

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Orleans Levee District
State of Louisiana
New Orleans, Louisiana

September 29, 1999



Financial and Compliance Audit Division

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

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LEGISLATIVE AUDITOR

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

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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, 1999
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.

September 29, 1999

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended June 30, 1999

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ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
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OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

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

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

September 24, 1999

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, 1999, 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, 1999, 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 24, 1999, on the Orleans Levee District's compliance with laws and regulations and on internal control over financial reporting.

As discussed in note 26, the levee district has been named in 75 lawsuits. Several of these lawsuits involve revenues collected from the Bohemia Spillway in the parish of Plaquemines since July 1984. Act 1364 of 1997 required that all revenues produced from the disputed properties after August 15, 1997, be escrowed. The levee district has reserved \$2,530,832 in the General Fund at June 30, 1999, for this purpose. In addition, at June 30, 1999, there is litigation involving royalties of approximately \$29.9 million collected on these properties since

LEGISLATIVE AUDITOR

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Audit Report, June 30, 1999

June 29, 1984. No provision for any potential loss that may result from these disputed royalties has been made in the financial statements.

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.

The Year 2000 supplementary information on pages 53 and 54 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Orleans Levee District is or will become Year 2000 compliant, that the district's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the district does business are or will become Year 2000 compliant.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

JJS:JR:RCL:dl

[OLD]

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

**Combined Balance Sheet, June 30, 1999
(With Comparative Totals for the Year
Ended June 30, 1998)**

| | GOVERNMENTAL FUNDS | | |
|--|----------------------------|----------------------------|----------------------------|
| | GENERAL | DEBT SERVICE | CAPITAL PROJECTS |
| ASSETS AND OTHER DEBITS | | | |
| Cash (note 4) | \$135,729 | \$1,364,660 | |
| Investments (note 5) | 17,752,945 | 24,930,745 | \$11,165,701 |
| Investments held for Bohemia litigation (notes 5 and 26) | 2,530,832 | | |
| Receivables (note 6) | 173,874 | | 734,290 |
| Due from other funds (note 25) | 11,782,607 | | 6,090,527 |
| Inventory (note 1-G) | 275,276 | | |
| Other assets | 63,263 | | |
| Restricted assets (note 16) | | | |
| Deferred charges (note 1-J) | | | |
| Advance to other funds (note 7) | 761,295 | | |
| Property, plant, and equipment (net of accumulated depreciation) (note 8) | | | |
| Other Debits: | | | |
| Amount available in General Fund | | | |
| Amount available in Debt Service Fund | | | |
| Amount to be provided for retirement of general long-term obligations | | | |
| TOTAL ASSETS AND OTHER DEBITS | <u>\$33,475,821</u> | <u>\$26,295,405</u> | <u>\$17,990,518</u> |
| LIABILITIES, EQUITY, AND OTHER CREDITS | | | |
| Liabilities: | | | |
| Payables (note 17) | \$915,387 | \$1,248 | \$262,137 |
| Deferred revenues - current (note 1-L) | 81,191 | | 957,622 |
| Due to other funds (note 25) | 21,359,741 | 2,323,525 | |
| Other liabilities | | | |
| Accrued bond interest payable | | 111,925 | |
| Payable from restricted assets - accrued bond interest payable | | | |
| Deferred revenues - long-term (note 1-L) | | | |
| Accrued bond interest payable - long-term | | | |
| Advance from other funds (note 7) | | | |
| Obligation under litigation settlement (note 27) | | | |
| Accrued compensated absences (notes 1-M and 13) | | | |
| Bonds payable (note 18) | | | |
| Total Liabilities | <u>22,356,319</u> | <u>2,436,698</u> | <u>1,219,759</u> |

(Continued)

The accompanying notes are an integral part of this statement.

Statement A

| PROPRIETARY FUNDS - ENTERPRISE | ACCOUNT GROUPS | | TOTAL (MEMORANDUM ONLY) | |
|--------------------------------------|----------------------------|-------------------------------------|----------------------------|----------------------|
| | GENERAL FIXED ASSETS | GENERAL LONG-TERM OBLIGATIONS | JUNE 30, 1999 | JUNE 30, 1998 |
| | | | | |
| \$35,200 | | | \$1,535,589 | \$1,701,666 |
| 2,160 | | | 53,851,551 | 54,864,894 |
| | | | 2,530,832 | 596,250 |
| 585,808 | | | 1,493,972 | 1,618,021 |
| 15,269,214 | | | 33,142,348 | 31,617,003 |
| 175,596 | | | 450,872 | 533,670 |
| 7,771 | | | 71,034 | 31,103 |
| 1,740,606 | | | 1,740,606 | 2,655,011 |
| 786,464 | | | 786,464 | 864,570 |
| | | | 761,295 | 1,093,477 |
| 59,845,852 | \$40,139,304 | | 99,985,156 | 101,802,148 |
| | | | | 596,250 |
| | | \$23,858,707 | 23,858,707 | 24,286,471 |
| | | 59,682,850 | 59,682,850 | 61,211,387 |
| <u>\$78,448,671</u> | <u>\$40,139,304</u> | <u>\$83,541,557</u> | <u>\$279,891,276</u> | <u>\$283,471,921</u> |
| | | | | |
| \$368,952 | | | \$1,547,724 | \$3,754,585 |
| 2,143,055 | | | 3,181,868 | 307,702 |
| 9,459,082 | | | 33,142,348 | 31,617,003 |
| 60 | | | 60 | 6,106 |
| | | | 111,925 | 106,907 |
| 1,284,204 | | | 1,284,204 | 1,285,046 |
| 859,120 | | | 859,120 | 878,400 |
| | | | | 693,778 |
| 761,295 | | | 761,295 | 1,093,477 |
| | | | | 600,000 |
| 144,331 | | \$791,557 | 935,888 | 870,004 |
| 34,253,609 | | 82,750,000 | 117,003,609 | 120,191,272 |
| <u>49,273,708</u> | <u>NONE</u> | <u>83,541,557</u> | <u>158,828,041</u> | <u>161,404,280</u> |

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
ALL FUND TYPES AND ACCOUNT GROUPS
Combined Balance Sheet, June 30, 1999
(With Comparative Totals for the Year
Ended June 30, 1998)**

| | <u>GOVERNMENTAL FUNDS</u> | | |
|---|---------------------------|-------------------------|-----------------------------|
| | <u>GENERAL</u> | <u>DEBT SERVICE</u> | <u>CAPITAL PROJECTS</u> |
| LIABILITIES, EQUITY, AND OTHER CREDITS (CONT.) | | | |
| Equity and Other Credits: | | | |
| Contributed capital (notes 1-Q and 23) | | | |
| Investment in general fixed assets (note 8) | | | |
| Retained earnings - (deficit) (note 2) | | | |
| Fund balances: | | | |
| Reserved (note 21) | \$3,501,445 | \$23,858,707 | \$1,734,738 |
| Unreserved: | | | |
| Designated (note 22) | 432,496 | | |
| Undesignated | 7,185,561 | | 15,036,021 |
| Total Equity and Other Credits | <u>11,119,502</u> | <u>23,858,707</u> | <u>16,770,759</u> |
| TOTAL LIABILITIES, EQUITY, AND OTHER CREDITS | <u>\$33,475,821</u> | <u>\$26,295,405</u> | <u>\$17,990,518</u> |

(Concluded)

The accompanying notes are an integral part of this statement.

Statement A

| PROPRIETARY FUNDS - ENTERPRISE | ACCOUNT GROUPS | | TOTAL (MEMORANDUM ONLY) | |
|--------------------------------------|----------------------------|-------------------------------------|----------------------------|----------------------|
| | GENERAL FIXED ASSETS | GENERAL LONG-TERM OBLIGATIONS | JUNE 30, 1999 | JUNE 30, 1998 |
| | \$52,986,852 | | | \$52,986,852 |
| (23,811,889) | \$40,139,304 | | 40,139,304 | 39,910,034 |
| | | | (23,811,889) | (23,914,694) |
| | | | 29,094,890 | 30,574,144 |
| | | | 432,496 | 432,496 |
| | | | 22,221,582 | 22,081,385 |
| <u>29,174,963</u> | <u>40,139,304</u> | <u>NONE</u> | <u>121,063,235</u> | <u>122,067,641</u> |
| <u>\$78,448,671</u> | <u>\$40,139,304</u> | <u>\$83,541,557</u> | <u>\$279,891,276</u> | <u>\$283,471,921</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, 1999
(With Comparative Totals for the Year
Ended June 30, 1998)**

| | <u>GENERAL</u> | <u>DEBT SERVICE</u> | <u>CAPITAL PROJECTS</u> |
|----------------------------------|-------------------|-------------------------|-----------------------------|
| REVENUES | | | |
| Ad valorem taxes | \$7,705,346 | | \$9,244,381 |
| Intergovernmental revenues: | | | |
| State revenue sharing | 1,516,632 | | |
| Other state grants | 61,047 | | 4,019 |
| Federal grants | 410,277 | | 20,095 |
| Use of money and property: | | | |
| Oil and gas royalties | 211,044 | | |
| Rents and leases: | | | |
| Bohemia Spillway | 445,786 | | |
| East Lakefront camps | 300 | | |
| Other locations | 37,462 | | |
| Investment earnings | 679,499 | \$1,417,289 | 821,773 |
| Miscellaneous | 62,339 | | 31,916 |
| Total revenues | <u>11,129,732</u> | <u>1,417,289</u> | <u>10,122,184</u> |
| EXPENDITURES | | | |
| Flood and drainage protection: | | | |
| Personal services | 8,275,702 | | |
| Travel | 16,097 | | |
| Contractual services | 2,116,973 | | 10,946 |
| Materials and supplies | 761,183 | | |
| Professional services | 1,904,849 | | |
| Other charges | 326,860 | 181,003 | 9,962 |
| Machinery and equipment | 580,623 | | 11,892 |
| Capital expenditures | | | 3,943,006 |
| Debt service: | | | |
| Principal retirement | | 2,010,000 | |
| Interest and bank charges | | 4,745,058 | |
| Litigation settlements (note 27) | 619,934 | | 5,054 |
| Total expenditures | <u>14,602,221</u> | <u>6,936,061</u> | <u>3,980,860</u> |

(Continued)

The accompanying notes are an integral part of this statement.

TOTAL
(MEMORANDUM ONLY)

| JUNE 30, 1999 | JUNE 30, 1998 |
|---------------|---------------|
|---------------|---------------|

| | |
|--------------|--------------|
| \$16,949,727 | \$16,948,237 |
|--------------|--------------|

| | |
|-----------|-----------|
| 1,516,632 | 1,542,735 |
|-----------|-----------|

| | |
|--------|--|
| 65,066 | |
|--------|--|

| | |
|---------|---------|
| 430,372 | 214,897 |
|---------|---------|

| | |
|---------|---------|
| 211,044 | 564,542 |
|---------|---------|

| | |
|---------|---------|
| 445,786 | 234,038 |
|---------|---------|

| | |
|-----|--------|
| 300 | 18,100 |
|-----|--------|

| | |
|--------|--------|
| 37,462 | 41,700 |
|--------|--------|

| | |
|-----------|-----------|
| 2,918,561 | 4,015,080 |
|-----------|-----------|

| | |
|--------|---------|
| 94,255 | 567,983 |
|--------|---------|

| | |
|------------|------------|
| 22,669,205 | 24,147,312 |
|------------|------------|

| | |
|-----------|-----------|
| 8,275,702 | 7,563,598 |
|-----------|-----------|

| | |
|--------|--------|
| 16,097 | 13,077 |
|--------|--------|

| | |
|-----------|-----------|
| 2,127,919 | 2,423,255 |
|-----------|-----------|

| | |
|---------|---------|
| 761,183 | 763,959 |
|---------|---------|

| | |
|-----------|-----------|
| 1,904,849 | 2,084,554 |
|-----------|-----------|

| | |
|---------|---------|
| 517,825 | 312,245 |
|---------|---------|

| | |
|---------|---------|
| 592,515 | 310,975 |
|---------|---------|

| | |
|-----------|------------|
| 3,943,006 | 10,773,559 |
|-----------|------------|

| | |
|-----------|-----------|
| 2,010,000 | 2,115,000 |
|-----------|-----------|

| | |
|-----------|-----------|
| 4,745,058 | 4,860,484 |
|-----------|-----------|

| | |
|---------|---------|
| 624,988 | 785,983 |
|---------|---------|

| | |
|------------|------------|
| 25,519,142 | 32,006,689 |
|------------|------------|

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
GOVERNMENTAL FUNDS
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances, 1999
(With Comparative Totals for the Year
Ended June 30, 1998)**

| | <u>GENERAL</u> | <u>DEBT SERVICE</u> | <u>CAPITAL PROJECTS</u> |
|---|----------------------|-------------------------|-----------------------------|
| EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES | <u>(\$3,472,489)</u> | <u>(\$5,518,772)</u> | <u>\$6,141,324</u> |
| OTHER FINANCING SOURCES (Uses) | | | |
| Operating transfers in (note 30) | 5,473,623 | 5,519,616 | 539,765 |
| Operating transfers out (note 30) | (764,847) | (428,608) | (10,830,691) |
| Gain on sale of fixed assets | <u>2,002,022</u> | | |
| Total other financing sources (uses) | <u>6,710,798</u> | <u>5,091,008</u> | <u>(10,290,926)</u> |
| EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | 3,238,309 | (427,764) | (4,149,602) |
| FUND BALANCES AT BEGINNING OF YEAR | 7,881,193 | 24,286,471 | 20,920,361 |
| Prior year adjustment | | | |
| FUND BALANCES AT END OF YEAR | <u>\$11,119,502</u> | <u>\$23,858,707</u> | <u>\$16,770,759</u> |

(Concluded)

The accompanying notes are an integral part of this statement.

| TOTAL (MEMORANDUM ONLY) | |
|----------------------------|----------------------|
| <u>JUNE 30, 1999</u> | <u>JUNE 30, 1998</u> |
| <u>(\$2,849,937)</u> | <u>(\$7,859,377)</u> |
| 11,533,004 | 11,088,767 |
| (12,024,146) | (11,388,522) |
| 2,002,022 | 54,276 |
| <u>1,510,880</u> | <u>(245,479)</u> |
| (1,339,057) | (8,104,856) |
| 53,088,025 | 61,769,430 |
| | (576,549) |
| <u>\$51,748,968</u> | <u>\$53,088,025</u> |

**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, 1999**

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
|---|--------------------|--------------------|---|
| REVENUES | | | |
| Ad valorem taxes | \$7,308,133 | \$7,705,346 | \$397,213 |
| Intergovernmental revenues: | | | |
| State revenue sharing | 1,500,000 | 1,516,632 | 16,632 |
| Other state grants | 60,010 | 61,047 | 1,037 |
| Federal grants | 450,153 | 410,277 | (39,876) |
| Use of money and property: | | | |
| Oil and gas royalties | 300,000 | 211,044 | (88,956) |
| Rents and leases: | | | |
| Bohemia Spillway | 25,417 | 445,786 | 420,369 |
| East Lakefront camps | 300 | 300 | |
| Other locations | 32,215 | 37,462 | 5,247 |
| Investment earnings | 451,821 | 679,499 | 227,678 |
| Miscellaneous | 37,824 | 62,339 | 24,515 |
| Total revenues | <u>10,165,873</u> | <u>11,129,732</u> | <u>963,859</u> |
| EXPENDITURES | | | |
| Flood and drainage protection: | | | |
| Personal services | 9,813,427 | 8,275,702 | 1,537,725 |
| Travel | 27,155 | 16,097 | 11,058 |
| Contractual services | 2,566,550 | 2,116,973 | 449,577 |
| Materials and supplies | 1,018,484 | 761,183 | 257,301 |
| Professional services | 1,972,786 | 1,904,849 | 67,937 |
| Other charges | 353,669 | 326,860 | 26,809 |
| Machinery and equipment | 721,521 | 580,623 | 140,898 |
| Litigation settlement | 800,000 | 619,934 | 180,066 |
| Total expenditures | <u>17,273,592</u> | <u>14,602,221</u> | <u>2,671,371</u> |
| EXCESS OF EXPENDITURES OVER REVENUES | <u>(7,107,719)</u> | <u>(3,472,489)</u> | <u>3,635,230</u> |

(Continued)

The accompanying notes are an integral part of this statement.

ORLEANS LEVEE DISTRICT
 STATE OF LOUISIANA
 GOVERNMENTAL FUND - GENERAL FUND
 Statement of Revenues, Expenditures,
 and Changes in Fund Balance -
 Budget (GAAP Basis) and Actual, 1999

| | <u>BUDGET</u> | <u>ACTUAL</u> | VARIANCE FAVORABLE (UNFAVORABLE) |
|---|------------------------------|----------------------------|--|
| OTHER FINANCING SOURCES (Uses) | | | |
| Operating transfers in | \$5,473,623 | \$5,473,623 | |
| Operating transfers out | (764,847) | (764,847) | |
| Gain on sale of fixed assets | 2,000,822 | 2,002,022 | \$1,200 |
| Total other financing sources (uses) | <u>6,709,598</u> | <u>6,710,798</u> | <u>1,200</u> |
| | | | |
| EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | (398,121) | 3,238,309 | 3,636,430 |
| | | | |
| FUND BALANCE AT BEGINNING OF YEAR | <u>(13,237,101)</u> | <u>7,881,193</u> | <u>21,118,294</u> |
| | | | |
| FUND BALANCE AT END OF YEAR | <u><u>(\$13,635,222)</u></u> | <u><u>\$11,119,502</u></u> | <u><u>\$24,754,724</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, 1999
(With Comparative Totals for the Year
Ended June 30, 1998)**

| | <u>JUNE 30, 1999</u> | <u>JUNE 30, 1998</u> |
|---|----------------------|----------------------|
| OPERATING REVENUES | | |
| Rentals | \$2,626,677 | \$2,933,667 |
| Fuel farm sales and fees | 2,655,355 | 3,091,614 |
| Gaming fees | 4,251,524 | 4,152,874 |
| Other | 229,126 | 134,348 |
| Total operating revenues | <u>9,762,682</u> | <u>10,312,503</u> |
| OPERATING EXPENSES | | |
| Personal services | 2,158,491 | 2,481,337 |
| Travel | 6,890 | 813 |
| Contractual services | 867,490 | 863,061 |
| Materials and supplies: | | |
| Fuel farm | 2,084,412 | 2,485,016 |
| Other | 236,469 | 240,986 |
| Professional services | 123,921 | 57,472 |
| Other charges - maintenance contracts, etc. | 207,213 | 162,437 |
| Depreciation | 3,145,849 | 3,220,464 |
| Total operating expenses | <u>8,830,735</u> | <u>9,511,586</u> |
| OPERATING INCOME | <u>931,947</u> | <u>800,917</u> |
| NONOPERATING REVENUES (Expenses) | | |
| Investment income | 121,137 | 211,618 |
| Debt service - interest and bank charges | (2,361,691) | (2,614,729) |
| Federal and state grants | 161,442 | |
| Asset Amortization Program expense | | (444,636) |
| Gain on sale of fixed assets | | 9,410 |
| Bond issuance costs | (78,006) | (80,368) |
| Total nonoperating revenues (expenses) | <u>(2,157,118)</u> | <u>(2,918,705)</u> |
| INCOME (Loss) BEFORE OPERATING TRANSFERS | <u>(1,225,171)</u> | <u>(2,117,788)</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, 1999
 (With Comparative Totals for the Year
 Ended June 30, 1998)

| | <u>JUNE 30, 1999</u> | <u>JUNE 30, 1998</u> |
|--|-----------------------|-----------------------|
| OPERATING TRANSFERS | | |
| Operating transfers in (note 30) | \$574,642 | \$553,287 |
| Operating transfers out (note 30) | (83,500) | (253,532) |
| Total operating transfers | <u>491,142</u> | <u>299,755</u> |
| NET INCOME (Loss) | <u>(734,029)</u> | <u>(1,818,033)</u> |
| RETAINED EARNINGS (Deficit) AT BEGINNING OF YEAR | (23,914,694) | (19,421,380) |
| Prior period adjustment (note 31) | 836,834 | (2,675,281) |
| RETAINED EARNINGS (Deficit) AT BEGINNING OF YEAR, AS RESTATED | <u>(23,077,860)</u> | <u>(22,096,661)</u> |
| RETAINED EARNINGS (Deficit) AT END OF YEAR (note 2) | <u>(\$23,811,889)</u> | <u>(\$23,914,694)</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, 1999
(With Comparative Totals for the Year
Ended June 30, 1998)**

| | <u>JUNE 30, 1999</u> | <u>JUNE 30, 1998</u> |
|--|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Operating income | \$931,947 | \$800,917 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | |
| Depreciation | 3,145,849 | 3,220,464 |
| Adjustment to beginning fund equity | | (36,346) |
| Changes in assets and liabilities: | | |
| (Increase) in investments | (99) | (2,061) |
| Decrease in restricted investments | 955,864 | |
| (Increase) decrease in receivables | (40,184) | 378,025 |
| (Increase) in due from other funds | (2,000,241) | (1,488,925) |
| (Increase) decrease in inventory | 61,914 | (33,600) |
| (Increase) in other assets | (6,921) | (100) |
| Increase in payables | 18,338 | 100,415 |
| Increase in deferred revenues | 1,884,612 | 10,283 |
| Increase (decrease) in due to other funds | (859,397) | 806,029 |
| Increase (decrease) in other liabilities | (6,046) | 4,426 |
| Increase (decrease) in accrued compensated absences | 8,435 | (11,979) |
| Net cash provided (used) by operating activities | <u>4,094,071</u> | <u>3,747,548</u> |
| Cash flows from noncapital financing activities: | | |
| Operating transfers in from other funds | 574,642 | 553,287 |
| Operating transfers out to other funds | (83,500) | (253,532) |
| State and federal grants | 161,442 | |
| Net cash provided by noncapital financing activities | <u>652,584</u> | <u>299,755</u> |
| Cash flows from capital and related financing activities: | | |
| Principal paid on bonds | (1,108,811) | (1,056,640) |
| Advance from other funds | (332,182) | (341,778) |
| Interest paid on bond maturities (excluding amortized premium and discount on bonds payable) | (3,125,160) | (3,254,418) |
| Asset Amortization Program expenses | | (444,636) |
| Proceeds from sale of equipment | | 11,880 |
| Acquisition of capital assets | (260,180) | (103,558) |
| Net cash used in capital and related financing activities | <u>(4,826,333)</u> | <u>(5,189,150)</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, 1999
(With Comparative Totals for the Year
Ended June 30, 1998)

| | <u>JUNE 30, 1999</u> | <u>JUNE 30, 1998</u> |
|--|----------------------|----------------------|
| Cash flows from investing activities: | | |
| Receipt of interest and dividends earned on investments | \$121,137 | \$211,628 |
| Proceeds from sales of investment securities | | 930,219 |
| Net cash provided by investing activities | <u>121,137</u> | <u>1,141,847</u> |
| Net increase (decrease) in cash | <u>41,459</u> | <u>NONE</u> |
| Cash at beginning of year | 35,200 | 35,200 |
| Adjustment to reflect cash with fiscal agent at July 1, 1998 | 696,063 | |
| Adjusted cash balance at beginning of year | <u>731,263</u> | <u>35,200</u> |
| Cash at end of year | <u>\$772,722</u> | <u>\$35,200</u> |
| Noncash investing, capital, and financing activities: | | |
| Assets acquired by transfer | \$5,679 | \$9,753 |
| Assets transferred to other funds | (1,428) | (8,129) |
| Assets written-off | <u>(1,918)</u> | <u>(3,978)</u> |
| Total noncash investing, capital, and financing activities | <u>\$2,333</u> | <u>(\$2,354)</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, 1999**

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
|---|--------------------|--------------------|---|
| REVENUES | | | |
| Rentals | \$4,167,409 | \$2,626,293 | (\$1,541,116) |
| Fuel farm sales and fees | 2,900,000 | 2,655,355 | (244,645) |
| Commissions - vending machines | 4,600 | 805 | (3,795) |
| Transfer fees | 1,000 | 1,608 | 608 |
| Visiting slips | 52,000 | 65,512 | 13,512 |
| Gaming fees | 2,785,885 | 3,945,639 | 1,159,754 |
| Miscellaneous | 66,500 | 467,470 | 400,970 |
| Total revenues | <u>9,977,394</u> | <u>9,762,682</u> | <u>(214,712)</u> |
| EXPENSES | | | |
| Personal services | 2,134,617 | 2,158,491 | (23,874) |
| Travel | 8,476 | 6,890 | 1,586 |
| Contractual services | 993,169 | 867,490 | 125,679 |
| Materials and supplies: | | | |
| Fuel farm | 2,325,000 | 2,084,412 | 240,588 |
| Other | 342,220 | 236,469 | 105,751 |
| Professional services | 153,935 | 123,922 | 30,013 |
| Other charges | 278,979 | 207,213 | 71,766 |
| Depreciation | 3,019,700 | 3,145,848 | (126,148) |
| Total expenses | <u>9,256,096</u> | <u>8,830,735</u> | <u>425,361</u> |
| OPERATING INCOME | <u>721,298</u> | <u>931,947</u> | <u>210,649</u> |
| NONOPERATING REVENUES (Expenses) | | | |
| Investment income | | 121,137 | 121,137 |
| Debt service - interest and bank charges | (3,170,148) | (2,361,691) | 808,457 |
| Bond issuance costs | | (78,006) | (78,006) |
| Federal and state grants | 186,786 | 161,442 | (25,344) |
| Total nonoperating revenues (expenses) | <u>(2,983,362)</u> | <u>(2,157,118)</u> | <u>826,244</u> |
| INCOME (Loss) BEFORE OPERATING TRANSFERS | <u>(2,262,064)</u> | <u>(1,225,171)</u> | <u>1,036,893</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 - Budget
(GAAP Basis) and Actual, 1999**

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
|---|------------------------------|------------------------------|---|
| OPERATING TRANSFERS | | | |
| Operating transfers in | \$574,642 | \$574,642 | |
| Operating transfers out | (83,500) | (83,500) | |
| Total operating transfers | <u>491,142</u> | <u>491,142</u> | <u>NONE</u> |
| NET LOSS | <u>(1,770,922)</u> | <u>(734,029)</u> | <u>\$1,036,893</u> |
| DEFICIT IN RETAINED EARNINGS AT BEGINNING OF YEAR | <u>(21,388,176)</u> | <u>(23,077,860)</u> | <u>(1,689,684)</u> |
| DEFICIT IN RETAINED EARNINGS AT END OF YEAR (note 2) | <u><u>(\$23,159,098)</u></u> | <u><u>(\$23,811,889)</u></u> | <u><u>(\$652,791)</u></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, 1999

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 32) 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 rents and gaming related monies from a steamboat operator located at the South Shore Harbor Marina. The levee district has approximately 269 full-time employees, including 56 police officers, 16 firefighters, and 4 maritime officers.

The levee district is governed by a board of 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 Government 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.

The levee district has included the Floodcomm Fund as a blended component unit in the enterprise funds. The component unit is blended and 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.

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 two categories: governmental 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.

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:

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 (R.S.) 47:1997(b), ad valorem taxes are assessed for the calendar year, become due on the first day of January each

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

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.

Investment income includes both the interest received on cash and investments and the change in the fair value of investments. GASB Statement 31 requires that investments be reported at fair value on the balance sheet. The change in fair value of investments from the beginning and end of the current fiscal year is the net increase (decrease) in the fair value of investments and is included as a component of investment income.

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 interest 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; and proceeds from capital leases, are recognized when they become available and measurable. Litigation settlements 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:

Revenues

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

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

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

Investment 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 by employees.

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.

Under the provisions of GASB Statement 20, "Accounting and Financial Reporting for Proprietary Fund Accounting," the levee district follows pronouncements of the GASB and has elected not to follow Financial Accounting Standards Board guidance issued subsequent to November 30, 1989.

E. BUDGET PRACTICES

The levee district prepares its budget in accordance with 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, 1999, was adopted on March 18, 1998, and subsequent amendments were adopted on November 18, 1998, April 21, 1999, and June 16, 1999. 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, and cash with paying agents. 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 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.

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

Under state law, the levee district may invest in United States Treasury obligations, United States government agency obligations, and direct security repurchase agreements, or in eligible mutual funds that invest in these securities. Investments are stated at fair value.

G. INVENTORY

The levee district maintains a perpetual inventory system for general government materials and supplies and fuel purchased for resale by the New Orleans Lakefront Airport (enterprise fund). 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 fund 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.

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

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

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 1% 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. In addition, it is the levee district's policy to pay any accumulated compensatory leave at the employee's hourly rate of pay at the time of termination.

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 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 and compensatory leave benefits of General Fund employees 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.

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

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 18).

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 RETAINED EARNINGS

As shown on Statement D, the enterprise funds have a deficit in total retained earnings of \$23,811,889 for the year ended June 30, 1999. Individual enterprise funds with deficit retained earnings at June 30, 1999, include the South Shore Harbor Marina and the New Orleans Lakefront Airport funds with amounts of \$13,711,701 and \$19,889,665, respectively.

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

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

1. South Shore Harbor Marina

- a. Continue the marketing efforts for the leasing of the boathouses on a long-term basis and increasing occupancy of the open slips. Promote South Shore Harbor during the upcoming boat show scheduled for October 8-10, 1999. Aggressively advertise the newly completed 140-foot "T" dock, which should increase revenue by accommodating larger vessels.
- b. Recognize an increase in tenant rentals effective January 1, 2000, because of a planned rate increase of 10% and an increase in income from Bally's effective July 1, 2000, resulting from a scheduled increase in the percentage of gross gaming revenues from 3% to 5%.
- c. Continue efforts to attract outside development on the southern land area, which could include a boat repair facility, marine supply shop, boat launch and other retail facilities.

2. New Orleans Lakefront Airport

- a. Develop strategic marketing plan and aggressively market airside and landside property to private, corporate, and commercial aviation.
- b. Continue marketing and advertising efforts to attract commercial flight services and increase fuel sales.
- c. Implement reduction in personnel costs at the Aircraft Rescue and Fire Fighting Section by changing shifts, reducing the staff numbers, et cetera.
- d. Continue airfield improvements and expansion with federal and state sponsor funding to enhance flight operations.
- e. Implement the reassignment of personnel and other costs, which should be more appropriately assigned to other funds.
- f. Reduce other costs associated with operating Lakefront Airport such as turning off the runway and taxiway lights and signs from 10 p.m. to 6 a.m. and discontinuing the use of a second fire truck.

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. Obviously, the turnaround will not be accomplished within the timeframe of one fiscal period, but the current Board of Commissioners is committed to maximizing revenues and decreasing expenditures throughout the entire agency.

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

3. EXPENSES - ACTUAL AND BUDGET

The Lake Vista Community Center Enterprise Fund has budgeted expenses of \$170,803 and actual expenses of \$178,848, resulting in an unfavorable variance of \$8,045. The South Shore Harbor Marina Enterprise Fund has budgeted expenses of \$2,052,068 and actual expenses of \$2,069,170, resulting in an unfavorable variance of \$17,102.

Budget amendments were made to the enterprise funds through board approval and administrative authorization. Based on future operations, more extensive amendments may be requested, as appropriate, to stabilize any unfavorable variances.

4. CASH

At June 30, 1999, the levee district has cash (book balances), totaling \$2,273,111, which consists of cash for \$1,535,589 and restricted assets of \$737,522 (note 16).

A summary of cash of the levee district follows:

| | |
|------------------------|-------------------------------|
| Petty cash | \$700 |
| Demand deposits | 170,229 |
| Cash with paying agent | <u>2,102,182</u> |
| Total | <u><u>\$2,273,111</u></u> |

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 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, 1999, the levee district has \$1,075,543 in deposits (collected bank balances). These deposits are secured from risk by \$239,727 of federal deposit insurance (GASB Category 1). In addition, \$831,321 of pledged securities are held by the custodial banks in the name of the fiscal agent banks (GASB Category 3). The collected bank balances are undersecured by \$4,495 at June 30, 1999. The levee district transferred funds on June 30, 1999, for an interest payment due on July 1, 1999, and additional pledged securities were not provided by the paying agent bank.

5. INVESTMENTS

At June 30, 1999, investments of the levee district total \$57,385,467, which is shown on Statement A as \$53,851,551 of investments, \$2,530,832 as investments held for Bohemia litigation, and \$1,003,084 of restricted assets (note 16).

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

A summary of levee district investments follows:

| | <u>Governmental Funds</u> | <u>Enterprise Funds</u> | <u>Total</u> |
|--|-------------------------------|-----------------------------|---------------------|
| Government Securities: | | | |
| United States Treasury obligations | \$4,537,141 | \$1,003,084 | \$5,540,225 |
| Federal Home Loan Bank | 5,619,775 | | 5,619,775 |
| Federal Home Loan Mortgage | 8,950,613 | | 8,950,613 |
| Federal National Mortgage Association | 23,969,778 | | 23,969,778 |
| Governmental National Mortgage Association | 9,283,808 | | 9,283,808 |
| Total governmental securities | <u>52,361,115</u> | <u>1,003,084</u> | <u>53,364,199</u> |
| | | | |
| Money market mutual funds | <u>4,019,108</u> | <u>2,160</u> | <u>4,021,268</u> |
| | | | |
| Total investments | <u>\$56,380,223</u> | <u>\$1,005,244</u> | <u>\$57,385,467</u> |

Investments of governmental securities reflected in the governmental funds and the enterprise funds are stated at fair value as required by GASB Statement 31. The levee district used quoted market values to determine the fair value of the investments. These investments are direct obligations of the U.S. Department of Treasury and other federal governmental agencies. These investments are considered uninsured and unregistered as these securities are not in the name of the levee district and are held by the fiscal agents and/or their trust departments. These investments are classified as GASB Risk Category 3 of Statement 3 in applying the credit risk of GASB Codification Section I50.164.

The \$4,021,168 of money market mutual funds consist of shares of mutual funds that are invested in direct obligations of the U.S. Department of Treasury, other federal governmental agencies, and repurchase agreements involving these securities. These investments are not required to be classified as to category of credit risk by GASB Codification Section I50.165.

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

6. RECEIVABLES

At June 30, 1999, the levee district has receivable balances, totaling \$1,493,972, as follows:

| <u>Class of Receivable</u> | <u>Governmental Funds</u> | | <u>Proprietary</u> | <u>Total</u> |
|----------------------------|---------------------------|-------------------------|---------------------------|--------------------|
| | <u>General</u> | <u>Capital Projects</u> | <u>Funds - Enterprise</u> | |
| Grants: | | | | |
| State | | \$151,539 | | \$151,539 |
| Federal | \$10,650 | 456,746 | | 467,396 |
| Ad valorem taxes | 67,274 | 80,711 | | 147,985 |
| Fuel farm sales and fees | | | \$207,989 | 207,989 |
| Rents, leases, and other | 95,950 | 45,294 | 377,819 | 519,063 |
| Total receivables | \$173,874 | \$734,290 | \$585,808 | \$1,493,972 |

7. ADVANCE TO/FROM 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 \$1,093,477. Net transfers of Fuel Flowage fees from the Lakefront Airport Enterprise Fund to the General Fund for \$332,182 reduced this amount to \$761,295 at June 30, 1999. 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.

8. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets is as follows:

| | <u>Balance July 1, 1998</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance June 30, 1999</u> |
|-----------------------------------|-----------------------------|------------------|------------------|------------------------------|
| Land | \$12,508,310 | | \$275,162 | \$12,233,148 |
| Buildings | 8,133,830 | | | 8,133,830 |
| Improvements other than buildings | 10,832,135 | | | 10,832,135 |
| Equipment | 8,435,759 | \$600,079 | 95,647 | 8,940,191 |
| Total | \$39,910,034 | \$600,079 | \$370,809 | \$40,139,304 |

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

A summary of fixed assets and related depreciation at June 30, 1999, for the enterprise funds is as follows:

| | Cost | Accumulated Depreciation | Net Property, Plant, and Equipment |
|-----------------------------------|----------------------|-----------------------------|--|
| Land | \$19,338,814 | | \$19,338,814 |
| Buildings | 9,471,030 | \$6,265,493 | 3,205,537 |
| Improvements other than buildings | 75,742,820 | 38,785,898 | 36,956,922 |
| Equipment | 1,308,619 | 995,198 | 313,421 |
| Construction in progress | 31,158 | | 31,158 |
| Total | <u>\$105,892,441</u> | <u>\$46,046,589</u> | <u>\$59,845,852</u> |

9. 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% 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 System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the levee district is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 1999, decreased to 12.4% of annual covered payroll from the 13.0% and 12.4% required in fiscal years ended June 30, 1998, and 1997, respectively. The levee district contributions to the System for the years ending June 30, 1999, 1998, and 1997, were \$833,186, \$871,448, and \$839,455, respectively, equal to the required contributions for each year.

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

10. HEALTH INSURANCE PROGRAM

In January 1999, the levee district renewed its one-year agreement with Principal Health Care of Louisiana that provides a Triple Option HMO Point of Service Plan as the basis of a health plan for its employees and retirees. This type of plan is an insured plan with costs negotiated by contract on the basis of the number of employees and specific coverage selected. Employee and retiree contributions for this plan totaled \$240,392 and employer contributions totaled \$1,131,066 for the year ended June 30, 1999.

Until December 31, 1996, the levee district operated a self-insurance group medical and dental benefit plan administered by Gilsbar, Incorporated. The plan was 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. Employees were required to submit a notice of claim no later than 90 days after injury or illness had occurred. These claims were submitted to the administrator for review and processing of eligible benefits as prescribed by the health plan. During the current fiscal year, there were no delayed nor contested claims processed and neither was there any costs paid during the current year on behalf of this program.

The levee district has a designation of fund balance in the General Fund for the health insurance program of \$113,881 (note 22) at June 30, 1999.

The levee district also entered into an agreement with Paid Dental to provide dental benefits for a set cost per participant. The total expenditure for dental coverage was \$125,274.

11. WORKERS' COMPENSATION INSURANCE PROGRAM

Effective July 1, 1998, the levee district discontinued participation in its workers' compensation self-insurance plan and obtained coverage from the Louisiana Workers' Compensation Company. All open claims as of June 30, 1998, will be paid from the self-insurance plan. At June 30, 1999, only two claims remain open. For the year ended June 30, 1999, the cost of the self-insured program was \$91,400, which represents \$73,666 of reported claims costs, \$2,636 of claim service fees, \$14,004 of administrative fees, and \$1,094 of premiums related to a previous policy period. The table that follows is based on data supplied by the administrator of the plan and payments made.

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

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

| | |
|--------------------------------------|--------------------|
| Claims payable at June 30, 1998 | \$16,380 |
| Claims reported for fiscal year 1999 | 73,666 |
| Less: | |
| Prior year claims paid | 16,380 |
| Current year claims paid | <u>73,666</u> |
| Claims payable at June 30, 1999 | <u><u>NONE</u></u> |

At June 30, 1999, the levee district is due \$52,427 from the plan administrator of the self-insured program as a result of the return of funds that were on reserve for a claim that was settled during the fiscal year.

The levee district renewed its one-year agreement to obtain coverage from the Louisiana Workers' Compensation Company for a period commencing on July 1, 1999, and ending on July 1, 2000. The workers' compensation program is a paid-loss retrospective program. This program features a minimum premium of \$185,955 and a maximum premium of \$309,925. The levee district's standard premium was based on the 1998-99 proposed payroll of \$8,317,179. The final premium is based on actual payroll and actual losses during the policy term. Losses are calculated by a loss conversion factor. Six months after policy expiration (18 months after inception, for a one-year retro plan), the first retrospective rating calculation is made. The retro formula is applied, using the insured's actual losses during the policy period. The retrospective rating premium is then compared with the premium the insured has already paid, and the appropriate adjustment to the premium is made (a refund to the insured or additional premium due to the insurer). For the fiscal year ended June 30, 1999, the levee district paid a total premium of \$309,925 to the Louisiana Workers' Compensation Company and will receive a premium refund that has yet to be determined.

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 self-insurance workers' compensation plan of \$100,000 (note 22) at June 30, 1999.

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

Substantially all levee district employees become eligible for postemployment health care, dental 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 the levee district. For 1999, the cost of providing those benefits for the 89 retirees totaled \$197,703.

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

13. COMPENSATED ABSENCES

As of June 30, 1999, employees of the levee district have accumulated and vested \$935,888 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. Of this amount, \$791,557 is recorded within the general long-term obligations account group, and \$144,331 is accounted for within the proprietary funds.

14. LEASE AND RENTAL COMMITMENTS

Effective in August 1996, the levee district revised noncancelable operating leases for four copiers for an additional 36 months. The last annual operating lease payments were made during the 1998-99 fiscal year. The Orleans Levee Board did not engage in any new capital lease contracts for the fiscal year end June 30, 1999.

15. LESSOR OPERATING LEASES

The Orleans Levee District leases boat slips, boathouses, and building space to certain parties under operating leases. At June 30, 1999, the total cost of the land, buildings and improvements leased to others by the Enterprise Funds is \$104,552,664 with \$45,051,392 of related accumulated depreciation. Future minimum rental payments to be received under these operating leases are as follows:

| | |
|-----------------------------|----------------------------|
| Fiscal year ending June 30: | |
| 2000 | \$7,397,245 |
| 2001 | 7,594,557 |
| 2002 | 7,621,687 |
| 2003 | 7,635,565 |
| 2004 | <u>7,671,830</u> |
| Total | <u><u>\$37,920,884</u></u> |

16. RESTRICTED ASSETS

Restricted assets in the South Shore Harbor Marina Fund at June 30, 1999, reflected at \$1,740,606 on Statement A, consist of \$737,522 of cash with fiscal agent and \$1,003,084 of U.S. Treasury notes held for the Public Improvement Fixed Rate Refunding Bonds, Series 1987.

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

17. PAYABLES

The following is a summary of payables at June 30, 1999:

| | Governmental Funds | | | Proprietary | Total |
|---|--------------------|----------------|------------------|--------------------|--------------------|
| | General | Debt Service | Capital Projects | Funds - Enterprise | |
| Accounts payable | \$565,642 | \$1,248 | \$94,110 | \$193,094 | \$854,094 |
| Taxes payable | 168 | | | | 168 |
| Contracts payable | 10,165 | | 168,027 | 115,019 | 293,211 |
| Contracts bid deposit | 7,025 | | | | 7,025 |
| Salaries payable | 208,934 | | | 38,535 | 247,469 |
| Payroll deductions and employer's payable | 123,453 | | | 22,304 | 145,757 |
| Total | \$915,387 | \$1,248 | \$262,137 | \$368,952 | \$1,547,724 |

18. CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended June 30, 1999:

| | Long-Term Obligations Payable at July 1, 1998 | Additions | Deductions and Retirement | Long-Term Obligations Payable at June 30, 1999 |
|--|---|-------------|---------------------------|--|
| General obligation bonds | \$370,000 | | (\$55,000) | \$315,000 |
| Capital Recovery Funding Bonds | 24,155,000 | | | 24,155,000 |
| Levee Improvement: | | | | |
| Fixed Rate Refunding Bonds, Series 1986 | 53,705,000 | | (1,695,000) | 52,010,000 |
| Variable Rate Refunding Bonds, Series 1996 | 6,530,000 | | (260,000) | 6,270,000 |
| Total general obligation bonds payable | <u>84,760,000</u> | <u>NONE</u> | <u>(2,010,000)</u> | <u>82,750,000</u> |
| Public Improvement: | | | | |
| Fixed Rate Refunding Bonds, Series 1986 | 32,995,000 | | (980,000) | 32,015,000 |
| Fixed Rate Refunding Bonds, Series 1987 | 66,352 | | (38,064) | 28,288 |
| Variable Rate Refunding Bonds, Series 1996 | 2,700,000 | | (100,000) | 2,600,000 |
| Total enterprise fund bonds | <u>35,761,352</u> | <u>NONE</u> | <u>(1,118,064)</u> | <u>34,643,288</u> |
| Add - unamortized premiums | 119,546 | | (89,662) | 29,884 |
| Less: | | | | |
| Unamortized discounts | (353,817) | | 20,811 | (333,006) |
| Unamortized loss on refunding | (95,809) | | 9,252 | (86,557) |
| Total enterprise fund bonds payable | <u>35,431,272</u> | <u>NONE</u> | <u>(1,177,663)</u> | <u>34,253,609</u> |
| Total bonds payable | <u>120,191,272</u> | <u>NONE</u> | <u>(3,187,663)</u> | <u>117,003,609</u> |

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

| | Long-Term Obligations Payable at July 1, 1998 | Additions | Deductions and Retirement | Long-Term Obligations Payable at June 30, 1999 |
|--|--|-----------------|---------------------------------|---|
| Compensated absences: | | | | |
| Compensated absences - GLTDAG | \$734,108 | \$57,449 | | \$791,557 |
| Compensated absences - proprietary funds | 135,896 | 8,435 | | 144,331 |
| Litigation settlement | 600,000 | | (\$600,000) | |
| Total | <u>\$121,661,276</u> | <u>\$65,884</u> | <u>(\$3,787,663)</u> | <u>\$117,939,497</u> |

The additions and reductions to compensated absences during the 1998-99 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, and refunding 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 \$370,000. Payments of \$55,000 reduced this amount to \$315,000 at June 30, 1999. This is the outstanding balance of the \$1,000,000 Public Improvement Bonds Series 1973-A issued to improve the New Orleans Lakefront Airport. The bonds are due in future installments of \$55,000 to \$70,000 beginning October 1, 1999, through October 1, 2003. Interest to maturity amounts to \$44,415 at a rate of 5.4% 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% or more than 13%. 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 \$24,155,000. The bonds are due in one future annual installment of \$24,155,000 on October 1, 2005. On October 15, 2005, the letter of credit described in note 19 will expire and the levee board has to refinance, restructure, or pay off the debt. The interest to maturity amounts to \$5,283,906 at a rate of 3.5% (the minimum rate the bonds can carry) through October 1, 2005.

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

**C. LEVEE IMPROVEMENT 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 issued to advance refund \$53,111,097 of outstanding Levee Improvement 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%. Levee Improvement Fixed Rate Refunding Bonds payable at the beginning of the year were \$53,705,000. Payments of \$1,695,000 reduced this amount to \$52,010,000 at June 30, 1999. The Levee Improvement Fixed Rate Refunding Bonds, Series 1986, are secured by the 6.55 mill ad valorem tax and the scheduled payment of principal and interest are guaranteed under insurance policies issued by Financial Security Assurance, Inc. The interest to maturity amounts to \$29,381,398 at a rate of 5.95% through November 1, 2014. The bonds are due in future annual installments of \$1,810,000 to \$5,295,000, beginning November 1, 1999, through November 1, 2014.

**D. LEVEE IMPROVEMENT VARIABLE
RATE REFUNDING BONDS, SERIES 1996**

On October 29, 1996, the levee district issued \$6,775,000 in Levee Improvement Variable Rate Refunding Bonds, Series 1996. The proceeds of this issue, along with other funds, were used to current refund the remaining Levee Improvement Fixed Rate Refunding Bonds, Series 1987 on November 1, 1996. The Levee Improvement Variable Rate Refunding Bonds payable at the beginning of the year were \$6,530,000. Payments of \$260,000 reduced the amount to \$6,270,000 at June 30, 1999. The Levee Improvement Variable Rate Refunding Bonds, Series 1996, are secured by a junior claim on the 6.55 mill ad valorem tax. These bonds are due in future annual installments of \$275,000 to \$575,000 beginning November 1, 1999, through November 1, 2014. The bonds, which have a maximum rate of 14%, carry an initial rate of interest of 5.4% through November 1, 2003. The interest rates will be reset on November 1, 2003, and November 1, 2010, based on the same formula that yielded 5.4% for the initial period. The interest to maturity, calculated using 5.4% for the initial period, and an estimated 6.40% for the subsequent periods, amounts to \$3,376,090 through November 1, 2014.

**E. PUBLIC IMPROVEMENT FIXED RATE
BONDS, SERIES 1986**

On August 29, 1986, the levee district issued \$36,225,000 in Public Improvement Variable Rate Demand Bonds, which 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

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

to a fixed interest rate of 5.95%. Public Improvement Fixed Rate Refunding Bonds payable at the beginning of the year were \$32,995,000. Payments of \$980,000 reduced this amount to \$32,015,000 at June 30, 1999. The Public Improvement Fixed Rate Bonds, Series 1986, are secured by the 5.46 mill ad valorem tax, and the scheduled payment of principal and interest are guaranteed under insurance policies issued by Financial Security Assurance, Inc. The interest to maturity amounts to \$19,196,933 at a rate of 5.95% through November 1, 2015. The bonds are due in future annual installments of \$1,050,000 to \$3,065,000, from November 1, 1999, through November 1, 2015.

**F. 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. On November 1, 1996, the levee district redeemed \$32,950,000 of these bonds with the remaining proceeds from the Series A Escrow Account, with the proceeds of the Public Improvement Variable Rate Bonds, Series 1996, and with other funds of the levee district. Public Improvement Fixed Rate Refunding Bonds payable at the beginning of the year were \$66,352. Payments of \$38,064 reduced this amount to \$28,288. The final payment of \$28,288 is due on November 1, 1999. Interest is compounded at the rate of 8.25% and had accrued to \$943,322 at June 30, 1999, and will be payable only at maturity or redemption. The interest to maturity amounts to \$1,041,712 through November 1, 1999. The principal and interest on these bonds will be paid with cash and investments held with a fiscal agent that totals \$1,053,426 at June 30, 1999.

**G. PUBLIC IMPROVEMENT VARIABLE
RATE REFUNDING BONDS, SERIES 1996**

On October 29, 1996, the levee district issued \$2,795,000 in Public Improvement Variable Rate Refunding Bonds. The proceeds of this issue, along with other funds, were used to currently refund the remaining Public Improvement Fixed Rate Refunding Bonds, Series 1987, on November 1, 1996. Public Improvement Variable Rate Refunding Bonds payable at the beginning of the year were \$2,700,000. Payments of \$100,000 reduced the amount to \$2,600,000 at June 30, 1999. The Public Improvement Variable Rate Refunding Bonds, Series 1996, are secured by a junior claim on the 5.46 mill ad valorem tax. These bonds are due in future annual installments of \$105,000 to \$230,000 beginning November 1, 1999, through November 1, 2015. The bonds, which have a maximum rate of 14%, carry an initial rate of interest of 5.4% through November 1, 2003. The interest rates will be reset on November 1, 2003, and November 1, 2010, based on the same formula that yielded 5.4% for the initial period. The interest to maturity, calculated using 5.4% for the initial

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

period, and an estimated 6.40% for the subsequent periods, amounts to \$1,504,240 through November 1, 2015.

The annual requirements to amortize all bonds outstanding at June 30, 1999, including total interest to maturity of \$59,828,694 are as follows:

| <u>Fiscal Year</u> | <u>General Obligation Bonds</u> | <u>Capital Recovery Funding Bonds</u> | <u>Levee Improvements Refunding Bonds</u> | |
|--------------------|---|---|---|--------------------------------------|
| | | | <u>Fixed Rate Series 1986</u> | <u>Variable Rate Series 1996</u> |
| 2000 | \$70,525 | \$845,425 | \$4,850,748 | \$606,155 |
| 2001 | 72,420 | 845,425 | 4,874,036 | 601,035 |
| 2002 | 74,045 | 845,425 | 4,889,293 | 605,105 |
| 2003 | 70,535 | 845,425 | 4,911,070 | 598,365 |
| 2004 | 71,890 | 845,425 | 4,928,774 | 624,590 |
| Thereafter | | 25,211,781 | 56,937,477 | 6,610,840 |
| Total | <u>\$359,415</u> | <u>\$29,438,906</u> | <u>\$81,391,398</u> | <u>\$9,646,090</u> |

19. DEMAND BOND ISSUE

The levee district has one outstanding demand bond issue (Capital Recovery Funding Bonds) as of June 30, 1999, 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% 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 1% (.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 \$25,274,445. The amount is equal to the aggregate principal amount of the bonds plus accrued interest (on the date of the bond sale) reduced by the principal payments to date. The irrevocable letter of credit would have expired on October 15, 1998, but the letter of credit was extended to October 15, 2005. The extension reduced the stated amount of the letter of credit to \$25,236,608 and reduced the annual letter of credit fee of .35% to .275% that the levee district must pay. The letter of credit provides for the financing of amounts drawn on the letters of credit at the bank rate plus 2%.

Public Improvements
Refunding Bonds

| Fixed Rate | | Variable Rate | Total |
|---------------------|--------------------|--------------------|----------------------|
| Series 1986 | Series 1987 | Series 1996 | |
| \$2,923,655 | \$1,070,000 | \$242,565 | \$10,609,073 |
| 2,929,098 | | 241,760 | 9,563,774 |
| 2,935,226 | | 240,685 | 9,589,779 |
| 2,941,744 | | 239,340 | 9,606,479 |
| 2,953,204 | | 252,690 | 9,676,573 |
| 36,529,006 | | 2,887,200 | 128,176,304 |
| <u>\$51,211,933</u> | <u>\$1,070,000</u> | <u>\$4,104,240</u> | <u>\$177,221,982</u> |

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

20. OUTSTANDING DEFEASED DEBT

In prior years, the levee district 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, 1999, the following outstanding bonds are considered defeased:

| <u>Bond Issues</u> | <u>Original Issue</u> | | <u>Outstanding at June 30, 1999</u> |
|--|--------------------------|----------------------------|---|
| | <u>Refunded Date</u> | <u>Amount Defeased</u> | |
| 1984 Levee Improvement - Serial Bonds | May 1985 | \$16,610,000 | \$3,595,000 |
| 1985 Levee Improvement Refunding - Compound Interest Term Bonds | August 1986 | 4,061,097 | 4,061,097 |

21. FUND BALANCE RESERVES

The following is a summary of fund balance reserves at June 30, 1999:

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Funds</u> | <u>Total</u> |
|---|-------------------------|----------------------------------|---------------------------------------|---------------------|
| Reserved for: | | | | |
| Encumbrances | \$209,318 | | \$1,734,738 | \$1,944,056 |
| Debt service | | \$23,858,707 | | 23,858,707 |
| Advance to Lakefront Airport (note 7) | 761,295 | | | 761,295 |
| Bohemia Spillway Escrow (notes 5 and 26) | 2,530,832 | | | 2,530,832 |
| Total | <u>\$3,501,445</u> | <u>\$23,858,707</u> | <u>\$1,734,738</u> | <u>\$29,094,890</u> |

22. 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:

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

Air conditioning unit replacement - funds set aside for replacement of air conditioning unit.

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

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

Employee health benefits - \$113,881 set aside by the levee district 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, 1999, follows:

| | |
|--|-------------------------|
| Major construction equipment replacement | \$100,376 |
| Air conditioning unit replacement | 18,239 |
| Hurricane cleanup and recovery | 100,000 |
| Employee health benefits (self-insured) | 113,881 |
| Workers' compensation | <u>100,000</u> |
| Total | <u><u>\$432,496</u></u> |

23. CONTRIBUTED CAPITAL

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

| | Capital Contribution at July 1, 1998 | Intergovernmental Receipts and Capital Acquisitions | Capital Contribution at June 30, 1999 |
|-------------------------------|---|--|--|
| Lake Vista Community Center | \$1,240,474 | | \$1,240,474 |
| Orleans Marina | 2,147,153 | \$815 | 2,147,968 |
| South Shore Harbor Marina | 12,871,819 | (2,691) | 12,869,128 |
| New Orleans Lakefront Airport | <u>36,724,831</u> | <u>4,451</u> | <u>36,729,282</u> |
| Total | <u><u>\$52,984,277</u></u> | <u><u>\$2,575</u></u> | <u><u>\$52,986,852</u></u> |

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

**24. 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, 1999, follows:

| | Lake Vista Community Center | Orleans Marina | South Shore Harbor Marina | New Orleans Lakefront Airport | Floodcomm | Total |
|---|--------------------------------------|-------------------|------------------------------------|--|-----------|-------------|
| Operating revenues | \$234,281 | \$1,293,910 | \$4,469,328 | \$3,765,163 | | \$9,762,682 |
| Depreciation | 99,838 | 86,108 | 1,443,114 | 1,516,789 | | 3,145,849 |
| Operating income or loss | 55,433 | 883,903 | 2,400,158 | (2,407,547) | | 931,947 |
| Operating transfers in | 48,500 | 20,459 | 80,459 | 425,224 | | 574,642 |
| Operating transfers out | (5,000) | (7,133) | (54,960) | (16,407) | | (83,500) |
| Net income or (loss) | 98,933 | 901,251 | 145,620 | (1,879,833) | | (734,029) |
| Property, plant, and equipment: | | | | | | |
| Additions | | 13,327 | 44,324 | 305,847 | | 363,498 |
| Deletions | | 10,208 | 13,253 | 35,521 | | 58,982 |
| Total assets | 2,761,715 | 10,572,822 | 36,017,156 | 29,061,978 | \$35,000 | 78,448,671 |
| Net working capital | 1,300,200 | 9,086,088 | 4,589,574 | (10,882,330) | 11,068 | 4,104,600 |
| Bonds and other long-term liabilities payable from other revenues | | 7,850 | 35,136,029 | 874,476 | | 36,018,355 |
| Total equity | 2,727,689 | 10,439,162 | (842,573) | 16,839,617 | 11,068 | 29,174,963 |

25. DUE FROM/TO OTHER FUNDS

The balances of due from/to other funds detailed by individual fund at June 30, 1999, are as follows:

| | Due from Other Funds | Due to Other Funds |
|-------------------------------|-------------------------|-----------------------|
| General Fund | \$11,782,607 | \$21,359,741 |
| Debt Service Fund | | 2,323,525 |
| Capital projects funds: | | |
| General Improvement | 3,036,907 | |
| Special Levee Improvement | 3,053,620 | |
| Enterprise funds: | | |
| Lake Vista Community Center | 1,326,874 | |
| Orleans Marina | 9,180,563 | |
| South Shore Harbor | 4,761,777 | |
| New Orleans Lakefront Airport | | 9,435,150 |
| Floodcomm | | 23,932 |
| Total | \$33,142,348 | \$33,142,348 |

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
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.

26. LITIGATION AND CLAIMS

Act 233 of 1984, as amended by Acts 819 of 1985, 847 of 1992, 1364 of 1997, and 1378 of 1999 requires the Board of Commissioners of the Orleans Levee District, upon receipt of the names of certified claimants from the secretary of the Louisiana Department of Natural Resources, to return the ownership of properties in 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 have declined, in part because of the title transfer. It was originally estimated that 70% to 80% 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 \$133,244.

Before the effective date of Act 1364 of 1997 and 1378 of 1999, the Department of Natural Resources certified claimants who had an interest in 164 of 220 tracts of land in the Bohemia Spillway for the return of the property. At June 30, 1999, the levee district has returned the property to all of the claimants certified by Department of Natural Resources before the effective date of Act 1364 of 1997. Upon the return of the property, the levee district may be required to return a portion of the royalties, et cetera, collected since June 29, 1984, until the date of transfer which totals approximately \$29.9 million plus interest as of June 30, 1999. The levee board is in the process of determining the amount of royalties that may have to be returned to the claimants. In addition, an expert appointed by a Plaquemines Parish judge is also in the process of determining the total royalties that may have to be returned. On February 22, 1998, certain claimants filed a petition as a class action seeking numerous items of relief including a judgment for revenues and interest from June 29, 1984, and damages for any acts of mismanagement or breach of fiduciary duty by the levee board. 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. The levee board's application for writs to the Louisiana Supreme Court was denied and the case was remanded to the Trial Court for further proceedings. A Plaquemines Parish judge has certified a class action in this litigation and an appeal is presently pending to the Fourth Circuit Court of Appeal. In the opinion of the levee district's senior counsel, the results of bringing this matter to trial are unknown. The levee district is vigorously defending this litigation. No escrow has been ordered by any court; however, on its own initiative by Resolution in 1998, the levee board has established an escrow account for Bohemia revenues. The amount currently held in escrow for the disputed property is \$2,530,832.

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

Acts 1364 of the 1997 and 1378 of the 1999 Legislature clarifies the types of certified claimants to be those whose ancestors' property was acquired by expropriation or by purchase under threat of expropriation. The Acts also provide for payments of claims under \$10,000 by August 15, 2000, and for those over \$10,000 by August 15, 2009, under a structured settlement approved by the House and Senate Committees on Natural Resources. The levee district has also third parted the Department of Natural Resources for damages resulting from its improper certification of claimants whose lands were acquired by means other than expropriation or by purchase under threat of expropriation. As a result of Acts 1364 of 1997 and 1378 of 1999, the Department of Natural Resources has certified other claimants who have an interest in portions of 80 of 181 tracts. Effective on August 15, 1999, the levee district has made transfers to 71 claimants and the certification process is ongoing.

The levee district is a defendant or co-defendant in 75 lawsuits, including 25 cases related to Bohemia Spillway, claiming damages, possession of property, workers' compensation, and personal injury. In addition, the levee district is involved in several civil service actions. 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 one of the lawsuits, claiming a total of \$106,640, 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 lawsuits, the levee district's legal counsel does not anticipate a potential loss to the levee district resulting from these lawsuits.

The financial statements do not reflect oil and gas royalties totaling \$477,239 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.

27. 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. The investments held for settlement of the litigation and the corresponding reserve in the General Fund is \$596,250 at June 30, 1998. A final payment of \$600,000 on November 1, 1998, therefore, eliminated these investments and the corresponding reserve at June 30, 1999.

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

In addition, the payment eliminated the long-term obligation in the general long-term obligations account group.

The levee district also recorded \$24,988 as the cost to settle litigation in four other cases.

28. 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 |

At June 30, 1999, approximately \$968,091 of property taxes has been paid under protest and is, therefore, not recorded in the financial statements. The resolution of these protests is not determinable at this time.

29. FEDERAL GRANTS

The Orleans Levee District received federal funds under a three-year Public Safety Partnership and Community Policing Grant (COPS) (CFDA 16.710). This grant from the U.S. Department of Justice, Office of Community Oriented Policing Services, provides a portion of the salaries to hire ten additional officers under the COPS Universal Hiring Program. During the year ended June 30, 1999, the levee district expended federal funds, totaling \$105,042, under this program.

In addition, the Orleans Levee District received federal funds from the Federal Emergency Management Assistance Agency under the Public Assistance Grants Program (CFDA 83.544). The levee district administers this program as a subrecipient with funds passed through the

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

Department of Military Affairs. During the year ended June 30, 1999, the levee district expended federal funds totaling \$459,865, under this program.

30. OPERATING TRANSFERS IN/OUT

The following is a summary of the operating transfers in and out for the year ended June 30, 1999:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|----------------------------------|---------------------|----------------------|
| General Fund: | | |
| Debt Service | \$428,608 | \$73,995 |
| General Improvement | | 539,765 |
| Special Levee Improvement | 5,028,608 | |
| Lake Vista Community Center | | 43,500 |
| Orleans Marina | | 12,959 |
| South Shore Harbor Marina | | 32,959 |
| New Orleans Lakefront Airport | 16,407 | 61,669 |
| Total | <u>5,473,623</u> | <u>764,847</u> |
| Debt Service: | | |
| General Fund | 73,995 | 428,608 |
| Special Levee Improvement | 5,445,621 | |
| Total | <u>5,519,616</u> | <u>428,608</u> |
| Capital Projects: | | |
| General Improvement: | | |
| General Fund | 539,765 | |
| Lake Vista Community Center | | 5,000 |
| Orleans Marina | | 7,500 |
| South Shore Harbor Marina | | 47,500 |
| New Orleans Lakefront Airport | | 296,462 |
| Total | <u>539,765</u> | <u>356,462</u> |
| Special Levee Improvement: | | |
| General Fund | | 5,028,608 |
| Debt Service | | 5,445,621 |
| Total | <u>NONE</u> | <u>10,474,229</u> |
| Total Capital Projects Transfers | <u>539,765</u> | <u>10,830,691</u> |
| Governmental Fund Transfers | <u>11,533,004</u> | <u>12,024,146</u> |

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

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|--|---------------------|----------------------|
| Enterprise Funds: | | |
| Lake Vista Community Center: | | |
| General Fund | \$43,500 | |
| General Improvement | 5,000 | |
| Orleans Marina | | \$5,000 |
| Total | <u>48,500</u> | <u>5,000</u> |
| Orleans Marina: | | |
| General Fund | 12,959 | |
| General Improvement | 7,500 | |
| New Orleans Lakefront Airport | | 7,133 |
| Total | <u>20,459</u> | <u>7,133</u> |
| South Shore Harbor Marina: | | |
| General Fund | 32,959 | |
| General Improvement | 47,500 | |
| Orleans Marina | | 54,960 |
| Total | <u>80,459</u> | <u>54,960</u> |
| New Orleans Lakefront Airport: | | |
| General Fund | 61,669 | 16,407 |
| General Improvement | 296,462 | |
| Lake Vista Community Center | 5,000 | |
| Orleans Marina | 7,133 | |
| South Shore Harbor | 54,960 | |
| Total | <u>425,224</u> | <u>16,407</u> |
| Total Enterprise Fund Transfers | <u>574,642</u> | <u>83,500</u> |
| Total Transfers | <u>\$12,107,646</u> | <u>\$12,107,646</u> |

31. PRIOR PERIOD ADJUSTMENTS

The prior period adjustment totaling \$836,834 was made to correct depreciation expense recorded in prior years. The retained earnings balances of the enterprise funds are adjusted as follows:

| | |
|-------------------------------|------------------|
| Lake Vista Community Center | \$161,922 |
| Orleans Marina | 5,441 |
| South Shore Marina | 32,403 |
| New Orleans Lakefront Airport | <u>637,068</u> |
| Total | <u>\$836,834</u> |

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

32. 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 15 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 \$789,000,000 for the 300-year Lake Pontchartrain and Vicinity Hurricane Protection Plan. The estimated amount per the USACE for Orleans Parish is \$406,611,000. The USACE will expend 70% and the Orleans Levee District will expend 30%. The estimate at June 30, 1999, is \$308,405,000. The 30% participation by the Orleans Levee District will not cause direct cash outflows.

Previously estimated earned credits through the fiscal year ended June 30, 1999, are \$96,126,000.

Three major projects on the High Level Plan are ongoing in Orleans Parish: the Orleans Avenue Canal, London Avenue Canal, and 17th Street Canal. These major projects should be completed in 2004.

33. ASSET AMORTIZATION PROGRAM

On December 20, 1996, the board of commissioners of the levee district passed a resolution that authorized proceeding with a lease amortization program. The proposed Asset Amortization Program involves the levee district leasing certain assets with long economic lives to certain parties and then leasing these assets back to obtain an economic gain from this transaction. As of June 30, 1999, the district has expended approximately \$1,040,000 on this project and does not anticipate any further expenditures unless the project is successfully completed. If the project is completed, the district is obligated to expend an additional \$183,000 on this project.

34. SUBSEQUENT EVENTS

On August 18, 1999, the board of commissioners of the levee district passed a resolution ordering and calling a special election to be held within the Orleans Levee District (City of New Orleans, Orleans Parish, Louisiana) to authorize the levy and collection of an additional ad valorem tax of 6.93 mills for a period of ten years (beginning 2001 and ending 2010). The taxes will be used for maintaining and constructing existing and future flood protection projects.

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD**

The following pages contain supplementary information required by *Technical Bulletin 98-1*, issued by the Governmental Accounting Standards Board (GASB) in October 1998. The provisions of the GASB technical bulletin, effective for financial statements dated after October 31, 1998, require disclosures in the notes to the financial statements about the governmental entity's readiness in addressing Year 2000 issues for its computer systems and other electronic equipment. In March 1999, GASB issued *Technical Bulletin 99-1*, which allowed the disclosure of Year 2000 issues in required supplementary information.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 1999**

YEAR 2000 ISSUES

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the Orleans Levee District's operations as early as 1999.

The levee district has addressed the Year 2000 (Y2K) compliance issue relating to its computer systems and other electronic equipment. During the year ended June 30, 1999, the levee district updated its computer and other electronic equipment at a cost of \$766,705. Assurances were received from the supplier that accounting hardware and software is Y2K compliant.

In addition, the levee district's administration has contacted most of its vendors and suppliers to determine whether its equipment will experience any problems relating to the Y2K issue. The responses indicate that all major equipment is Y2K compliant. However, because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determined until the Year 2000 and thereafter. Consequently, management cannot assure that the levee district's remediation efforts will be successful in whole or in part, or that parties with whom the levee district does business will be Year 2000 compliant.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
As of and for the Year Ended June 30, 1999**

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 and income earned on investments.

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

**Combining Balance Sheet, June 30, 1999
(With Comparative Totals for the Year
Ended June 30, 1998)**

| | GENERAL IMPROVEMENT | SPECIAL LEVEE IMPROVEMENT | TOTALS | |
|--|---------------------------|---------------------------------|----------------------------|----------------------------|
| | | | JUNE 30, 1999 | JUNE 30, 1998 |
| ASSETS | | | | |
| Investments | | \$11,165,701 | \$11,165,701 | \$16,611,005 |
| Receivables | \$606,155 | 128,135 | 734,290 | 577,143 |
| Due from other funds | 3,036,908 | 3,053,619 | 6,090,527 | 6,097,933 |
| | <u>3,643,063</u> | <u>3,181,754</u> | <u>6,824,817</u> | <u>12,775,079</u> |
| TOTAL ASSETS | <u>\$3,643,063</u> | <u>\$14,347,455</u> | <u>\$17,990,518</u> | <u>\$23,286,081</u> |
| LIABILITIES AND FUND EQUITY | | | | |
| Payables | | \$262,137 | \$262,137 | \$2,365,720 |
| Deferred revenues | \$936,376 | 21,246 | 957,622 | |
| Total liabilities | <u>936,376</u> | <u>283,383</u> | <u>1,219,759</u> | <u>2,365,720</u> |
| Fund Equity - fund balances: | | | | |
| Reserved for encumbrances | 48,565 | 1,686,173 | 1,734,738 | 3,998,525 |
| Unreserved - undesignated | 2,658,122 | 12,377,899 | 15,036,021 | 16,921,836 |
| Total Fund Equity | <u>2,706,687</u> | <u>14,064,072</u> | <u>16,770,759</u> | <u>20,920,361</u> |
| | <u>3,643,063</u> | <u>14,347,455</u> | <u>17,990,518</u> | <u>23,286,081</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$3,643,063</u> | <u>\$14,347,455</u> | <u>\$17,990,518</u> | <u>\$23,286,081</u> |

**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, 1999
(With Comparative Totals for the Year
Ended June 30, 1998)**

| | GENERAL IMPROVEMENT | SPECIAL LEVEE IMPROVEMENT | TOTALS | |
|---|------------------------|---------------------------------|---------------------|---------------------|
| | | | JUNE 30, 1999 | JUNE 30, 1998 |
| REVENUES | | | | |
| Ad valorem taxes | | \$9,244,381 | \$9,244,381 | \$9,243,568 |
| Federal grants | | 20,095 | 20,095 | |
| State grants | | 4,019 | 4,019 | |
| Other | | 31,916 | 31,916 | 269,653 |
| Investment income | | 821,773 | 821,773 | 1,359,643 |
| Total revenues | NONE | 10,122,184 | 10,122,184 | 10,872,864 |
| EXPENDITURES | | | | |
| Other charges | | 9,962 | 9,962 | 29,732 |
| Machinery and equipment | | 11,892 | 11,892 | |
| Capital expenditures | \$94,085 | 3,848,921 | 3,943,006 | 10,401,721 |
| Contractual services | | 10,946 | 10,946 | 1,093 |
| Litigation settlement | | 5,054 | 5,054 | |
| Total expenditures | 94,085 | 3,886,775 | 3,980,860 | 10,432,546 |
| EXCESS (Deficit) OF REVENUES OVER EXPENDITURES | | | | |
| | (94,085) | 6,235,409 | 6,141,324 | 440,318 |
| OTHER FINANCING SOURCES (Uses) | | | | |
| Operating transfers in | 539,765 | | 539,765 | 696,336 |
| Operating transfers out | (356,462) | (10,474,229) | (10,830,691) | (10,724,249) |
| Sale of fixed assets | | | | 22,000 |
| Total other financing sources (uses) | 183,303 | (10,474,229) | (10,290,926) | (10,005,913) |
| EXCESS (Deficiency) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | | | | |
| | 89,218 | (4,238,820) | (4,149,602) | (9,565,595) |
| FUND BALANCES AT BEGINNING OF YEAR | | | | |
| Prior year adjustment | NONE | NONE | NONE | (360,539) |
| FUND BALANCES AT END OF YEAR | \$2,706,687 | \$14,064,072 | \$16,770,759 | \$20,920,361 |

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
As of and for the Year Ended June 30, 1999**

ENTERPRISE FUNDS

LAKE VISTA COMMUNITY CENTER FUND

The Lake Vista Community Center Fund accounts for operating expenses financed from commercial leases and hall rentals. 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.

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 gaming revenues and for the leasing of boat slips, boathouses, and other land areas to businesses and the general public. Operating transfers from the General Fund are used to finance debt service 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 for operating activities and major maintenance contracts. In addition, capital 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, 1999
(With Comparative Totals for the Year
Ended June 30, 1998)**

| | LAKE VISTA COMMUNITY CENTER | ORLEANS MARINA | SOUTH SHORE HARBOR MARINA |
|---|-----------------------------------|----------------------------|---------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash | | \$100 | \$100 |
| Investments | | 2,160 | |
| Receivables | \$6,527 | 24,325 | 264,997 |
| Due from other funds | 1,326,874 | 9,180,563 | 4,761,777 |
| Inventory | | | |
| Other assets | 825 | 4,750 | 2,196 |
| Total current assets | <u>1,334,226</u> | <u>9,211,898</u> | <u>5,029,070</u> |
| Restricted assets | | | 1,740,606 |
| Deferred charges | | | 786,464 |
| Property, plant, and equipment - less accumulated depreciation | <u>1,427,489</u> | <u>1,360,924</u> | <u>28,461,016</u> |
| TOTAL ASSETS | <u>\$2,761,715</u> | <u>\$10,572,822</u> | <u>\$36,017,156</u> |
| LIABILITIES AND FUND EQUITY | | | |
| Liabilities: | | | |
| Current liabilities (payable from current assets): | | | |
| Payables | \$31,022 | \$24,693 | \$79,482 |
| Deferred revenues | 2,944 | 101,117 | 360,014 |
| Due to other funds | | | |
| Other liabilities | 60 | | |
| Total current liabilities (payable from current assets) | <u>34,026</u> | <u>125,810</u> | <u>439,496</u> |
| Current liabilities (payable from restricted assets) - accrued bond interest payable | <u>NONE</u> | <u>NONE</u> | <u>1,284,204</u> |
| Long-term liabilities: | | | |
| Deferred revenues | | | 859,120 |
| Accrued bond interest payable | | | |
| Advance from other funds | | | |
| Accrued compensated absences | | 7,850 | 23,300 |
| Bonds payable | | | 34,253,609 |
| Total long-term liabilities | <u>NONE</u> | <u>7,850</u> | <u>35,136,029</u> |
| Total Liabilities | <u>34,026</u> | <u>133,660</u> | <u>36,859,729</u> |
| Fund Equity: | | | |
| Contributed capital | 1,240,474 | 2,147,968 | 12,869,128 |
| Retained earnings - unreserved (deficit) | 1,487,215 | 8,291,194 | (13,711,701) |
| Total Fund Equity | <u>2,727,689</u> | <u>10,439,162</u> | <u>(842,573)</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$2,761,715</u> | <u>\$10,572,822</u> | <u>\$36,017,156</u> |

| NEW ORLEANS LAKEFRONT AIRPORT | FLOODCOMM | TOTALS | |
|-------------------------------------|-----------------|---------------------|---------------------|
| | | JUNE 30, 1999 | JUNE 30, 1998 |
| | \$35,000 | \$35,200 | \$35,200 |
| | | 2,160 | 2,061 |
| \$289,959 | | 585,808 | 545,624 |
| | | 15,269,214 | 13,268,973 |
| 175,596 | | 175,596 | 237,510 |
| | | 7,771 | 850 |
| 465,555 | 35,000 | 16,075,749 | 14,090,218 |
| | | 1,740,606 | 2,655,011 |
| | | 786,464 | 864,470 |
| 28,596,423 | | 59,845,852 | 61,892,114 |
| <u>\$29,061,978</u> | <u>\$35,000</u> | <u>\$78,448,671</u> | <u>\$79,501,813</u> |
| \$233,755 | | \$368,952 | \$350,614 |
| 1,678,980 | | 2,143,055 | 239,163 |
| 9,435,150 | \$23,932 | 9,459,082 | 10,318,479 |
| | | 60 | 6,106 |
| 11,347,885 | 23,932 | 11,971,149 | 10,914,362 |
| NONE | NONE | 1,284,204 | 1,285,046 |
| | | 859,120 | 878,400 |
| | | | 693,778 |
| 761,295 | | 761,295 | 1,093,477 |
| 113,181 | | 144,331 | 135,896 |
| | | 34,253,609 | 35,431,272 |
| 874,476 | NONE | 36,018,355 | 39,232,823 |
| 12,222,361 | 23,932 | 49,273,708 | 50,432,231 |
| 36,729,282 | | 52,986,852 | 52,984,276 |
| (19,889,665) | 11,068 | (23,811,889) | (23,914,694) |
| 16,839,617 | 11,068 | 29,174,963 | 29,069,582 |
| <u>\$29,061,978</u> | <u>\$35,000</u> | <u>\$78,448,671</u> | <u>\$79,501,813</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, 1999
(With Comparative Totals for the Year
Ended June 30, 1998)**

| | LAKE VISTA COMMUNITY CENTER | ORLEANS MARINA | SOUTH SHORE HARBOR MARINA |
|---|-----------------------------------|-------------------|---------------------------------|
| OPERATING REVENUES | | | |
| Rentals | \$231,866 | \$1,187,521 | \$456,592 |
| Fuel farm sales and fees | | | 3,945,639 |
| Gaming fees | 2,415 | 106,389 | 67,097 |
| Other | 234,281 | 1,293,910 | 4,469,328 |
| Total operating revenues | 234,281 | 1,293,910 | 4,469,328 |
| OPERATING EXPENSES | | | |
| Personal services | | 196,347 | 395,847 |
| Travel | | | 3,016 |
| Contractual services | 68,138 | 78,628 | 139,010 |
| Materials and supplies: | | | |
| Fuel farm | | | |
| Other | 1,178 | 25,688 | 45,324 |
| Professional services | 9,694 | 17,510 | 18,140 |
| Other charges - maintenance contracts, etc. | | 5,726 | 24,719 |
| Depreciation | 99,838 | 86,108 | 1,443,114 |
| Total operating expenses | 178,848 | 410,007 | 2,069,170 |
| OPERATING INCOME (Loss) | 55,433 | 883,903 | 2,400,158 |
| NONOPERATING REVENUES (Expenses) | | | |
| Investment earnings | | 99 | 121,038 |
| Debt service - interest and bank charges | | | (2,361,691) |
| Federal and state grants | | 3,923 | 38,622 |
| Asset Amortization Program expenditures | | | |
| Gain on sale of assets | | | |
| Bond issuance costs | | | (78,006) |
| Total nonoperating revenues (expenses) | NONE | 4,022 | (2,280,037) |
| INCOME (Loss) BEFORE OPERATING TRANSFERS | 55,433 | 887,925 | 120,121 |
| OPERATING TRANSFERS | | | |
| Operating transfers in | 48,500 | 20,459 | 80,459 |
| Operating transfers out | (5,000) | (7,133) | (54,960) |
| Total operating transfers | 43,500 | 13,326 | 25,499 |
| NET INCOME (Loss) | 98,933 | 901,251 | 145,620 |

(Continued)

| NEW ORLEANS LAKEFRONT AIRPORT | FLOODCOMM | TOTALS | |
|-------------------------------------|-------------|--------------------|--------------------|
| | | JUNE 30, 1999 | JUNE 30, 1998 |
| \$750,698 | | \$2,626,677 | \$2,933,667 |
| 2,655,355 | | 2,655,355 | 3,091,614 |
| 305,885 | | 4,251,524 | 4,152,874 |
| 53,225 | | 229,126 | 134,348 |
| <u>3,765,163</u> | <u>NONE</u> | <u>9,762,682</u> | <u>10,312,503</u> |
| 1,566,297 | | 2,158,491 | 2,481,337 |
| 3,874 | | 6,890 | 813 |
| 581,714 | | 867,490 | 863,061 |
| 2,084,412 | | 2,084,412 | 2,485,016 |
| 164,279 | | 236,469 | 240,986 |
| 78,577 | | 123,921 | 57,472 |
| 176,768 | | 207,213 | 162,437 |
| 1,516,789 | | 3,145,849 | 3,220,464 |
| <u>6,172,710</u> | <u>NONE</u> | <u>8,830,735</u> | <u>9,511,586</u> |
| (2,407,547) | NONE | 931,947 | 800,917 |
| | | 121,137 | 211,618 |
| 118,897 | | (2,361,691) | (2,614,729) |
| | | 161,442 | (444,636) |
| | | | 9,410 |
| | | (78,006) | (80,368) |
| <u>118,897</u> | <u>NONE</u> | <u>(2,157,118)</u> | <u>(2,918,705)</u> |
| (2,288,650) | NONE | (1,225,171) | (2,117,788) |
| 425,224 | | 574,642 | 553,287 |
| (16,407) | | (83,500) | (253,532) |
| <u>408,817</u> | <u>NONE</u> | <u>491,142</u> | <u>299,755</u> |
| <u>(1,879,833)</u> | <u>NONE</u> | <u>(734,029)</u> | <u>(1,818,033)</u> |

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
PROPRIETARY FUNDS - ENTERPRISE FUNDS
Combining Schedule of Revenues, Expenses,
and Changes in Retained Earnings, 1999
(With Comparative Totals for the Year
Ended June 30, 1998)**

| | <u>LAKE VISTA COMMUNITY CENTER</u> | <u>ORLEANS MARINA</u> | <u>SOUTH SHORE HARBOR MARINA</u> |
|--|--|---------------------------|--|
| RETAINED EARNINGS (Deficit) AT BEGINNING OF YEAR | \$1,226,360 | \$7,384,502 | (\$13,889,724) |
| Prior period adjustment | 161,922 | 5,441 | 32,403 |
| RETAINED EARNINGS (Deficit) AT BEGINNING OF YEAR, AS RESTATED | <u>1,388,282</u> | <u>7,389,943</u> | <u>(13,857,321)</u> |
| RETAINED EARNINGS (Deficit) AT END OF YEAR | <u>\$1,487,215</u> | <u>\$8,291,194</u> | <u>(\$13,711,701)</u> |

(Concluded)

Schedule 4

| NEW ORLEANS LAKEFRONT AIRPORT | FLOODCOMM | TOTALS | |
|-------------------------------------|------------------------|------------------------------|------------------------------|
| | | JUNE 30, 1999 | JUNE 30, 1998 |
| (\$18,646,900) | \$11,068 | (\$23,914,694) | (\$19,421,380) |
| 637,068 | NONE | 836,834 | (2,675,281) |
| <u>(18,009,832)</u> | <u>11,068</u> | <u>(23,077,860)</u> | <u>(22,096,661)</u> |
| <u><u>(\$19,889,665)</u></u> | <u><u>\$11,068</u></u> | <u><u>(\$23,811,889)</u></u> | <u><u>(\$23,914,694)</u></u> |

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

**Combining Schedule of Cash Flows
For the Year Ended June 30, 1999
(With Comparative Totals for the Year
Ended June 30, 1998)**

| | <u>LAKE VISTA COMMUNITY CENTER</u> | <u>ORLEANS MARINA</u> | <u>SOUTH SHORE HARBOR MARINA</u> |
|---|--|---------------------------|--|
| Cash flows from operating activities: | | | |
| Operating income (loss) | \$55,433 | \$883,903 | \$2,400,158 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 99,838 | 86,108 | 1,443,114 |
| Adjustment to beginning fund equity | | | |
| Changes in assets and liabilities: | | | |
| (Increase) in investments | | (99) | |
| Decrease in restricted investments | | | 955,864 |
| (Increase) decrease in receivables | (155) | 7,682 | 4,193 |
| (Increase) in due from other funds | (226,434) | (992,711) | (781,096) |
| (Increase) decrease in inventory | | | |
| (Increase) in other assets | (75) | (4,750) | (2,096) |
| Increase (decrease) in payables | 29,577 | 22,200 | (168,155) |
| Increase (decrease) in deferred revenues | (1,684) | (14,555) | 274,544 |
| Increase (decrease) in due to other funds | | | |
| Increase (decrease) in other liabilities | | (2,577) | (3,469) |
| Increase (decrease) in accrued compensated absences | | 410 | 1,334 |
| Net cash provided (used) by operating activities | <u>(43,500)</u> | <u>(14,389)</u> | <u>4,124,391</u> |
| Cash flows from noncapital financing activities: | | | |
| Operating transfers in from other funds | 48,500 | 20,459 | 80,459 |
| Operating transfers out to other funds | (5,000) | (7,133) | (54,960) |
| State and federal grants | | 3,923 | 38,622 |
| Net cash provided by noncapital financing activities | <u>43,500</u> | <u>17,249</u> | <u>64,121</u> |
| Cash flows from capital and related financing activities: | | | |
| Principal paid on bonds | | | (1,108,811) |
| Advance from other funds | | | |
| Interest paid on bond maturities (excluding amortized premium and discount on bonds payable) | | | (3,125,160) |
| Asset Amortization Program expenses | | | |
| Proceeds from sale of equipment | | | |
| Acquisition of capital assets | | (2,959) | (34,120) |
| Net cash used in capital and related financing activities | <u>NONE</u> | <u>(2,959)</u> | <u>(4,268,091)</u> |
| Cash flows from investing activities: | | | |
| Receipt of interest and dividends earned on investments | | 99 | 121,038 |
| Proceeds from sale of investment securities | | | |
| Net cash provided by investing activities | <u>NONE</u> | <u>99</u> | <u>121,038</u> |
| Net increase (decrease) in cash | <u>NONE</u> | <u>NONE</u> | <u>41,459</u> |

(Continued)

Schedule 5

| NEW ORLEANS LAKEFRONT AIRPORT | FLOODCOMM | TOTALS | |
|-------------------------------------|-------------|--------------------|-----------------------|
| | | JUNE 30, 1999 | JUNE 30, 1998 |
| (\$2,407,547) | | \$931,947 | \$800,917 |
| 1,516,789 | | 3,145,849 | 3,220,464 (36,346) |
| | | (99) | (2,061) |
| | | 955,864 | |
| (51,904) | | (40,184) | 378,025 |
| | | (2,000,241) | (1,488,925) |
| 61,914 | | 61,914 | (33,600) |
| | | (6,921) | (100) |
| 134,716 | | 18,338 | 100,415 |
| 1,626,307 | | 1,884,612 | 10,283 |
| (859,397) | | (859,397) | 806,029 |
| | | (6,046) | 4,426 |
| 6,691 | | 8,435 | (11,979) |
| <u>27,569</u> | <u>NONE</u> | <u>4,094,071</u> | <u>3,747,548</u> |
| 425,224 | | 574,642 | 553,287 |
| (16,407) | | (83,500) | (253,532) |
| 118,897 | | 161,442 | |
| <u>527,714</u> | <u>NONE</u> | <u>652,584</u> | <u>299,755</u> |
| | | (1,108,811) | (1,056,640) |
| (332,182) | | (332,182) | (341,778) |
| | | (3,125,160) | (3,254,418) |
| | | | (444,636) |
| | | | 11,880 |
| (223,101) | | (260,180) | (103,558) |
| <u>(555,283)</u> | <u>NONE</u> | <u>(4,826,333)</u> | <u>(5,189,150)</u> |
| | | 121,137 | 211,628 |
| | | | 930,219 |
| <u>NONE</u> | <u>NONE</u> | <u>121,137</u> | <u>1,141,847</u> |
| <u>NONE</u> | <u>NONE</u> | <u>41,459</u> | <u>NONE</u> |

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
PROPRIETARY FUNDS - ENTERPRISE FUNDS
Combining Schedule of Cash Flows, 1999
(With Comparative Totals for the Year
Ended June 30, 1998)**

| | LAKE VISTA COMMUNITY CENTER | ORLEANS MARINA | SOUTH SHORE HARBOR MARINA |
|---|-----------------------------------|-------------------|---------------------------------|
| Cash at beginning of year | NONE | \$100 | \$100 |
| Adjustment to reflect cash with fiscal agent at July 1, 1998 | NONE | NONE | 696,063 |
| Adjusted cash balance at beginning of year | NONE | 100 | 696,163 |
| Cash at end of year | NONE | \$100 | \$737,622 |
| Noncash investing, capital, and financing activities: | | | |
| Assets acquired by transfer | | \$901 | \$87 |
| Assets transferred to other funds | | (61) | (1,136) |
| Assets written-off | | | (1,875) |
| Total noncash investing, capital, and financing activities | NONE | \$840 | (\$2,924) |

(Concluded)

| NEW ORLEANS LAKEFRONT AIRPORT | FLOODCOMM | TOTALS | |
|-------------------------------------|-----------------|------------------|------------------|
| | | JUNE 30, 1999 | JUNE 30, 1998 |
| NONE | \$35,000 | \$35,200 | \$35,200 |
| NONE | NONE | 696,063 | NONE |
| NONE | 35,000 | 731,263 | 35,200 |
| NONE | \$35,000 | \$772,722 | \$35,200 |
| \$4,691 | | \$5,679 | \$9,753 |
| (231) | | (1,428) | (8,129) |
| (43) | | (1,918) | (3,978) |
| \$4,417 | NONE | \$2,333 | (\$2,354) |

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULES
As of and for the Year Ended June 30, 1999**

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, 1999
(With Comparative Totals for the Year
Ended June 30, 1998)**

| | <u>JUNE 30, 1999</u> | <u>JUNE 30, 1998</u> |
|--------------------------|----------------------|----------------------|
| Kathleen Cain | NONE | NONE |
| Marlin Gusman | \$2,925 | NONE |
| Patricia W. Harris | 1,500 | \$1,500 |
| Ellen Hazuer-Distance | 1,125 | 1,350 |
| James P. Huey, President | 1,500 | 2,475 |
| Victor Landry | 2,700 | 2,700 |
| James Livingston | NONE | NONE |
| Robert Lupo | NONE | NONE |
| | <hr/> | <hr/> |
| Total | <u>\$9,750</u> | <u>\$8,025</u> |

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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



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

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

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

September 24, 1999

Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards

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

We have audited the financial statements of the Orleans Levee District, a component unit of the State of Louisiana, as of June 30, 1999, and for the year then ended, and have issued our report thereon dated September 24, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

EXHIBIT A

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

Compliance and Internal Control Report
September 24, 1999
Page 2

Delinquent Lease Receivables

The Orleans Levee District does not have a formal policy for the collection of delinquent lease receivables or for the write-off of uncollectible accounts. A review of 20 tenant lease receivables, totaling \$330,165, revealed that 9 leases with balances totaling \$45,631 had been cancelled and were delinquent for more than one year. Good business practices require the levee district to develop formal procedures and policies regarding the collection of all receivables to include legal remedies afforded for the enforcement of its binding lease agreements.

The levee district has agreements with all tenants that clearly state all rents must be paid timely. The levee district's finance office sends delinquent notices to tenants and provides receivable aging reports to its facility managers to follow up on these accounts; however, the managers decide the collection effort for each account. Without a formal policy for following up on delinquent lease receivables or for writing them off as uncollectible, management cannot be assured that delinquent lease receivables are properly pursued or that uncollectible receivables are written off in a timely manner.

The Orleans Levee District should establish a formal policy for the collection of delinquent accounts and should adhere to this formal policy to ensure that the district actively pursues all delinquent accounts. In addition, accounts that are deemed uncollectible should be written off in a timely manner. Management of the levee district concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that are considered to be material weaknesses.

LEGISLATIVE AUDITOR

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

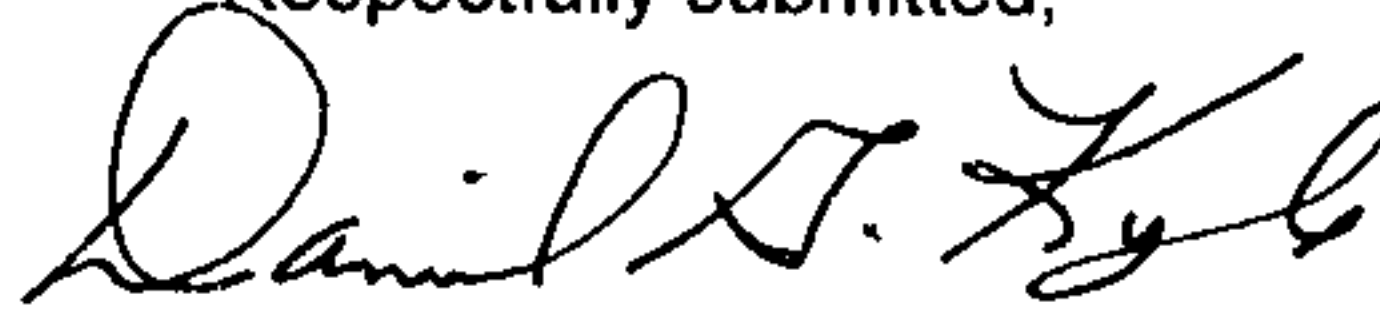
Compliance and Internal Control Report

September 24, 1999

Page 3

This report is intended for the information and use of the levee district and its management. However, by provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is written in a cursive style with a large initial "D".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

JJS:JR:RCL:dl

[OLD]

EXHIBIT A

Appendix A

Management's Corrective Action Plan and Response to the Finding and Recommendation

The Board of Commissioners

OF THE

Orleans Levee District

SUITE 202 - ADMINISTRATION BUILDING

6001 STARS AND STRIPES BLVD.

New Orleans, La.

70126-8006
September 20, 1999

TEL. 504-243-4000

PROTECTING YOU
AND YOUR FAMILY



Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
State of Louisiana
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Delinquent Lease Receivable

Dear Dr. Kyle:

This is in response to Jullin Renthrope's letter dated September 20, 1999, requesting an official response to the enclosed reportable audit finding for the Orleans Levee District, delinquent accounts receivables.

MANAGEMENT RESPONSE:

The Orleans Levee District concurs with the Auditor's recommendation to formalize its procedures relating to collection efforts and timely decisions for the write-off of uncollectible accounts.

However, while the District does not have a formal written procedure for the collection of delinquent accounts and the write-off of uncollectible accounts, it has had a working procedure in place that has been consistently followed. That working procedure calls for:

1. The Finance Department provides aging reports to the responsible managers which provides the basis for identifying delinquent accounts. Additionally, the Finance Department issues late notices to all delinquent tenants, regardless of amount or age.
2. The managers are also active in pursuing delinquent accounts by corresponding with delinquent tenants. Based on the amount and time of delinquency, the manager will refer all such accounts to a third party for collection.
3. Seriously delinquent accounts are referred to the Legal Department for a decision to either write-off the account or other possible recourse. The decision to write-off delinquent accounts takes into consideration the cost versus benefit of pursuing such accounts.

Board of Commissioners
Orleans Levee District

Daniel G. Kyle, Ph.D., CPA, CFE
September 20, 1999
RE: Delinquent Lease Receivable
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The Orleans Levee District does not believe that this finding identifies a significant deficiency in the design or operation of the internal control structure or a finding of noncompliance. Considering the foregoing, the District respectfully requests that the Auditor's finding be withdrawn.

Sincerely,



Max L. Hearn
Executive Director

MLH/MEH/

xc: The Honorable James P. Huey, President
Mary E. Herbert, CPA, CGFM, Comptroller
Jullin Renthrope, CPA, CGFM, Audit Manager
Office of Legislative Auditor