advance refund \$29,320,000 of outstanding Marina Refunding Bonds, Series 1985. On December 1, 1995, the levee district converted \$34,780,000 of the Public Improvement Variable Rate Demand Bonds to a fixed interest rate of 5.95 percent. The Public Improvement Fixed Rate Bonds, Series 1986, with an outstanding balance of \$34,780,000 at June 30, 1996, are secured by the 5.46 mill ad valorem tax. The scheduled payment of principal and interest are guaranteed under insurance policies issued by Financial Security Assurance, Inc. The interest to maturity amounts to \$25,185,228 at a rate of 5.95 percent through November 1, 2015. The bonds are due in future annual installments of \$865,000 to \$3,065,000, from November 1, 1996, through November 1, 2015.

**G. PUBLIC IMPROVEMENT FIXED RATE  
REFUNDING BONDS, SERIES 1987**

On August 5, 1987, the levee district issued \$33,067,571 of Public Improvement Fixed Rate Refunding Bonds, Series 1987-A and \$1,186,734 of Public Improvement Fixed Rate Junior Lien Refunding Bonds, Series 1987-B. Public Improvement Fixed Rate Refunding Bonds payable at the beginning of the year were \$33,262,466. Payments of \$111,806 reduced the amount to \$33,150,660 at June 30, 1996. The levee district issued these bonds, which are called crossover refunding bonds, to redeem the Series 1986 Public Improvement Variable Rate Demand Bonds as of the crossover date, which is defined as being the earlier of September 1, 1996, or such earlier date as provided in the bond resolution and providing for the payment of a portion of the principal of and interest on the Series 1986 bonds as such amounts become due and payable prior to the crossover date and paying certain costs of issuance on the bonds. As discussed in note 19-F, instead of being redeemed, the Series 1986 Public Improvement Variable Rate Demand Bonds were converted to a Fixed Rate on December 1, 1995. The Series A bonds are secured prior to and on the crossover date solely by amounts on deposit in the Series A Escrow Account, and the levee district plans to redeem and/or defease these bonds to the extent possible with the proceeds from the Series A Escrow Account on November 1, 1996. The Series B bonds are secured by the 5.46 mill ad

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valorem tax. The Series A bonds are due in future annual installments of \$28,288 to \$3,485,000 beginning November 1, 1997, through November 1, 2015, and bear interest at the rate of 8.00 to 8.25 percent. The interest to maturity amounts to \$40,019,514 through November 1, 2015. The Series B term bonds are due in future annual installments of \$83,090 to \$111,806 beginning November 1, 1995, through November 1, 1996, and interest is compounded at the rate of 7.4 to 7.8 percent and will be payable only at maturity or redemption. The interest to maturity amounts to \$1,206,910 through November 1, 1996.

The annual requirements to amortize all bonds outstanding at June 30, 1996, including total interest to maturity of \$170,223,065, are as follows:

Fiscal Year	General Obligation Bonds	Capital Recovery Funding Bonds	Levee Improvements Fixed Rate Refunding Bonds, Series		Public Improvements Fixed Rate Refunding Bonds, Series		Total
			1986	1987	1986	1987	
1997	\$68,823	\$1,072,238	\$4,819,231	\$5,911,636	\$2,908,676	\$3,994,056	\$18,774,660
1998	71,305	1,079,451	4,832,750	6,577,621	2,910,572	3,774,056	19,245,755
1999	73,495	24,577,713	4,840,021	6,579,106	2,914,047	3,774,056	42,758,438
2000	70,525		4,850,748	6,574,306	2,923,655	3,774,056	18,193,290
2001	72,420		4,874,036	6,572,754	2,929,098	3,735,383	18,183,691
Thereafter	216,470		71,666,614	92,216,141	45,379,180	55,325,477	264,803,882
<b>Total</b>	<b>\$573,038</b>	<b>\$26,729,402</b>	<b>\$95,883,400</b>	<b>\$124,431,564</b>	<b>\$59,965,228</b>	<b>\$74,377,084</b>	<b>\$381,959,716</b>

**20. DEMAND BOND ISSUES**

The levee district has one outstanding demand bond issue (Capital Recovery Funding Bonds) as of June 30, 1996, which is subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice to the paying agent and remarketing agent. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount plus accrued interest, if any. The levee district is required to pay the remarketing agent a fee on a quarterly basis equal to one-eighth of one percent (.00125) of the average principal amount of bonds outstanding.

An irrevocable direct-pay letter of credit agreement between the levee district and the Fuji Bank, Limited, for the Capital Recovery Funding Bonds has been issued to the paying agent, Bank of New York, for \$25,719,445. The amount is equal to the aggregate principal amount of the bonds plus accrued interest (on date of bond sale) reduced by the principal payments to date. The irrevocable letter of credit expires on October 15, 1998. Quarterly, the levee district must pay an annual letter of credit fee of .35 percent. The letter of credit provides for the financing of amounts drawn on the letter of credit at the bank rate plus 2 percent.



**ORLEANS LEVEE DISTRICT**  
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Notes to the Financial Statements (Continued)

**21. OUTSTANDING DEFEASED DEBT**

The levee district has defeased certain general obligation revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the levee district's financial statements. As of June 30, 1996, the following outstanding bonds are considered defeased:

<u>Bond Issues</u>	<u>Original Issue</u>		<u>Outstanding at June 30, 1996</u>
	<u>Refunded Date</u>	<u>Amount Defeased</u>	
1984 Levee Improvement - Serial Bonds	May 1985	\$16,610,000	\$6,275,000
1985 Levee Improvement Refunding - Compound Interest Term Bonds	August 1986	4,061,097	4,061,097

**22. FUND BALANCE RESERVES**

The following is a summary of fund balance reserves at June 30, 1996:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Total</u>
Reserved for:				
Encumbrances	\$41,031		\$15,886,478	\$15,927,509
Debt service		\$83,151,006		83,151,006
Advance to Lakefront Airport	1,790,164			1,790,164
Legal settlement	1,597,662			1,597,662
<b>Total</b>	<b>\$3,428,857</b>	<b>\$83,151,006</b>	<b>\$15,886,478</b>	<b>\$102,466,341</b>

**23. FUND BALANCE - UNRESERVED -  
DESIGNATED**

The Orleans Levee District has designated a portion of its General Fund balance for future expenditures. A description of these designations follows:

Contingencies: (1) general - funds set aside for future contingencies and (2) other - funds set aside for legal fees involving litigation of civil lawsuits.

Equipment replacement - funds set aside for the purchase of equipment.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

Hurricane clean-up and recovery - funds set aside for the clean-up of hurricane damages to levee district property.

*Employee health benefits* - The levee district has a self-insurance health program for its employees. It has set aside \$863,881 for employee insurance claims that exceed the annual amount budgeted for this program. This plan is underwritten by Equitable Life Assurance Society (note 11). The above includes \$113,881 that was set aside for unpaid health insurance claims pending outcome of litigation with a previous administrator of the self-insurance program.

Workers' compensation - funds set aside for workers' compensation claims as part of the Orleans Levee District self-insurance plan.

A summary of the designations for the year ended June 30, 1996, follows:

	Balance July 1, 1995	Additions	Reductions	Balance June 30, 1996
Contingencies - general	\$4,259,917			\$4,259,917
Major construction equipment replacement	81,376	\$40,000		121,376
Air conditioning unit replacement	27,579	25,000	\$1,000	51,579
Hurricane clean-up and recovery	376,074		50,090	325,984
<i>Employee health benefits (self-insured)</i>	863,881			863,881
Workers' compensation	100,000			100,000
	<u>\$5,708,827</u>	<u>\$65,000</u>	<u>\$51,090</u>	<u>\$5,722,737</u>

**24. CONTRIBUTED CAPITAL**

A summary of changes in contributed capital of enterprise funds follows:

	Capital Contribution at July 1, 1995	Intergovernmental Receipts and Capital Acquisitions	Capital Contribution at June 30, 1996
Lake Vista Community Center	\$1,240,878	(\$404)	\$1,240,474
Orleans Marina	2,152,748	(864)	2,151,884
South Shore Harbor Marina	16,872,248	2,564	16,874,812
New Orleans Lakefront Airport	36,723,606	(143)	36,723,463
	<u>\$56,989,480</u>	<u>\$1,153</u>	<u>\$56,990,633</u>

**ORLEANS LEVEE DISTRICT**  
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Notes to the Financial Statements (Continued)

**25. SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The levee district maintains five enterprise funds that provide a community center (building rentals), marinas, and airport services. Segment information for the year ended June 30, 1996, follows:

	Lake Vista Community Center	Orleans Marina	South Shore Harbor Marina	New Orleans Lakefront Airport	Floodcomm	Total
Operating revenues	\$227,315	\$1,248,763	\$5,761,376	\$4,343,731	\$17,500	\$11,598,685
Depreciation	81,403	99,652	1,446,265	1,280,532		2,907,852
Operating income or loss	105,878	779,395	3,452,912	(2,505,787)	(6,432)	1,825,966
Operating transfers in	3,000	116,376	99,747	120,567		339,690
Operating transfers out		(95,340)	(2,399,391)	(271,929)		(2,766,660)
Net income or (loss)	108,878	800,431	(1,736,867)	141,329	(6,432)	(692,661)
Property, plant, and equipment:						
Additions	5,000	1,386	17,968	7,222,838		7,247,192
Deletions	510	1,151	13,576	1,094,643		1,109,880
Total assets	2,325,509	8,012,578	78,154,993	36,063,172	35,000	124,591,252
Net working capital	791,513	6,348,310	8,129,421	(8,375,534)	11,068	6,904,778
Bonds and other long-term liabilities payable from other revenues		6,783	70,540,542	1,910,782		72,458,107
Total equity	2,319,723	7,919,668	5,649,968	24,288,041	11,068	40,188,468

**26. DUE FROM/TO OTHER FUNDS**

Individual fund balances due from/to other funds at June 30, 1996, are as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$7,851,897	\$19,273,130
Capital projects funds:		
General Improvement	2,475,858	
Special Levee Improvement	1,867,527	
Enterprise funds:		
Lake Vista Community Center	777,246	
Orleans Marina	6,380,472	
South Shore Harbor	7,772,027	
New Orleans Lakefront Airport		7,851,897
Total	<u>\$27,125,027</u>	<u>\$27,125,027</u>

**ORLEANS LEVEE DISTRICT**  
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Notes to the Financial Statements (Continued)

The interfund due from/to other funds results from the cash management system used by the levee district where all cash transactions are initially recorded in the General Fund.

**27. LITIGATION AND CLAIMS**

Act 233 of 1984, as amended by Acts 819 of 1985 and 847 of 1992, requires the Board of Levee Commissioners of the Orleans Levee District, upon receipt of certified applications from the Secretary of the Louisiana Department of Natural Resources, to return the ownership of properties known as the Bohemia Spillway in the parish of Plaquemines to the owners or their successors from whom the property was acquired by expropriation or by purchase under threat of expropriation. Oil and gas royalties, rental payments, et cetera, received from Bohemia Spillway properties has declined, in part because of the title transfer. It is estimated that 70 percent to 80 percent of the revenues generated from such properties relate to the properties covered in the acts. At this date, the levee district is maintaining a complete accounting of all royalty revenues received as required by the act. The value of Bohemia Spillway properties included in the general fixed assets account group is \$88,127.

The Louisiana Department of Natural Resources has certified 164 of 220 tracts of land in the Bohemia Spillway for the return of the property. The levee district must take action to return the property covered by the certification within 60 days. At June 30, 1996, the levee district has returned all of the 164 certified tracts to the former owners and/or their heirs. Upon the return of the property, the levee district may be required to return a portion of the royalties, et cetera, collected since July 1, 1984, which totaled \$27,309,906, plus interest, at June 30, 1996. On July 25, 1994, a Plaquemines Parish judge ruled in favor of the levee district. A motion for appeal was filed on September 7, 1994, and on September 4, 1996, the Fourth Circuit Court of Appeal reversed the favorable judgment and remanded the matter back to the Trial Court for further proceedings. In the opinion of the levee district's acting general counsel, the results of bringing this matter to trial are unknown. On February 22, 1988, certain claimants filed a petition to have the royalty revenue placed in an escrow account until litigation is completed. The levee district is vigorously defending this litigation, and as of this date, no escrow has been ordered by any court.

The levee district is a defendant or co-defendant in 78 other lawsuits claiming damages, possession of property, workmen's compensation, and personal injury. The levee district's legal counsel has reviewed all claims and lawsuits to evaluate the likelihood of an unfavorable outcome to the levee district and has attempted to arrive at an estimate of the amount of potential loss. For three of the lawsuits, the levee district subsequently settled for \$79,097, and this amount has been recorded in the accompanying financial statement. For one lawsuit, the levee district's legal counsel has evaluated the outcome as unfavorable, but any potential liability has not been recorded in the accompanying financial statements. For nine of the lawsuits, the probability of an unfavorable outcome and the potential liability to the levee district cannot be reasonably determined by the levee district's legal counsel. For the remaining



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Notes to the Financial Statements (Continued)

lawsuits, the levee district's legal counsel does not anticipate a potential loss to the levee district resulting from these lawsuits.

In addition, the levee district is a defendant in a lawsuit in which the City of New Orleans is attempting to enforce compliance with its zoning and building ordinances. The district court and court of appeals both issued decisions agreeing that the levee district had a peremptory exception of no cause of action. These decisions were overturned by the Louisiana Supreme Court on July 5, 1994, who ruled in the City of New Orleans' favor, and remanded the case back to the district court. The Supreme Court ruled that the 1974 State Constitution and Home Rule Charter gave the city the right to enforce its zoning and building laws against the levee district. It further ruled that the levee district could offer several defenses that would be decided on at the district court. The levee district has since filed an Exception of Prescription, which is pending before the trial court. In the opinion of the levee district's legal counsel, this ruling could affect the levee district's future plans and could lead to increased litigation between the city and the levee district.

The financial statements do not reflect oil and gas royalties totaling \$423,298 that are on deposit in the Registry of Court Fund of the Clerk of the Twenty-Fifth Judicial District Court, parish of Plaquemines, pending settlement of suits in litigation. In the opinion of the levee district's managing director, the Orleans Levee District will be entitled to a share of the proceeds on deposit, but the amount cannot presently be determined.

**28. SETTLEMENT OF LITIGATION**

On November 2, 1994, the levee district settled a lawsuit involving a teenaged male who became paralyzed after an accident in 1990 on a pier at Lincoln Beach, a property that the levee district conveyed to a third party in 1985. The levee district believed that it could have been held liable as it was unclear if it was still responsible for the pier. The levee district settled for a total of \$4,900,000, payable in a lump sum of \$2,500,000 in the fiscal year ended June 30, 1995, and annual payments of \$600,000 due November 1, 1995, 1996, 1997, and 1998. The levee district purchased a treasury bill, and three treasury notes at a combined cost of \$2,185,015, to settle these future obligations. The levee district recorded the net cost, \$4,685,015, as the cost to settle the litigation, and recorded the \$2,185,015 cost of the future payments as proceeds from financing the settlement and investments held for settlement of the litigation. Payment of \$600,000 on November 1, 1995, reduced the investments held for settlement of the litigation and the corresponding reserve in the General Fund to \$1,597,662. In addition, the payment reduced the long-term obligation in the general long-term debt account group to \$1,800,000.

In addition, the levee district recorded \$176,539, including \$79,097 as accounts payable, as the cost to settle the litigation in ten other cases.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

**29. LEVEE DISTRICT TAXES**

Article 6, Section 39 of the 1974 Louisiana Constitution provides that the levee district may levy an annual tax not to exceed 5.46 mills to construct and maintain levees, levee drainage, flood protection, hurricane flood protection, and all other purposes incidental thereto. If the levee district needs to raise additional funds in excess of the amount authorized by the constitution, the taxes in excess of 5.46 mills must be approved by a majority vote of the electors of Orleans Parish.

By general election held in the City of New Orleans on November 19, 1983, the voters of the Parish of Orleans elected to continue a 6.55 mill ad valorem tax on assessed property for a period of 30 years (1985-2015) to finance hurricane and flood protection projects and to fund the retirement of levee improvement bonds. The following is a summary of authorized and levied ad valorem taxes. The rates authorized and levied have been adjusted because of reassessment of property as provided in Article 7, Section 23 of the 1974 Louisiana Constitution.

	<u>Authorized Millage</u>	<u>Levied Millage</u>
Parishwide taxes:		
Constitutional	5.46	5.46
Levee improvements	6.55	6.55

Principal taxpayers based on a 1996 assessed valuation are not available as of June 30, 1996. The following are the 1995 principal taxpayers for the levee district:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>1995 Assessed Valuation (In Thousands)</u>	<u>Percentage of Total Assessed Valuation</u>
South Central Bell	Utility	\$77,957	4.47%
New Orleans Public Service, Incorporated	Utility	69,302	3.97%
First National Bank of Commerce	Financial	23,177	1.34%
Hibernia National Bank	Financial	19,917	1.14%
Whitney National Bank of New Orleans	Financial	19,820	1.13%
AT&T Communications	Tele Communications	18,429	1.05%
Metropolitan Life Insurance Company	Financial	11,300	0.65%
Poydras Square Associates	Real Estate	10,856	0.63%
International River Center	Real Estate	9,833	0.56%
Times-Picayune Publishing Company	Media	8,690	0.50%
Total		<u>\$269,281</u>	<u>15.44%</u>



**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

At June 30, 1996, \$153,228 of property taxes have been paid under protest and are, therefore, not recorded in the financial statements. The resolution of these protests is not determinable at this time.

**30. FEDERAL GRANTS**

The Orleans Levee District received federal funds under the Airport Improvement Program (CFDA 20.106) for installation of runway and taxiway guidance signs, medium intensity taxiway lighting, and a master plan for the New Orleans Lakefront Airport. During the year ended June 30, 1996, the levee district expended federal funds, totaling \$3,012,509, under this program.

**31. OPERATING TRANSFERS IN/OUT**

The following is a summary of the operating transfers in and out for the year ended June 30, 1996:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Funds</b>		
General Fund:		
Debt Service	\$1,530,500	\$71,408
General Improvement	95,340	875,710
Special Levee Improvement	4,091,894	
Orleans Marina		5,376
South Shore Harbor Marina	2,399,391	26,747
New Orleans Lakefront Airport	271,929	
Total	<u>8,389,054</u>	<u>979,241</u>
Debt Service:		
General Fund	71,408	1,530,500
Special Levee Improvement	4,345,954	
Orleans Marina		32,000
South Shore Harbor Marina		32,000
Total	<u>4,417,362</u>	<u>1,594,500</u>
Capital Projects:		
General Improvement:		
General Fund	875,710	95,340
Lake Vista Community Center		3,000
Orleans Marina	95,340	79,000
South Shore Harbor Marina		41,000
New Orleans Lakefront Airport		97,500
Total	<u>971,050</u>	<u>315,840</u>

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Funds (Cont.)</b>		
Capital Projects: (Cont.)		
Special Levee Improvement:		
General Fund		\$4,091,894
Debt Service		4,345,954
New Orleans Lakefront Airport		23,067
Total	<u>NONE</u>	<u>8,460,915</u>
 Subtotals Governmental Fund Transfers	 <u>\$13,777,466</u>	 <u>11,350,496</u>
 <b>Enterprise Funds</b>		
Lake Vista Community Center -		
General Improvement	<u>3,000</u>	
 Orleans Marina:		
General Fund	5,376	
Debt Service	32,000	
General Improvement	79,000	95,340
Total	<u>116,376</u>	<u>95,340</u>
 South Shore Harbor Marina:		
General Fund	26,747	2,399,391
Debt Service	32,000	
General Improvement	41,000	
Total	<u>99,747</u>	<u>2,399,391</u>
 New Orleans Lakefront Airport:		
General Fund		271,929
General Improvement	97,500	
Special Levee Improvement	23,067	
Total	<u>120,567</u>	<u>271,929</u>
 Subtotals Enterprise Fund Transfers	 <u>339,690</u>	 <u>2,766,660</u>
 Total Transfers	 <u>\$14,117,156</u>	 <u>\$14,117,156</u>

**32. PRIOR PERIOD ADJUSTMENT**

The prior period adjustment corrects an error of \$400,000 in rental fees received from the Belle of Orleans, LLC (Bally's) during the year ended June 30, 1995. This should have been recorded as deferred revenue in the South Shore Harbor Marina Fund at June 30, 1996. Bally's paid this \$400,000 in rent during the transition period from Star Casino's departure until June 30, 1995. The second amendment to the lease agreement provided that for any future

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

month, after the transition period, in which the total rent exceeds \$493,000, Bally's shall be entitled to a credit until the total credit amount is realized. During the year ended June 30, 1996, credits of \$53,552 were applied, resulting in a balance of \$346,448 included in Deferred Revenue at June 30, 1996.

**33. IN-KIND CONTRIBUTIONS**

The United States Army Corps of Engineers (USACE) and the levee districts in southeastern Louisiana, including Orleans Levee District, participate in several joint flood protection projects relative to the Lake Pontchartrain and Vicinity Hurricane Protection Plan (High Level Plan). Under the High Level Plan, the levee district has expended bond and ad valorem tax funds over (approximately) the last 13 years for USACE qualified projects and earned credits for such expenditures to be applied against future flood protection projects.

The United States Congress has approved projects totaling \$710,000,000 for the 300-year Lake Pontchartrain and Vicinity Hurricane Protection Plan. The estimated amount per the USACE for the Orleans Parish is \$344,772,000. The USACE will expend 70 percent and the Orleans Levee District will expend 30 percent. The estimate of the federal portion of the completed projects for Orleans Parish at June 30, 1996, is \$195,749,000. The 30 percent participation by the Orleans Levee District will not cause direct cash outflows.

Previous approved earned credits through the fiscal year ended June 30, 1996, are \$66,137,965. Future credits of approximately \$31,750,500 will be applied against the levee district's 30 percent participation.

There are three major projects on the High Level Plan ongoing in Orleans Parish: the Orleans Avenue Canal, London Avenue Canal, and 17th Street Canal. These major projects are expected to be completed in the year 2001.

**34. SUBSEQUENT EVENTS**

On June 19, 1996, the Orleans Levee Board canceled the third year of a three year computer consultant contract and questioned the validity of a larger superseding contract that included an additional two years and a large cancellation penalty. Subsequently, a district judge has ruled that the superseding contract was invalid, and after July 31, 1996, the computer consultant was no longer involved in the computer operations of the district. The district has placed \$110,000 in an escrow account pending a determination of the district's liability to the consultant.

On September 1, 1996, the two Guaranteed Investment Contracts (GICs) with Crown Life matured. The levee district received the funds by wire transfer on September 3, 1996, and has placed the proceeds of the GICs, \$35,681,344 and \$58,460,531, respectively, in short-term investments. The district plans to refund on November 1, 1996, to the extent possible, the

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
Notes to the Financial Statements (Concluded)

remaining bonds of the Orleans Levee District Public Improvement Fixed Rate Refunding Bonds, Series 1987(A); the Orleans Levee District Public Improvement Fixed Rate Junior Lien Refunding Bonds, Series 1987(A); and the Orleans Levee District Levee Improvement Fixed Rate Junior Lien Refunding Bonds, Series 1987(B).

In a meeting held on August 21, 1996, the levee board authorized the issuance of up to \$8,995,000 of Orleans Levee Improvement Refunding Bonds, Series 1996, and authorized the issuance of up to \$3,995,000 of Orleans Public Improvement Refunding Bonds, Series 1996. These bonds would be issued to fund any shortfall in refunding the 1987 bonds referred to previously.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
SUPPLEMENTAL INFORMATION SCHEDULES  
As of and for the Year Ended June 30, 1996**

**CAPITAL PROJECTS FUNDS**

**GENERAL IMPROVEMENT FUND**

The General Improvement Fund accounts for major maintenance and capital improvements that are general in nature. Financing is provided by operating transfers from the General Fund.

**SPECIAL LEVEE IMPROVEMENT FUND**

The Special Levee Improvement Fund accounts for constructing and maintaining necessary flood protection levees, et cetera, in the parish of Orleans. Financing is provided by a special 6.55 mill ad valorem tax levy, interest earned on investments, and proceeds from Series 1984-A Levee Improvement Bonds.



ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
CAPITAL PROJECTS FUNDS

Combining Balance Sheet, June 30, 1996  
(With Comparative Totals for the Year  
Ended June 30, 1995)

	GENERAL	SPECIAL	TOTALS	
	IMPROVEMENT	LEVEE IMPROVEMENT	JUNE 30, 1996	JUNE 30, 1995
<b>ASSETS</b>				
Cash		\$509,779	\$509,779	\$1,282,136
Investments		40,678,370	40,678,370	56,167,074
Receivables	\$350,602	2,142,092	2,492,694	1,478,004
Due from other funds	2,475,858	1,867,527	4,343,385	2,679,431
<b>TOTAL ASSETS</b>	<b>\$2,826,460</b>	<b>\$45,197,768</b>	<b>\$48,024,228</b>	<b>\$61,606,645</b>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities - payables	\$348,005	\$1,999,850	\$2,347,855	\$1,594,997
Fund Equity - fund balances:				
Reserved for encumbrances		15,886,478	15,886,478	12,247,402
Unreserved - undesignated	2,478,455	27,311,440	29,789,895	47,764,246
Total Fund Equity	2,478,455	43,197,918	45,676,373	60,011,648
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$2,826,460</b>	<b>\$45,197,768</b>	<b>\$48,024,228</b>	<b>\$61,606,645</b>

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
CAPITAL PROJECTS FUNDS**

**Combining Schedule of Revenues, Expenditures,  
and Changes in Fund Balances  
For the Year Ended June 30, 1996  
(With Comparative Totals for the Year  
Ended June 30, 1995)**

	GENERAL IMPROVEMENT	SPECIAL LEVEE IMPROVEMENT	TOTALS	
			JUNE 30, 1996	JUNE 30, 1995
<b>REVENUES</b>				
Ad valorem taxes		\$8,074,537	\$8,074,537	\$8,249,651
Other	\$350,602	1,800,000	2,150,602	90,000
Use of money and property - interest earnings		2,701,060	2,701,060	3,331,876
Total revenues	<u>350,602</u>	<u>12,575,597</u>	<u>12,926,199</u>	<u>11,671,527</u>
<b>EXPENDITURES</b>				
Other charges		234,298	234,298	338,539
Capital expenditures	1,115,033	17,991,689	19,106,722	17,070,185
Total expenditures	<u>1,115,033</u>	<u>18,225,987</u>	<u>19,341,020</u>	<u>17,408,724</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	<u>(764,431)</u>	<u>(5,650,390)</u>	<u>(6,414,821)</u>	<u>(5,737,197)</u>
<b>OTHER FINANCING SOURCES (Uses)</b>				
Operating transfers in	971,050		971,050	2,091,885
Operating transfers out	(315,840)	(8,460,915)	(8,776,755)	(5,948,402)
Sale of fixed assets				177,000
Loss on sale of investments		(114,749)	(114,749)	
Total other financing sources (uses)	<u>655,210</u>	<u>(8,575,664)</u>	<u>(7,920,454)</u>	<u>(3,679,517)</u>
<b>EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>(109,221)</u>	<u>(14,226,054)</u>	<u>(14,335,275)</u>	<u>(9,416,714)</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>2,587,676</u>	<u>57,423,972</u>	<u>60,011,648</u>	<u>69,428,362</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$2,478,455</u>	<u>\$43,197,918</u>	<u>\$45,676,373</u>	<u>\$60,011,648</u>

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
SUPPLEMENTAL INFORMATION SCHEDULES  
As of and for the Year Ended June 30, 1996**

**ENTERPRISE FUNDS**

**LAKE VISTA COMMUNITY CENTER FUND**

The Lake Vista Community Center Fund accounts for operating expenses financed from commercial leases and hall rentals. Operating transfers from the General Fund are used to finance major maintenance contracts.

**ORLEANS MARINA FUND**

The Orleans Marina Fund accounts for the leasing of boat slips, boathouses, shipyards, fuel dock, and other land areas to businesses and the general public. User fees are sufficient to finance the operating activities of this fund. Operating transfers from the General Fund are used to finance major maintenance contracts.

**SOUTH SHORE HARBOR MARINA FUND**

The South Shore Harbor Marina was officially dedicated September 19, 1987. The marina accounts for the leasing of boat slips, boathouses, fuel dock, and other land areas to businesses and the general public. Operating transfers from the General Fund are used to finance operating activities and major maintenance contracts.

**NEW ORLEANS LAKEFRONT AIRPORT FUND**

The New Orleans Lakefront Airport is a general aviation facility. Public and commercial lease and fuel farm sales do not generate sufficient revenues to make the airport self-supporting. Operating transfers are made from the General Fund, and capital and operating grants provide financing for major maintenance contracts.

**FLOODCOMM FUND**

The Floodcomm Fund accounts for the operations of Floodcomm Corporation, a public benefit corporation created by the levee district to oversee a long-term lease with a private corporation to lay fiber-optic cables on the levees of the Orleans Levee District.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
PROPRIETARY FUNDS - ENTERPRISE FUNDS**

**Combining Balance Sheet, June 30, 1996  
(With Comparative Totals for the Year  
Ended June 30, 1995)**

	LAKE VISTA COMMUNITY CENTER	ORLEANS MARINA	SOUTH SHORE HARBOR MARINA
<b>ASSETS</b>			
Current assets:			
Cash		\$100	\$100
Receivables	\$19,303	53,865	437,905
Due from other funds	777,246	6,380,472	7,772,027
Inventory			
Other assets	750		
Total current assets	<u>797,299</u>	<u>6,434,437</u>	<u>8,210,032</u>
Restricted assets			35,675,423
Deferred charges			1,547,605
Property, plant, and equipment - less accumulated depreciation	<u>1,528,210</u>	<u>1,578,141</u>	<u>32,721,933</u>
<b>TOTAL ASSETS</b>	<u><u>\$2,325,509</u></u>	<u><u>\$8,012,578</u></u>	<u><u>\$78,154,993</u></u>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Current liabilities (payable from current assets):			
Payables	\$89	\$4,236	\$13,084
Deferred revenues	5,637	81,560	66,264
Due to other funds			
Other liabilities	60	331	1,263
Total current liabilities (payable from current assets)	<u>5,786</u>	<u>86,127</u>	<u>80,611</u>
Current liabilities (payable from restricted assets) - accrued bond interest payable	<u>NONE</u>	<u>NONE</u>	<u>1,883,872</u>
Long-term liabilities:			
Deferred revenues			916,963
Accrued bond interest payable			1,539,901
Other liability - lease deposit			340,500
Advance from other funds			
Accrued compensated absences		6,783	13,522
Bonds payable			67,729,656
Total long-term liabilities	<u>NONE</u>	<u>6,783</u>	<u>70,540,542</u>
Total Liabilities	<u>5,786</u>	<u>92,910</u>	<u>72,505,025</u>
Fund Equity:			
Contributed capital	1,240,474	2,151,884	16,874,812
Retained earnings - unreserved (deficit)	1,079,249	5,767,784	(11,224,844)
Total Fund Equity	<u>2,319,723</u>	<u>7,919,668</u>	<u>5,649,968</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><u>\$2,325,509</u></u>	<u><u>\$8,012,578</u></u>	<u><u>\$78,154,993</u></u>

NEW ORLEANS LAKEFRONT AIRPORT	FLOODCOMM	TOTALS	
		JUNE 30, 1996	JUNE 30, 1995
	\$35,000	\$35,200	\$35,200
\$1,326,789		1,837,862	835,723
		14,929,745	16,408,757
162,026		162,026	253,816
		750	
1,488,815	35,000	16,965,583	17,533,496
		35,675,423	36,624,712
		1,547,605	723,947
34,574,357		70,402,641	67,159,227
<u>\$36,063,172</u>	<u>\$35,000</u>	<u>\$124,591,252</u>	<u>\$122,041,382</u>
\$1,991,103	\$23,932	\$2,032,444	\$1,289,826
21,349		174,810	142,242
7,851,897		7,851,897	3,716,655
		1,654	12,534
9,864,349	23,932	10,060,805	5,161,257
NONE	NONE	1,883,872	1,636,098
		916,963	589,796
		1,539,901	1,901,637
		340,500	340,500
1,790,163		1,790,163	1,901,671
120,619		140,924	114,827
		67,729,656	69,115,620
1,910,782	NONE	72,458,107	73,964,051
11,775,131	23,932	84,402,784	80,761,406
36,723,463		56,990,633	56,989,480
(12,435,422)	11,068	(16,802,165)	(15,709,504)
24,288,041	11,068	40,188,468	41,279,976
<u>\$36,063,172</u>	<u>\$35,000</u>	<u>\$124,591,252</u>	<u>\$122,041,382</u>



**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
PROPRIETARY FUNDS - ENTERPRISE FUNDS**

**Combining Schedule of Revenues, Expenses,  
and Changes in Retained Earnings  
For the Year Ended June 30, 1996  
(With Comparative Totals for the Year  
Ended June 30, 1995)**

	LAKE VISTA COMMUNITY CENTER	ORLEANS MARINA	SOUTH SHORE HARBOR MARINA
<b>OPERATING REVENUES</b>			
Rentals	\$212,967	\$1,179,384	\$496,611
Fuel farm sales and fees			
Gaming fees			5,188,006
Other	14,348	69,379	76,759
Total operating revenues	<u>227,315</u>	<u>1,248,763</u>	<u>5,761,376</u>
<b>OPERATING EXPENSES</b>			
Personal services		223,067	280,841
Travel		155	309
Contractual services	28,960	95,253	173,036
Materials and supplies:			
Fuel farm			
Other	11,074	33,236	56,755
Professional services			14,019
Other charges - maintenance contracts, etc.		18,005	337,239
Depreciation	81,403	99,652	1,446,265
Total operating expenses	<u>121,437</u>	<u>469,368</u>	<u>2,308,464</u>
<b>OPERATING INCOME (Loss)</b>	<u>105,878</u>	<u>779,395</u>	<u>3,452,912</u>
<b>NONOPERATING REVENUES (Expenses)</b>			
Interest earned on investments			2,212,650
Debt service - interest and bank charges			(4,985,681)
Federal and state grants			
Bond issuance costs			(117,104)
Total nonoperating revenues (expenses)	<u>NONE</u>	<u>NONE</u>	<u>(2,890,135)</u>
<b>INCOME (Loss) BEFORE OPERATING TRANSFERS</b>	<u>105,878</u>	<u>779,395</u>	<u>562,777</u>

(Continued)

NEW ORLEANS LAKEFRONT AIRPORT		TOTALS	
	FLOODCOMM	JUNE 30, 1996	JUNE 30, 1995
\$1,331,201	\$17,500	\$3,237,663	\$2,787,086
2,858,746		2,858,746	3,190,889
		5,188,006	5,579,027
153,784		314,270	276,552
<u>4,343,731</u>	<u>17,500</u>	<u>11,598,685</u>	<u>11,833,554</u>
1,448,035		1,951,943	2,042,062
5,507		5,971	12,572
523,982		821,231	820,120
2,233,131		2,233,131	2,569,293
194,025		295,090	315,574
77,353	23,932	115,304	49,975
1,086,953		1,442,197	3,098,696
1,280,532		2,907,852	3,013,268
<u>6,849,518</u>	<u>23,932</u>	<u>9,772,719</u>	<u>11,921,560</u>
<u>(2,505,787)</u>	<u>(6,432)</u>	<u>1,825,966</u>	<u>(88,006)</u>
		2,212,650	2,725,179
		(4,985,681)	(4,996,137)
2,798,478		2,798,478	1,589,062
		(117,104)	(101,665)
<u>2,798,478</u>	<u>NONE</u>	<u>(91,657)</u>	<u>(783,561)</u>
292,691	(6,432)	1,734,309	(871,567)

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
PROPRIETARY FUNDS - ENTERPRISE FUNDS  
Combining Schedule of Revenues, Expenses,  
and Changes in Retained Earnings, 1996  
(With Comparative Totals for the Year  
Ended June 30, 1995)**

	LAKE VISTA COMMUNITY CENTER	ORLEANS MARINA	SOUTH SHORE HARBOR MARINA
<b>OPERATING TRANSFERS</b>			
Operating transfers in	\$3,000	\$116,376	\$99,747
Operating transfers out		(95,340)	(2,399,391)
Total operating transfers	<u>3,000</u>	<u>21,036</u>	<u>(2,299,644)</u>
<b>NET INCOME (Loss)</b>	<u>108,878</u>	<u>800,431</u>	<u>(1,736,867)</u>
<b>RETAINED EARNINGS (Deficit) AT BEGINNING OF YEAR</b>	970,371	4,967,353	(9,087,977)
Prior period adjustment			(400,000)
<b>RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR AS RESTATED</b>	<u>970,371</u>	<u>4,967,353</u>	<u>(9,487,977)</u>
<b>RETAINED EARNINGS (Deficit) AT END OF YEAR</b>	<u>\$1,079,249</u>	<u>\$5,767,784</u>	<u>(\$11,224,844)</u>

(Concluded)

NEW ORLEANS LAKEFRONT AIRPORT	FLOODCOMM	TOTALS	
		JUNE 30, 1996	JUNE 30, 1995
\$120,567		\$339,690	\$2,755,779
(271,929)		(2,766,660)	(911,123)
(151,362)	NONE	(2,426,970)	1,844,656
141,329	(\$6,432)	(692,661)	973,089
(12,576,751)	17,500	(15,709,504)	(16,682,593)
		(400,000)	
(12,576,751)	17,500	(16,109,504)	(16,682,593)
(\$12,435,422)	\$11,068	(\$16,802,165)	\$15,709,504

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
PROPRIETARY FUNDS - ENTERPRISE FUNDS**

**Combining Schedule of Cash Flows  
For the Year Ended June 30, 1996  
(With Comparative Totals for the Year  
Ended June 30, 1995)**

	LAKE VISTA COMMUNITY CENTER	ORLEANS MARINA	SOUTH SHORE HARBOR MARINA
Cash flows from operating activities:			
Operating income (loss)	\$105,878	\$779,395	\$3,452,912
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	81,403	99,652	1,446,265
Adjustment to beginning fund balance			(400,000)
Changes in assets and liabilities:			
(Increase) decrease in receivables	(9,255)	(31,274)	(389,586)
(Increase) decrease in due from other funds	(112,565)	(884,221)	2,475,798
(Increase) decrease in inventory			
Decrease in other assets	(750)		
Increase (decrease) in payables	(61,900)	(3,005)	(360,593)
Increase (decrease) in deferred revenues	(811)	31,488	342,613
Increase (decrease) in due to other funds			
Increase (decrease) in other liabilities		(7,366)	(3,514)
Increase in accrued compensated absences		(5,705)	5,779
Net cash provided (used) by operating activities	<u>2,000</u>	<u>(21,036)</u>	<u>6,569,674</u>
Cash flows from noncapital financing activities:			
Operating transfers in from other funds	3,000	116,376	99,747
Operating transfers out to other funds		(95,340)	(2,399,391)
State and federal grants			
Contract settlements			
Net cash provided by noncapital financing activities	<u>3,000</u>	<u>21,036</u>	<u>(2,299,644)</u>
Cash flows from capital and related financing activities:			
Principal paid on bonds			(911,808)
Advance from other funds			
Interest paid on bond maturities (excluding amortized premium and discount on bonds payable)			(5,573,799)
Bond issuance costs			(940,762)
Acquisition of capital assets	(5,000)		(5,600)
Receipt of capital grants			
Residual equity transfer			
Net cash used in capital and related financing activities	<u>(5,000)</u>	<u>NONE</u>	<u>(7,431,969)</u>

(Continued)



NEW ORLEANS LAKEFRONT		TOTALS	
AIRPORT	FLOODCOMM	JUNE 30, 1996	JUNE 30, 1995
(\$2,505,787)	(\$6,432)	\$1,825,966	(\$88,006)
1,280,532		2,907,852 (400,000)	3,013,268
(572,025)		(1,002,140)	829,097
		1,479,012	(1,785,144)
91,790		91,790 (750)	37,764 211
1,144,184	23,932	742,618	809,541
3,947	(17,500)	359,737	(427)
4,135,242		4,135,242 (10,880)	(727,154) 310,042
26,023		26,097	(2,825)
<u>3,603,906</u>	<u>NONE</u>	<u>10,154,544</u>	<u>2,396,367</u>
120,567		339,690	2,755,779
(271,929)		(2,766,660)	(911,123)
2,798,478		2,798,478	1,589,062
<u>2,647,116</u>	<u>NONE</u>	<u>371,508</u>	<u>3,433,718</u>
		(911,808)	(4,500,447)
(111,508)		(111,508)	1,901,671
		(5,573,799)	(5,630,413)
		(940,762)	
(6,139,514)		(6,150,114)	(2,225,617)
			500,000
<u>(6,251,022)</u>	<u>NONE</u>	<u>(13,687,991)</u>	<u>(9,954,806)</u>

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
PROPRIETARY FUNDS - ENTERPRISE FUNDS  
Combining Schedule of Cash Flows, 1996  
(With Comparative Totals for the Year  
Ended June 30, 1995)**

	<u>LAKE VISTA COMMUNITY CENTER</u>	<u>ORLEANS MARINA</u>	<u>SOUTH SHORE HARBOR MARINA</u>
Cash flows from investing activities:			
Receipt of interest and dividends earned on investments			\$2,212,650
Proceeds from guaranteed insurance contracts			949,289
Net cash provided by investing activities	<u>NONE</u>	<u>NONE</u>	<u>3,161,939</u>
Net increase (decrease) in cash	NONE	NONE	NONE
Cash at beginning of year	<u>NONE</u>	<u>\$100</u>	<u>100</u>
Cash at end of year	<u><u>NONE</u></u>	<u><u>\$100</u></u>	<u><u>\$100</u></u>
Noncash investing, capital, and financing activities:			
Assets acquired by transfer		\$163	\$7,884
Assets transferred to other funds	(\$404)	(1,026)	(5,488)
Assets written-off			168
Total noncash investing, capital, and financing activities	<u><u>(\$404)</u></u>	<u><u>(\$863)</u></u>	<u><u>\$2,564</u></u>

(Concluded)

NEW ORLEANS LAKEFRONT AIRPORT		TOTALS	
FLOODCOMM		JUNE 30, 1996	JUNE 30, 1995
		\$2,212,650	\$2,725,178
		949,289	833,176
NONE	NONE	3,161,939	3,558,354
NONE	NONE	NONE	(566,367)
NONE	\$35,000	35,200	601,567
NONE	\$35,000	\$35,200	\$35,200
\$10,058		\$18,105	\$27,348
(10,203)		(17,121)	(26,616)
		168	(137,838)
(\$145)	NONE	\$1,152	(\$137,106)

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
SUPPLEMENTAL INFORMATION SCHEDULES  
As of and for the Year Ended June 30, 1996**

**PER DIEM PAID BOARD MEMBERS**

The schedule of per diem paid board members was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature.

Per diem payments are authorized by Louisiana Revised Statute 38:308 and are included in the personal services expenditures of the General Fund. Board members are paid \$75 per day, to a maximum of 36 days per year, for board meetings and official business. During the period of an emergency as declared and determined by the governor, the levee district shall be authorized to hold as many meetings or emergency activities as the board deems necessary, and the members shall be paid per diem for such meetings or activities.

ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA

Schedule of Per Diem Paid Board Members  
For the Year Ended June 30, 1996  
(With Comparative Totals for the Year  
Ended June 30, 1995)

	<u>JUNE 30, 1996</u>	<u>JUNE 30, 1995</u>
Jerry Blake	\$300	
James Denson	1,050	
Mickey Easterling	1,050	\$2,550
Marlin Gusman	900	
Patricia W. Harris, President - June 12, 1996 thru June 19, 1996	2,325	2,325
Robert G. Harvey, President - July 1, 1994 thru February 15, 1996	825	6,825
Ellen Distance-Hazuer	1,800	1,950
James P. Huey, President - June 19, 1996 thru June 30, 1996	2,100	2,175
Robert Lupo		
William Nungesser, President - February 15, 1996 thru June 12, 1996		
Robert C. Ramelli	1,125	2,175
Richard D. Sackett	825	2,400
Scott Sewell	825	
	<hr/>	<hr/>
Total	<u>\$13,125</u>	<u>\$20,400</u>



**OTHER REPORTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

The following pages contain reports on internal control structure and compliance with laws and regulations required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The report on internal control structure is based solely on the audit of the financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses. The report on compliance with laws and regulations is, likewise, based solely on the audit of the presented financial statements and presents, where applicable, compliance matters that would be material to the presented financial statements.



DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (504) 339-3800  
FACSIMILE: (504) 339-3870

September 20, 1996

Independent Auditor's Report on Internal Control Structure Based  
Solely on an Audit of the General Purpose Financial Statements

**BOARD OF LEVEE COMMISSIONERS OF  
THE ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
New Orleans, Louisiana**

We have audited the general purpose financial statements of the Orleans Levee District, a component unit of the State of Louisiana, as of June 30, 1996, and for the year then ended, and have issued our report thereon dated September 20, 1996.

We conducted our audit in accordance with generally accepted auditing standards 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.

Management of the Orleans Levee District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the Orleans Levee District for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

**EXHIBIT A**

## LEGISLATIVE AUDITOR

### BOARD OF LEVEE COMMISSIONERS OF THE ORLEANS LEVEE DISTRICT STATE OF LOUISIANA

Internal Control Report  
September 20, 1996  
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We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

#### **Timely Bank Reconciliations**

The Orleans Levee District did not ensure that reconciliations of its depository bank accounts were reviewed, approved, and posted timely. An effective internal control system ensures that assets are safeguarded and that errors and/or irregularities are detected and corrected in a timely manner. Without such a system, errors and/or irregularities could occur and not be detected and corrected timely. The bank reconciliation process was revised in the beginning of the year, but the reconciliations produced were not reviewed, approved, and posted until after the end of the fiscal year. Therefore, during the fiscal year, the general ledger balances were not corrected to reflect an accurate cash book balance.

The Orleans Levee District should ensure that all bank reconciliations are prepared, reviewed, approved, and corrections posted to the general ledger in a timely manner. In a letter dated September 9, 1996, Mr. Theodore Lange, Director, informed us that a working procedure has been initiated within the finance department for the reconciliation of bank statements. The improved staffing of the finance department in the next fiscal year should accomplish both timely reconciliations at the staff level as well as appropriate supervisory level review and approval.

#### **Legal Services Contracts**

For the third consecutive year, the Orleans Levee District did not comply with established policies of the levee district with regard to certain legal services contracts. The levee district could not provide evidence of written contracts for \$203,826 of legal services provided by six of eight law firms included in our sample. Good business practices and levee district policies require the levee district to obtain written agreements for its legal services. Without written contracts, the levee district lacks documentation to substantiate that payments made were agreed upon by both parties and were for specific services requested by the levee district. In addition, budget control for professional legal services cannot be monitored as a planning device.

## LEGISLATIVE AUDITOR

### BOARD OF LEVEE COMMISSIONERS OF THE ORLEANS LEVEE DISTRICT STATE OF LOUISIANA

Internal Control Report

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The Orleans Levee District should ensure that its policies for written contracts for professional legal services be followed in the future. In a letter dated September 5, 1996, Mr. Theodore Lange, Director, informed us that additional administrative controls were established by the levee district during the last quarter of fiscal year ended June 30, 1996. In an office memorandum from Mr. Gary G. Benoit, Acting General Counsel, attached to Mr. Lange's letter, administrative procedures were implemented in the engagement of legal services during the month of June 1996. Furthermore, law firms providing legal services to the levee district for the fiscal year ending June 30, 1997, are being engaged by written agreements.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose 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 structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following matters involving the internal control structure and its operation that we consider to be a material weakness as defined above.

These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of the Orleans Levee District for the year ended June 30, 1996.

#### **Internal Audit Function**

For the third consecutive year, the Orleans Levee District does not have an effective internal audit function to examine, evaluate, and report on the internal control structure, including data processing, and to evaluate compliance with the policies and procedures of the control system. A temporary Internal Auditor position was funded and filled at the end of the fiscal year, but the auditor filling the role was transferred to another department after approximately three weeks. Without an effective internal control audit function, the district is not assured that its assets are safeguarded and its policies and procedures are uniformly applied.



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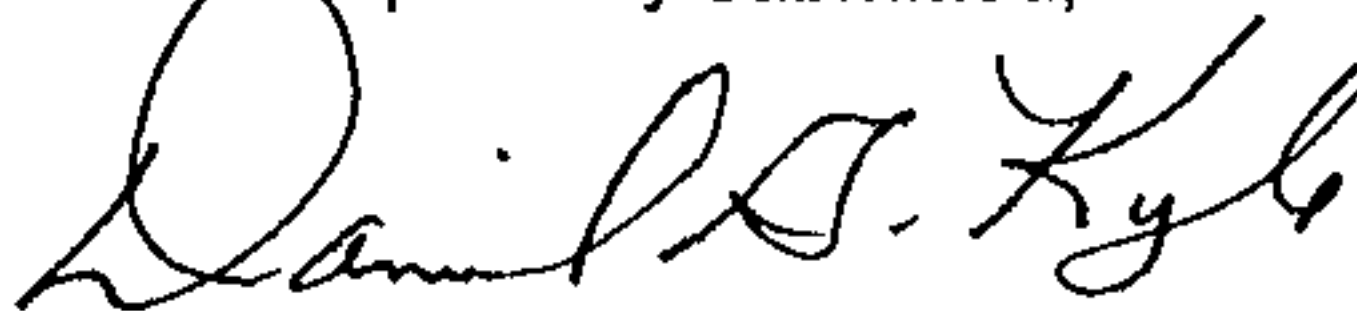
The Orleans Levee District should fund an internal auditor position and take the necessary steps to establish an effective internal audit function. In a letter dated September 5, 1996, Mr. Theodore Lange, Director, informed us that the position of internal auditor was authorized by the board and filled during the last quarter of the fiscal year. In addition, a private accounting firm has been engaged to assist in the design of the internal audit function.

**Additional Comments:** Shortly after the internal auditor was hired during the last quarter of the fiscal year, he was transferred to the engineering department. Therefore, as of the last date of fieldwork, the internal auditor position was vacant.

The matter relating to professional services contracts as described in the Compliance Report (Exhibit B) is also considered to be a material weakness.

Our comments on the internal control structure are intended for the information and use of the levee district and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

SAZ:LWM:dl

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EXHIBIT A





DANIEL G. KYLE, PH.D., CPA, CFE  
LEGISLATIVE AUDITOR

OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-9397

1600 NORTH THIRD STREET  
POST OFFICE BOX 94397  
TELEPHONE: (504) 339-3800  
FACSIMILE: (504) 339-3870

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Independent Auditor's Report on Compliance With Laws and  
Regulations Material to the General Purpose Financial Statements

**BOARD OF LEVEE COMMISSIONERS OF  
THE ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
New Orleans, Louisiana**

We have audited the general purpose financial statements of the Orleans Levee District, a component unit of the State of Louisiana, as of June 30, 1996, and for the year then ended, and have issued our report thereon dated September 20, 1996.

We conducted our audit in accordance with generally accepted auditing standards 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.

Compliance with laws, regulations, contracts, and grants applicable to the Orleans Levee District is the responsibility of the levee district's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the levee district's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed the following instances of noncompliance that, although not material to the financial statements, are required to be reported herein under *Government Auditing Standards*.

**Professional Services Contracts**

For the second consecutive year, the Orleans Levee District does not maintain adequate internal controls over its professional services contracts. In our consideration of the internal control structure, we noted the following weaknesses that in some cases resulted in noncompliance with state laws and regulations:

**EXHIBIT B**

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1. During the year ended June 30, 1996, the district spent \$37,300 for professional services without a current signed contract. A legislative consultant firm that had contracts with the district in the past was paid \$30,000 over six months without a signed contract being executed. Also, an engineering firm was paid \$7,300 for professional services without a signed contract. Without written contracts, the district lacks documentation to substantiate that payments made were agreed upon by both parties and were for specific services requested by the levee district.
2. As reported in our prior year audit, the term of a professional services contract with a public relations consultant extended three years past the term of office of the majority of the commissioners of the district. In addition, the contract did not contain a clause for the termination of the contract without cause. Louisiana Revised Statute (LSA-R.S.) 42:3 limits the term of office of all employees or officials elected by a board to the term of office of the membership of the board electing them. Attorney General Opinion 92-52 states that it was the intent of the legislature in enacting the above statute to allow each newly appointed board the opportunity to elect its own officers and employees during their term of office. Prudent business practices require that professional service contracts include a cancellation clause that will allow either party to the contract to prematurely terminate the contract, without cause, after giving a notice of intent within a specified time, such as 30, 60, or 90 days prior to termination. The levee district entered into a Public Relations Services contract that extends from June 1, 1994, through December 30, 1998, with fees of \$90,000 for the first year and annual increases of 10 percent per year. The contract was terminated during the fiscal year ended June 30, 1996, and is now the subject of litigation.
3. The district paid \$11,250 on July 7, 1995, to its public relations consultant before service was rendered, thereby constituting a loan of public funds. In addition, the district paid \$25,000 to an aviation services consultant for an aviation safety study before the study was delivered, and an additional \$33,000 for negotiation services before any documented services were provided. The Louisiana State Constitution of 1974, Article 7, Section 14(A) states in part that the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, donated to or for any person, association, or corporation, public or private.

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4. The district paid \$497,174 during the year for additional computer services based on a new contract before the contract was signed on December 7, 1995. This contract was later determined to be invalid in a district court.
5. The district did not have the contract with the computer consultant noted in item 4 approved by the Department of Civil Service. In addition, a contract for supplemental engineering services with one of its engineering consultants was not approved. Civil Service Rule 3.1(o) requires that contracts for personal services be reviewed and approved or disapproved by the Department of Civil Service in advance of their effective date to ensure that such agreements do not provide for the performance of such services that could and should be performed by classified employees.
6. The district did not document that all of its professional services contracts were approved by the board. The board did not approve the supplemental contract for \$100,000 with the aviation services consultant to locate an air carrier for the Lakefront Airport. The board approved a contract for public relations services for \$3,500 a month until May 19, 1994, but did not approve the extension and expansion of the contract from June 1, 1994, through December 30, 1998, with fees of \$90,000 for the first year and annual increases of 10 percent per year. Similarly, the board approved \$10,000 per month for legislative consulting services through July 31, 1994, but did not approve the extension of the contract through July 31, 1996. Finally, we noted that the district did not require documentation supporting payments of an additional \$5,000 per month for additional legislative consulting services involving the Wetland Project.

The levee district should ensure that payments for professional services are only made based on contracts that are in writing and approved by the board, include termination clauses, do not extend past the term on the commissioners of the district, and have been reviewed and approved by Civil Service before the effective dates. In a letter dated September 12, 1996, Mr. Theodore Lange, Director, responded that:

1. Professional services rendered without a signed contract have been terminated by levee board resolution.
2. The levee board adopted a resolution requiring contracts for consulting and professional services to contain a 30-day "at will" cancellation clause.

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3. Procedures have been established to ensure that payments for professional services will not be made until services have been rendered and not by levee board resolution.
4. All professional services contracts will be approved by the levee board, approved by Civil Service prior to the effective date of the contract, and prior to payment for professional services appropriate documentation will be obtained in accordance with the terms of the contract.

We considered these instances of noncompliance in forming our opinion on whether the Orleans Levee District's 1996 general purpose financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles. This report does not affect our report dated September 20, 1996, on those general purpose financial statements.

Our comments on compliance with laws and regulations are intended for the information and use of the levee district and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

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