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**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**

**BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2004**

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

Release Date 9-15-04



**Postlethwaite & Netterville**

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**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Basic Financial Statements and  
Independent Auditor's Reports  
As of and for the Year Ended June 30, 2004

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# The Board of Commissioners

OF THE

## Orleans Levee District

SUITE 202 - ADMINISTRATION BUILDING

6001 STARS AND STRIPES BLVD.

**New Orleans, La.**

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PROTECTING YOU  
AND YOUR FAMILY



August 26, 2004

The Honorable James P. Huey, President,  
and Members of the Board of Commissioners  
of the Orleans Levee District

Dear Commissioners:

The Orleans Levee District is pleased to submit its Annual Financial Report for the fiscal year ended June 30, 2004. The District's management is responsible for the accuracy and completeness of all data and disclosures in this report. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Annual Financial Report is presented in three sections: introductory, financial, and other supplemental information. The introductory section is this transmittal letter. The financial section has been prepared in accordance with the Governmental Accounting Standards Board Statement No. 34. This section includes the following: Independent Auditor's Report by the Louisiana Legislative Auditor, Management's Discussion and Analysis (Required Supplementary Information), government-wide financial statements, fund financial statements and notes to the financial statements. The other supplemental information section includes: schedule of per diem paid board members for compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature, and the Annual Fiscal Report submitted to the Office of the Governor, Division of Administration, Office of Statewide Reporting and Accounting Policy as required under Title 39. A report on compliance and internal control is also included in this report.

### PROFILE

The Orleans Levee District was established in 1890. The District has primary responsibility for the operation and maintenance of a flood protection system surrounding the City of New Orleans. The District is responsible for the maintenance of almost 129 miles of levees and floodwalls.

In 1928, the Louisiana Legislature authorized the board to operate and maintain public parks, beaches, marinas, aviation fields, and other like facilities. The board owns and operates the New Orleans Lakefront Airport, a general aviation airport, the Orleans Marina and the South Shore Harbor Marina.

# Board of Commissioners

## Orleans Levee District

The Honorable James P. Huey, President,  
and Members of the Board of Commissioners  
of the Orleans Levee District  
August 26, 2004  
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The District began the construction, improvement and maintenance of numerous hurricane and flood protection projects as the result of the issuance of \$50 million levee improvement bonds in November 1984. The United States Army Corps of Engineers (USACE) and the 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 19 years. 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 2010.

### FINANCIAL INFORMATION

The Orleans Levee District has presented government-wide financial statements, which *are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business*, and fund financial statements, which are used to provide management with information on current performance of the respective funds, and to ensure and demonstrate compliance with finance-related legal requirements.

#### Internal Control Framework

Management of the Orleans Levee District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Orleans Levee District's financial statements in conformity with accounting principles generally accepted in the United States of America. Management has assigned responsibilities and designed processes in an attempt to prevent potential conflicts of interest or unilateral control of critical functions. The District has segregated duties in several key areas including:

- ↔ Human resources and payroll processing
- ↔ Daily cash management and bank account reconciliations
- ↔ Cash disbursement authorization and bank account reconciliations
- ↔ Purchasing and accounts payable
- ↔ Cash disbursement authorization and accounts payable

Because the cost of internal controls should not outweigh their benefits, the Orleans Levee District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

**Board of Commissioners**  
**Orleans Levee District**

The Honorable James P. Huey, President,  
and Members of the Board of Commissioners  
of the Orleans Levee District  
August 26, 2004  
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**Budgetary Controls**

The Orleans Levee District is required to submit its annual fiscal year budget to the Board of Commissioners for review and approval, and to the Joint Legislative Committee on the Budget for review. All levels of management are involved in the budgeting process. Available resources are determined based on projected revenues and are allocated by object level to the various departments within the District.

Department managers and senior management compare actual performance to the approved budget on a monthly basis. Variances are monitored and recommended adjustments are submitted to the Finance Committee for review and submittal to the full Board for approval.

**Long-term Obligations**

The District had the following outstanding long-term obligations at June 30, 2004:

Long-term debt	
Public improvement bonds	\$ 28,030,000
Levee improvement bonds	<u>46,315,000</u>
Total long-term debt	<u>74,345,000</u>
Claims and judgments	<u>19,721,208</u>
Total long-term obligations	<u>\$ 94,066,208</u>

The debt of the Orleans Levee District is payable from the avails of the two limited ad valorem taxes: the tax authorized by Article 6, Section 39A of the Louisiana Constitution and the special levee improvement tax authorized by the election of November 1983.

As noted above, liabilities associated with claims and judgments totaled \$19,721,208, and relate to Bohemia Spillway and contractual disputes. While the judgments represent a liability of the Orleans Levee District, it is long-term in nature, since under Louisiana law, the judgment cannot be used to force the District to liquidate assets to satisfy the judgment.

**Cash Management**

Cash receipts are deposited daily into the District's bank accounts. Minimal cash balances are maintained in bank accounts for daily operations. Excess operating funds not needed for liquidity purposes are invested in U.S. government securities and agency securities in accordance with guidelines contained in a board approved Investment Policy and all associated state statutes.

## Board of Commissioners

### Orleans Levee District

The Honorable James P. Huey, President,  
and Members of the Board of Commissioners  
of the Orleans Levee District

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#### **Risk Management**

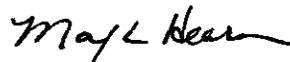
The District has purchased various commercial insurance policies for protection from significant economic loss. These policies include coverage for standard automobile liability, comprehensive general liability, excess comprehensive general liability, workers' compensation, property, boiler and machinery, inland, marine and electronic data processing equipment, marina liability, airport fixed base operations (including hangarkeepers), police professional liability, employee dishonesty and flood. Additionally, tenants are required to obtain insurance for leased premises with the District named as additional insured, and contracts for major purchases and/or services contain requirements for vendor insurance and performance bond coverages.

#### **INDEPENDENT AUDIT**

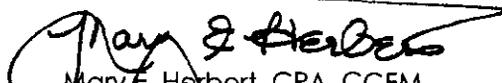
The Orleans Levee District's financial statements have been audited by the Louisiana Legislative Auditor. The financial statements are the responsibility of the Orleans Levee District. The responsibility of the Louisiana Legislative Auditor is to express an opinion on the District's financial statements based on their audit. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Orleans Levee District for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Orleans Levee District's financial statements for the fiscal year ended June 30, 2004 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The auditor's report is presented as the first component of the financial section of this report.

The preparation of this report would not have been possible without the dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. The Orleans Levee District and its Board of Commissioners are committed to providing thorough and relevant financial information to the users of our financial statements, and the preparation of this Annual Financial Report reflects this commitment.

Respectfully submitted,



Max L. Hearn  
Executive Director

  
Mary E. Herbert, CPA, CGFM  
Comptroller

MLH/MEH/jm



## Postlethwaite & Netterville

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### Independent Auditors' Report

Board of Commissioners  
Orleans Levee District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, and major funds of the Orleans Levee District, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Orleans Levee District's basic financial statements. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and major funds of the Orleans Levee District, as of June 30, 2004, and the changes in financial position, including cash flows of those activities and funds and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 25, 2004, on our consideration of the Orleans Levee District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 9 through 19 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the Orleans Levee District's basic financial statements. The accompanying supplementary information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Annual Financial Statement Reporting Packet, presented as supplementary information, is not a required part of the basic financial statements, but is supplementary information required by Louisiana's Office of Statewide Reporting and Accounting Policy. This information has been subjected to the auditing procedures applied in the audit of the accompanying financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the accompanying financial statements taken as a whole.

*Postlethwaite & Netterville*

August 25, 2004



**State of Louisiana  
Orleans Levee District  
Management's Discussion and Analysis  
As of June 30, 2004**

The Management's Discussion and Analysis of the Orleans Levee District's financial performance presents a narrative overview and analysis of the Orleans Levee District's financial activities for the year ended June 30, 2004. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the District's financial statements, which begin on page 20.

**Financial Highlights**

- The assets of the Orleans Levee District exceeded its liabilities at the close of fiscal year 2004 by \$120,177,168 (net assets), which represents a 1.19% increase from last fiscal year.
- The District's total net assets increased by \$1,412,294. The major cause of this increase is that charges for services, et cetera, were greater than the cost of operations and debt service. While net assets increased for the year, unrestricted net assets decreased by \$3,672,516 or 25.73%, which reflects the rendering of a \$1,000,000 judgment against the District in civil litigation, and the determination that an additional \$3,955,506 liability needed to be recognized in connection with Bohemia judgments.
- As of the close of the current fiscal year, the Orleans Levee District's governmental funds reported combined ending fund balances of \$34,302,415, a decrease of \$438,865 in comparison with the prior fiscal year. Significant factors contributing to this decrease include increases in salaries and related benefits for existing employees, information technology upgrades, including disaster recovery, and fuel and other costs sensitive to the rising cost of oil.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$16,848,443 or 96.85% of total General Fund operating expenditures, which was an increase of \$1,109,770 from that presented in last year's fund financial statements.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Orleans Levee District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the

**Orleans Levee District  
State of Louisiana  
Management's Discussion and Analysis (concluded)**

financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Orleans Levee District's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the Orleans Levee District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the Orleans Levee District's net assets changed during the fiscal year 2004. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Orleans Levee District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activity of the District is flood protection. The business-type activities of the District include two marinas, and an airport.

The government-wide financial statements can be found on pages 20 - 22 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the Orleans Levee District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus

**Orleans Levee District  
State of Louisiana  
Management's Discussion and Analysis (concluded)**

on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Orleans Levee District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, debt service fund, special levee improvement fund and general improvement fund.

The Orleans Levee District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 23 – 29 of this report.

Proprietary funds. The Orleans Levee District maintains only enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses enterprise funds to account for Orleans Marina, South Shore Harbor Marina, and Lakefront Airport. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 30 – 32 of the report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 – 68 of this report.

**Orleans Levee District  
State of Louisiana  
Management's Discussion and Analysis (concluded)**

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the Orleans Levee District's financial position. For fiscal year ended June 30, 2004, assets exceeded liabilities by \$120,177,168.

By far, the largest portion of the Orleans Levee District's net assets 88.54% reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide flood protection services to the citizenry of Orleans Parish. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the funds needed to repay this debt must be provided from operating revenues, since the capital assets themselves cannot be used to liquidate these liabilities.

<b>Orleans Levee District</b>						
<b>Net Assets</b>						
	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 35,824,465	\$ 38,026,524	\$ 2,284,796	\$ 2,279,259	\$ 38,109,261	\$ 40,305,783
Capital assets	131,143,307	131,493,046	49,327,344	50,374,028	180,470,651	181,867,074
Total assets	<u>\$ 166,967,772</u>	<u>\$ 169,519,570</u>	<u>\$ 51,612,140</u>	<u>\$ 52,653,287</u>	<u>\$ 218,579,912</u>	<u>\$ 222,172,857</u>
Long-term liabilities						
outstanding	\$ 63,968,420	\$ 66,318,812	\$ 26,297,529	\$ 27,898,315	\$ 90,265,949	\$ 94,217,127
Other liabilities	4,500,670	6,169,468	3,636,125	3,021,388	8,136,795	9,190,856
Total liabilities	<u>\$ 68,469,090</u>	<u>\$ 72,488,280</u>	<u>\$ 29,933,654</u>	<u>\$ 30,919,703</u>	<u>\$ 98,402,744</u>	<u>\$ 103,407,983</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 84,828,307	\$ 82,388,046	\$ 21,572,198	\$ 21,151,992	\$ 106,400,505	\$ 103,540,038
Restricted	2,130,788	950,716	1,044,271		3,175,059	950,716
Unrestricted	11,539,587	13,692,528	(937,983)	581,592	10,601,604	14,274,120
Total net assets	<u>\$ 98,498,682</u>	<u>\$ 97,031,290</u>	<u>\$ 21,678,486</u>	<u>\$ 21,733,584</u>	<u>\$ 120,177,168</u>	<u>\$ 118,764,874</u>

An additional portion of the Orleans Levee District's net assets 2.64% represents resources that are subject to external or policy restrictions on how they may be used.

**Orleans Levee District  
State of Louisiana  
Management's Discussion and Analysis (concluded)**

There was an increase in restricted net assets reported in connection with the Orleans Levee District's governmental activities. This increase resulted from greater amounts on deposit for the deposit debt service reserves.

The District's net assets increased by \$1,412,294 during the current fiscal year. The major cause of this increase is that charges for services, et cetera, were greater than the cost of operations and debt service. While net assets increased for the year, unrestricted net assets decreased by \$3,672,516 or 25.73%, which reflects the rendering of a \$1,000,000 judgment against the District in civil litigation, and the determination that an additional \$3,955,506 liability needed to be recognized in connection with Bohemia judgments.

<b>Orleans Levee District Changes in Net Assets</b>						
	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 1,080,073	\$ 915,473	\$ 12,170,315	\$ 11,650,652	\$ 13,250,388	\$ 12,566,125
Capital grants and contributions	252,348	790,862	(2,605)	361,142	249,743	1,152,004
<b>General revenues:</b>						
Property taxes	23,210,568	21,492,916			23,210,568	21,492,916
Other	2,995,738	3,849,904	229,939	321,086	3,225,677	4,170,990
<b>Total revenues</b>	<b>27,538,727</b>	<b>27,049,155</b>	<b>12,397,649</b>	<b>12,332,880</b>	<b>39,936,376</b>	<b>39,382,035</b>
<b>Expenses:</b>						
Flood and drainage protection	21,280,985	19,039,675			21,280,985	19,039,675
Interest	2,701,276	3,700,099			2,701,276	3,700,099
Litigation payments (proceeds), net	1,680,140	1,327,254			1,680,140	1,327,254
Marinas			5,131,525	4,806,370	5,131,525	4,806,370
Lakefront Airport			8,011,716	7,798,002	8,011,716	7,798,002
<b>Total expenses</b>	<b>25,662,401</b>	<b>24,067,028</b>	<b>13,143,241</b>	<b>12,604,372</b>	<b>38,805,642</b>	<b>36,671,400</b>
Increase in net assets before transfers	1,876,326	2,982,127	(745,592)	(271,492)	1,130,734	2,710,635
Transfers	(690,811)	(2,350,906)	690,811	2,350,906		
Gain (loss) on disposal of capital asset	281,877	(429,223)	(318)	(622)	281,559	(429,845)
Increase in net assets	1,467,392	201,998	(55,099)	2,078,792	1,412,293	2,280,790
Net assets beginning of year, as restat	97,031,290	96,829,292	21,733,585	19,654,792	118,764,875	116,484,084
<b>Net assets end of year</b>	<b>\$ 98,498,682</b>	<b>\$ 97,031,290</b>	<b>\$ 21,678,486</b>	<b>\$ 21,733,584</b>	<b>\$ 120,177,168</b>	<b>\$ 118,764,874</b>

**Governmental activities.** Governmental activities increased the Orleans Levee District's net assets by \$1,467,392 thereby accounting for the total growth in the net assets of the Orleans Levee District. Key elements of this increase are as follows:

**Orleans Levee District  
State of Louisiana  
Management's Discussion and Analysis (concluded)**

- Property taxes increased by \$1,717,652 (7.99%) during the year.
- Federal and state grants decreased by \$540,249 (68.79%) during the year.
- Other general revenues declined \$854,166 from prior year levels due primarily to decreases in interest earnings.
- The increase in flood and drainage expenses reflects increases in salaries and related benefits for existing employees, information technology upgrades, including disaster recovery, and fuel and other costs sensitive to the rising cost of oil.

**Business-type activities.** Business-type activities reduced the Orleans Levee District's net assets by \$50,098. Key elements of this increase are as follows:

- Operating revenues for business-type activities were essentially unchanged from the prior fiscal year, with an increase in charges for services (\$519,663), a decline in gaming revenues of \$112,291 and a decline in capital grants and contributions of \$363,747.
- Overall expenses for business-type activities increased by \$538,869, much of which is attributable to an increase in aviation fuel costs of \$346,354

**Financial Analysis of the Government's Funds**

As noted earlier, the Orleans Levee District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Orleans Levee District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Orleans Levee District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Orleans Levee District's governmental funds reported combined ending fund balances of \$34,302,415, a decrease of \$438,865 in comparison with the prior year. Of that amount, \$29,011,695 constitutes unreserved fund balance. The Orleans Levee District has designated \$391,566 of its General Fund balance for future expenditures. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to 1) liquidate purchase orders and

**Orleans Levee District**  
**State of Louisiana**  
**Management's Discussion and Analysis (concluded)**

contracts (encumbrances of \$2,768,336), 2) pay Bohemia litigation settlements (\$246,876) and (3) debt service (\$1,883,941)

The General Fund is the chief operating fund of the Orleans Levee District. At the end of the current fiscal year, unreserved/undesignated fund balance of the General Fund was \$16,848,443, while total fund balance was \$17,556,037. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balances and total fund balance to total fund expenditures. Unreserved fund balance represents 96.85% of total General Fund expenditures.

The fund balance of the Orleans Levee District's General Fund increased by \$581,931 during the current fiscal year. The key factor in the change was an increase in tax revenue of \$1,717,652 or 77.21%.

The debt service fund has a total fund balance of \$1,883,941, which is essentially unchanged from the prior fiscal year.

The general improvement fund has a total fund balance of \$2,516,869, which is available for spending for major maintenance and capital improvements. The net increase in fund balance during the current fiscal year in the general improvement fund was \$145,372. The major sources of revenues for this fund are transfers from the General Fund and grants. Revenues for the current fiscal year exceeded major maintenance and capital improvement expenditures.

The special levee improvement fund has a total fund balance of \$12,345,568, which is available for spending for major maintenance and capital improvements of the levee system. The net decrease in fund balance during the current fiscal year in the special levee improvement fund was \$1,174,788. The major sources of revenues for this fund are taxes, grants and investment income. Major costs include debt service on the levee improvement bonds, series 1986 and series 1996, along with major maintenance and capital improvement expenditures for the levee system. During the current fiscal year, the decline in fund balance reflects substantial major maintenance expenditures for the Lakeshore Drive Bridge that crosses Orleans Avenue canal, as well as improvements on Lakeshore Drive and the Mardi Gras fountain.

**Proprietary funds.** The Orleans Levee District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

**Orleans Levee District  
State of Louisiana  
Management's Discussion and Analysis (concluded)**

At the end of the year, unrestricted net assets of Orleans Marina amounted to \$4,459,848, South Shore Harbor amounted to \$8,134,812, and those of Lakefront Airport amounted to a deficit of \$13,532,641. Total growth/(decline) in net assets for Orleans Marina, South Shore Harbor and Lakefront Airport was \$380,629, \$670,123 and (\$1,105,850), respectively.

Orleans Marina and South Shore Harbor are operating at a profit. Lakefront Airport reported an accounting loss of \$1,105,850. The airport revenues are insufficient to cover its annual depreciation charge of \$1,465,580.

Other factors concerning the finances of these funds have already been addressed in the discussion of the Orleans Levee District's business-type activities.

**General Fund Budgetary Highlights**

Major differences between the original budget and the final amended budget were as follows:

- Revenues
  - Increase of \$700,000 in tax revenues
  - Increase of \$627,375 in rents and leases for New Basin Canal properties
  - Increase of \$208,408 in royalties
  - Increase of \$301,000 for sale of assets
  - Decrease of \$400,000 for the annual transfer from the Special Levee Improvement Fund
  
- Expenditures
  - Decrease of \$281,457 for salaries and related benefits
  - Increase of \$554,828 for professional services attributable to legal fees
  - Increase of \$925,252 for litigation settlements

Major differences between the actual results and the final amended budget were as follows:

- Revenues greater than budgeted
  - Ad valorem taxes variance of \$376,093, which represents a 3.33% difference, a reasonable range of estimation error.

**Orleans Levee District  
State of Louisiana  
Management's Discussion and Analysis (concluded)**

- Oil and gas royalties' variance of \$245,034 or 26.51% is attributable to new mineral leases or related one-time bonus payments.
- Expenditures less than budgeted
  - Personal service variance of \$336,917 or 3.07% results from difficulties in filling authorized positions, or managerial discretion in delaying such hiring.
  - Contractual services variance of \$243,698 or 8.59% results from lower than anticipated insurance costs (\$67,057), telecommunications expenditures (\$56,515) and miscellaneous costs (\$72,004).
  - Professional services variance of \$390,305 or 27.63% is attributable to overestimation of legal costs for the last quarter of the fiscal year.
  - Litigation payments variance of \$290,760 or 34.84% reflects the correction in the accounting treatment of liabilities recorded during the fiscal year.

**Capital Assets and Debt Administration**

**Capital assets.** The Orleans Levee District's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounted to \$180,470,651 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery, and equipment. The total decrease in the Orleans Levee District's investments in capital assets for the current fiscal year was 0.77% (a 0.27% decrease for governmental activities and a 2.08% decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Major upgrade of information systems infrastructure
- Rebuilding the Lakeshore Drive bridge that crosses Orleans Avenue canal, as well as improvements on Lakeshore Drive and the Mardi Gras fountain
- Construction of piers, ADA ramps and site paving at South Shore Harbor Marina
- Completion of segment no. 3 for the New Basin Canal Park bicycle path
- Addition of wash racks at the Franklin Facility

**Orleans Levee District  
State of Louisiana  
Management's Discussion and Analysis (concluded)**

- Deletion of Mardi Gras fountain which was demolished and will be rebuilt

**Orleans Levee District**

**Capital Assets (net of depreciation)**

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
	Land	\$ 12,574,748	\$ 12,574,748	\$ 19,109,241	\$ 19,109,241	\$ 31,683,989
Buildings	3,944,377	4,278,538	1,187,412	1,306,454	5,131,789	5,584,992
Improvements other than buildings	2,823,382	2,974,132	26,611,610	29,007,783	29,434,992	31,981,915
Movable property	1,206,982	992,404	187,164	216,159	1,394,146	1,208,563
Vehicles	1,525,611	1,414,970	145,117	176,258	1,670,728	1,591,228
Infrastructure	107,903,277	107,379,744			107,903,277	107,379,744
Construction in progress	1,164,930	1,878,510	2,086,800	558,133	3,251,730	2,436,643
<b>Total</b>	<b>\$ 131,143,307</b>	<b>\$ 131,493,046</b>	<b>\$ 49,327,344</b>	<b>\$ 50,374,028</b>	<b>\$ 180,470,651</b>	<b>\$ 181,867,074</b>

Additional information on the Orleans Levee District's capital assets can be found in note 1-K on pages 44 - 46 of this report.

**Long-term debt.** At the end of the current fiscal year, the Orleans Levee District had total bonded debt outstanding of \$74,345,000. The debt of the Orleans Levee District is payable from the avails of the two limited ad valorem taxes: the tax authorized by Article 6, Section 39A of the Louisiana Constitution and the special levee improvement tax authorized by the election of November 1983.

**Orleans Levee District**

**Outstanding Debt**

	Governmental activities		Business-type activities		Total	
	2004	2003	2004	2003	2004	2003
	General obligation bonds		\$ 70,000			
Public improvement bonds			\$28,030,000	\$29,525,000	\$28,030,000	29,525,000
Levee improvement bonds	\$46,315,000	49,035,000			46,315,000	49,035,000
<b>Total</b>	<b>\$46,315,000</b>	<b>\$ 49,105,000</b>	<b>\$28,030,000</b>	<b>\$29,525,000</b>	<b>\$74,345,000</b>	<b>\$ 78,630,000</b>

The Orleans Levee District's debt decreased by \$4,285,000 (5.53%) during the current fiscal year due to scheduled debt service payments.

**Orleans Levee District  
State of Louisiana  
Management's Discussion and Analysis (concluded)**

Additional information on the Orleans Levee District's long-term debt can be found in note 13 on page 56 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The Board of Commissioners of the Orleans Levee District considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- Minimal growth in assessed values of property subject to ad valorem taxes
- Expectation of low inflation and low interest rates on the District's investments

The Orleans Levee District does not envision any substantive change in the economic environment or its operations. It therefore, prepared the budget using existing revenue and cost parameters. Given the constraints the Orleans Levee District faces in raising revenue, it is expected that next year's results will not improve. Some improvement may be realized should the privatization of Lakefront Airport be achieved.

**Requests for Information**

This financial report is designed to provide a general overview of the Orleans Levee District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Board of Commissioners of the Orleans Levee District, Finance Department, Suite 219, 6001 Stars & Stripes Boulevard, New Orleans, Louisiana 70126.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

**Statement A**

**Statement of Net Assets  
June 30, 2004**

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTALS</b>
<b>ASSETS</b>			
Cash and cash equivalents (note 2)	\$ 23,436,392	\$ 2,694	\$ 23,439,086
investments (note 3)	8,888,241	-	8,888,241
Receivables (note 4)	699,388	717,111	1,416,499
Internal balances	161,441	(161,441)	-
Due from other governments	247,138	-	247,138
Inventory (note 1-G)	240,592	238,820	479,412
Other Assets	9,890	6,608	16,498
Restricted assets (note 11)	2,141,383	1,044,271	3,185,654
Deferred charges	-	436,733	436,733
Capital assets:			
Land (note 5)	12,574,748	19,109,241	31,683,989
Other capital assets, net of depreciation (note 5)	118,568,559	30,218,103	148,786,662
<b>TOTAL ASSETS</b>	<b>\$ 166,967,772</b>	<b>\$ 51,612,140</b>	<b>\$ 218,579,912</b>
<b>LIABILITIES</b>			
Current liabilities:			
Payables (note 12)	\$ 768,473	\$ 139,928	\$ 908,401
Contracts payable	265,344	146,519	411,863
Deferred revenues - current (note 1-L)	73,001	613,760	686,761
Accrued compensated absences (note 9)	35,658	5,375	41,033
Other liabilities	10,000	2,527	12,527
Bonds payable (note 13)	2,880,000	1,575,000	4,455,000
Payable from restricted assets - accrued bond interest payable	432,536	266,484	699,020
Noncurrent liabilities:			
Deferred revenues - noncurrent (note 1-L)	-	886,532	886,532
Accrued compensated absences (note 9)	847,870	117,383	965,253
Bonds payable (note 13)	43,435,000	26,180,146	69,615,146
Judgments payable (note 17)	19,721,208	-	19,721,208
Total Liabilities	68,469,090	29,933,654	98,402,744
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	84,828,307	21,572,198	106,400,505
Restricted (note 14)	2,130,788	1,044,271	3,175,059
Unrestricted (deficit)	11,539,587	(937,983)	10,601,604
Total Net Assets	98,498,682	21,678,486	120,177,168
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 166,967,772</b>	<b>\$ 51,612,140</b>	<b>\$ 218,579,912</b>

The notes to the financial statements are an integral part of this statement.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

**Statement of Activities  
For the Year Ended June 30, 2004**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES		
	EXPENSES	CHARGES FOR SERVICES	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:			
Flood and drainage protection	\$ 21,280,985	\$ 1,080,073	\$ 252,348
Interest	2,701,276	-	-
Total governmental activities	<u>23,982,261</u>	<u>1,080,073</u>	<u>252,348</u>
Business-type activities:			
Airport	8,011,718	6,533,697	-
Marinas	5,131,523	5,636,618	(2,605)
Total business-type activities	<u>13,143,241</u>	<u>12,170,315</u>	<u>(2,605)</u>
Total	<u>\$ 37,125,502</u>	<u>\$ 13,250,388</u>	<u>\$ 249,743</u>

General revenues:

Property taxes  
 Unrestricted intergovernmental revenues  
 Unrestricted investment earnings  
 Miscellaneous  
 Gain (loss) on disposal of capital assets  
 Litigation payments  
 Transfers  
 Total general revenues, litigation payments,  
 and transfers

**CHANGE IN NET ASSETS**

**NET ASSETS AT BEGINNING OF YEAR, as restated (note 21)**

**NET ASSETS AT END OF YEAR**

*The notes to the financial statements are an integral part of this statement.*

**NET (EXPENSE) REVENUE AND  
CHANGES IN NET ASSETS**

<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
\$ (19,948,564)	\$ -	\$ (19,948,564)
(2,701,276)	-	(2,701,276)
(22,649,840)	-	(22,649,840)
-	(1,478,021)	(1,478,021)
-	502,490	502,490
-	(975,531)	(975,531)
(22,649,840)	(975,531)	(23,625,371)
23,210,568	-	23,210,568
1,494,830	-	1,494,830
500,159	4,780	504,939
1,000,749	225,160	1,225,909
281,877	(318)	281,559
(1,680,140)	-	(1,680,140)
(690,811)	690,811	-
24,117,232	920,433	25,037,665
1,467,392	(55,098)	1,412,294
97,031,290	21,733,584	118,764,874
\$ 98,498,682	\$ 21,678,486	\$ 120,177,168

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
GOVERNMENTAL FUNDS**

**Balance Sheet  
June 30, 2004**

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>GENERAL IMPROVEMENT FUND</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,502,832	\$ -	\$ -
Investments	5,418,506	-	-
Receivables	198,820	-	-
Due from other funds (note 16)	13,928,516	-	2,270,837
Due from other governments	-	-	247,138
Inventory	240,592	-	-
Restricted assets	247,172	1,894,211	-
Other assets	9,890	-	-
<b>TOTAL ASSETS</b>	<u>\$ 35,546,328</u>	<u>\$ 1,894,211</u>	<u>\$ 2,517,975</u>
<b>LIABILITIES</b>			
Payables (note 12)	\$ 767,298	\$ -	\$ 1,106
Contracts payable	-	-	-
Deferred revenues - current	73,001	-	-
Due to other funds (note 16)	17,149,992	-	-
Other liabilities	-	10,000	-
Payable from restricted assets	-	270	-
Total Liabilities	<u>17,990,291</u>	<u>10,270</u>	<u>1,106</u>
<b>FUND BALANCE</b>			
Reserved (note 14)	316,028	1,883,941	66,090
Unreserved - designated (note 15)	391,566	-	-
Unreserved - undesignated	16,848,443	-	2,450,779
Total Fund Balances	<u>17,556,037</u>	<u>1,883,941</u>	<u>2,516,869</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 35,546,328</u>	<u>\$ 1,894,211</u>	<u>\$ 2,517,975</u>

Continued

The notes to the financial statements are an integral part of this statement.

<u>SPECIAL LEVEE IMPROVEMENT PROJECTS FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ 7,933,560	\$ 23,436,392
3,469,735	8,888,241
95,606	294,426
1,112,080	17,311,433
-	247,138
-	240,592
-	2,141,383
-	9,890
<u>\$ 12,610,981</u>	<u>\$ 52,569,495</u>
\$ 69	\$ 768,473
265,344	265,344
-	73,001
-	17,149,992
-	10,000
-	270
<u>265,413</u>	<u>18,267,080</u>
2,633,095	4,899,154
-	391,566
<u>9,712,473</u>	<u>29,011,695</u>
<u>12,345,568</u>	<u>34,302,415</u>
<u>\$ 12,610,981</u>	<u>\$ 52,569,495</u>

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
GOVERNMENTAL FUNDS  
Balance Sheet, 2004**

Statement C

Reconciliation of fund balances - total government funds to the net assets of the governmental funds -	
Total governmental fund balances	\$ 34,302,415
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$44,063,739	131,143,307
Other noncurrent assets are not available to pay for current-expenditures and therefore are deferred in the funds	404,962
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued bond interest payable	(432,266)
Accrued compensated absences	(883,528)
Bonds payable	(46,315,000)
Judgments payable	<u>(19,721,208)</u>
Net Assets of Governmental Activities	<u>\$ 98,498,682</u>

Concluded

The notes to the financial statements are an integral part of this statement.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
GOVERNMENTAL FUNDS**

**Statement of Revenues, Expenditures,  
and Changes in Fund Balance  
June 30, 2004**

	<b>GENERAL FUND</b>	<b>DEBT SERVICE FUND</b>	<b>GENERAL IMPROVEMENT FUND</b>
<b>REVENUES</b>			
Taxes	\$ 11,301,941	\$ -	\$ -
Intergovernmental:			
Federal grants	(919)	-	245,147
State revenue sharing	1,494,830	-	-
Other state grants	-	-	7,148
Charges for services:			
Bohemia rents and leases	104,131	-	-
Other rents and leases	975,941	-	-
Oil and gas royalties	924,442	-	-
Investment income	306,332	8,259	-
Miscellaneous	71,307	-	-
Total revenues	<u>15,178,005</u>	<u>8,259</u>	<u>252,295</u>
<b>EXPENDITURES</b>			
Current - flood and drainage protection	15,332,459	-	-
Debt service:			
Principal	-	2,790,000	-
Interest	-	2,743,532	-
Capital outlay	-	-	313,934
Total expenditures	<u>15,332,459</u>	<u>5,533,532</u>	<u>313,934</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	(154,454)	(5,525,273)	(61,639)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	2,500,089	5,533,982	830,816
Transfers out	(970,212)	(89)	(623,805)
Litigation payments	(1,094,492)	-	-
Sales of assets	301,000	-	-
Total other financing sources (uses)	<u>736,385</u>	<u>5,533,893</u>	<u>207,011</u>
<b>NET CHANGES IN FUND BALANCES</b>	581,931	8,620	145,372
<b>FUND BALANCES AT BEGINNING OF YEAR (AS RESTATED)</b>	<u>16,974,106</u>	<u>1,875,321</u>	<u>2,371,497</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 17,556,037</u>	<u>\$ 1,883,941</u>	<u>\$ 2,516,869</u>

The notes to the financial statements are an integral part of this statement.

Statement D

SPECIAL LEVEL IMPROVEMENT PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
\$ 11,919,634	\$ 23,221,575
-	244,228
-	1,494,830
-	7,148
-	104,131
-	975,941
-	924,442
185,568	500,159
5,000	76,307
<u>12,110,202</u>	<u>27,548,761</u>
-	15,332,459
-	2,790,000
7,075	2,750,607
5,316,323	5,630,257
<u>5,323,398</u>	<u>26,503,323</u>
6,786,804	1,045,438
-	8,864,887
(7,961,592)	(9,555,698)
-	(1,094,492)
-	301,000
<u>(7,961,592)</u>	<u>(1,484,303)</u>
(1,174,788)	(438,865)
<u>13,520,356</u>	<u>34,741,280</u>
\$ <u>12,345,568</u>	\$ <u>34,302,415</u>

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
GOVERNMENTAL FUNDS**

**Statement E**

**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balance of Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2004**

Net change in fund balance - total governmental funds (Statement D) \$ (438,865)

Amounts reported for governmental activities in the  
Statement of Activities are different because:

Governmental funds report capital outlay as expenditures  
while governmental activities report depreciation expense  
to allocate those expenditures over the life of the assets:

Capital asset additions	3,952,215
Depreciation expense	(4,291,320)

In the Statement of Activities, only the gain or loss on the sale  
or disposition of capital assets is reported, whereas in the  
governmental funds, the proceeds from the sale increase  
financial resources. Thus the change in net assets differs  
from the change in fund balances by the cost of capital  
assets sold or disposed.

(19,123)

Revenues in the Statement of Activities that do not provide current  
financial resources are not report as revenues in the funds.

(10,035)

Repayment of noncurrent debt is an expenditure in the governmental funds,  
but the repayment reduces long-term liabilities in the Statement of Net Assets:

Capital obligation principal payments	2,790,000
Judgments payable	(585,648)

In the Statement of Activities, bond interest and compensated absences are  
accrued, whereas in government funds, these expenditures are reported when due.

Accrued bond interest	49,332
Accrued compensated absences	13,319

Some expenses reported in the Statement of Activities do not require  
the use of current financial and therefore are not reported as  
expenditures in governmental funds.

7,517

Change in Net Assets of Governmental Activities (Statement B)

\$ 1,467,392

**The notes to the financial statements are an integral part of this statement.**

ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
GENERAL FUND

Statement F

Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2004

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Taxes	\$ 10,225,848	\$ 10,925,848	\$ 11,301,941	\$ 376,093
Intergovernmental:				
Federal grants	-	-	(919)	(919)
State revenue sharing	1,500,000	1,500,000	1,494,830	(5,170)
Charges for services:				
Bohemia rents and leases	15,000	104,131	104,131	-
Other rents and leases	289,675	917,050	975,941	58,891
Oil and gas royalties	471,000	679,408	924,442	245,034
Investment income	500,000	500,000	306,332	(193,668)
Miscellaneous	500	32,781	71,307	38,526
Total revenues	<u>13,002,023</u>	<u>14,659,218</u>	<u>15,178,005</u>	<u>518,787</u>
<b>EXPENDITURES</b>				
Flood and drainage protection:				
Personal services	11,589,833	11,308,376	10,971,458	336,918
Travel	23,820	25,637	14,967	10,670
Contractual Services	3,026,089	3,079,980	2,836,282	243,698
Materials and supplies	984,385	1,056,832	1,020,752	36,080
Professional services	1,248,000	1,802,828	1,412,523	390,305
Other charges	42,525	36,963	24,265	12,698
Cost allocations	(1,625,000)	(1,625,000)	(1,761,612)	136,612
Machinery and equipment	806,427	837,064	813,824	23,240
Total expenditures	<u>16,096,079</u>	<u>16,522,680</u>	<u>15,332,459</u>	<u>1,190,221</u>
Excess (deficiency) of revenues over expenditures	<u>(3,094,056)</u>	<u>(1,863,462)</u>	<u>(154,454)</u>	<u>1,709,008</u>
<b>OTHER FINANCING SOURCES (Uses)</b>				
Contingencies	(19,500)	(16,482)	-	16,482
Operating transfers in	2,900,000	2,500,000	2,500,089	89
Operating transfers out	(882,390)	(970,212)	(970,212)	-
Litigation payments	(200,000)	(1,125,252)	(1,094,492)	30,760
Sales of assets	-	301,000	301,000	-
Total other financing sources (uses)	<u>1,798,110</u>	<u>689,054</u>	<u>736,385</u>	<u>47,331</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(1,295,946)</u>	<u>(1,174,408)</u>	<u>581,931</u>	<u>1,756,339</u>
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	<u>16,974,106</u>	<u>16,974,106</u>	<u>16,974,106</u>	<u>-</u>
<b>FUND BALANCES AT END OF YEAR</b>	<u>\$ 15,678,160</u>	<u>\$ 15,799,698</u>	<u>\$ 17,556,037</u>	<u>\$ 1,756,339</u>

The notes to the financial statements are an integral part of this statement.

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

**Statement G**

**Statement of Net Assets  
June 30, 2004**

	<b>ORLEANS MARINA</b>	<b>SOUTH SHORE HARBOR MARINA</b>	<b>LAKEFRONT AIRPORT</b>	<b>TOTAL PROPRIETARY FUNDS</b>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 2,594	\$ 100	\$ -	\$ 2,694
Receivables (net of allowance for uncollectibles) (note 4)	4,858	283,091	429,162	717,111
Inventory	-	-	238,820	238,820
Other Assets	950	950	4,708	6,608
Total current assets	<u>8,402</u>	<u>284,141</u>	<u>672,690</u>	<u>965,233</u>
Noncurrent assets:				
Restricted assets (note 11)	-	1,044,271	-	1,044,271
Due from other funds (note 16)	4,636,156	9,130,918	-	13,767,074
Deferred charges	-	436,733	-	436,733
Land (note 5)	301,339	3,358,103	15,449,799	19,109,241
Other capital assets (net of accumulated depreciation ) (note 5)	764,204	20,359,339	9,094,560	30,218,103
Total noncurrent assets	<u>5,701,699</u>	<u>34,329,364</u>	<u>24,544,359</u>	<u>64,575,422</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,710,101</u>	<u>\$34,613,505</u>	<u>\$25,217,049</u>	<u>\$ 65,540,655</u>
<b>LIABILITIES</b>				
Liabilities:				
Current liabilities:				
Payables (note 12)	\$ 16,496	\$ 27,986	\$ 95,446	\$ 139,928
Contracts payable	45,840	97,477	3,201	146,518
Deferred revenues	104,086	406,620	103,054	613,760
Accrued compensated absences (note 9)	42	2,610	2,723	5,375
Other liabilities	710	1,817	-	2,527
Bonds payable (note 13)	-	1,575,000	-	1,575,000
Payable from restricted assets	-	266,484	-	266,484
Total current liabilities	<u>167,174</u>	<u>2,377,994</u>	<u>204,424</u>	<u>2,749,592</u>
Noncurrent liabilities:				
Due to other funds (note 16)	-	-	13,928,516	13,928,516
Deferred revenues	-	886,532	-	886,532
Accrued compensated absences (note 9)	17,537	27,454	72,392	117,383
Bonds payable (note 13)	-	26,180,146	-	26,180,146
Total noncurrent liabilities	<u>17,537</u>	<u>27,094,132</u>	<u>14,000,908</u>	<u>41,112,577</u>
Total Liabilities	<u>184,711</u>	<u>29,472,126</u>	<u>14,205,332</u>	<u>43,862,169</u>
<b>NET ASSETS</b>				
Invested in capital assets (net of related debt)	1,065,543	(4,037,704)	24,544,359	21,572,198
Restricted for debt service	-	1,044,271	-	1,044,271
Unrestricted (deficit)	4,459,847	8,134,812	(13,532,642)	(937,983)
Total Net Assets	<u>5,525,390</u>	<u>5,141,379</u>	<u>11,011,717</u>	<u>21,678,486</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 5,710,101</u>	<u>\$34,613,505</u>	<u>\$25,217,049</u>	<u>\$ 65,540,655</u>

The notes to the financial statements are an integral part of this statement.

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

**Statement H**

**Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
For the Year Ended June 30, 2004**

	<b>ORLEANS MARINA</b>	<b>SOUTH SHORE HARBOR MARINA</b>	<b>LAKEFRONT AIRPORT</b>	<b>TOTAL PROPRIETARY FUNDS</b>
<b>OPERATING REVENUES</b>				
Charges for Services:				
Rentals	\$ 873,696	\$ 552,496	\$ 1,121,618	\$ 2,547,810
Fuel farm sales and fees	-	-	5,051,001	5,051,001
Gaming fees	-	4,210,426	361,078	4,571,504
Total charges for services	873,696	4,762,922	6,533,697	12,170,315
Miscellaneous	114,964	72,944	37,252	225,160
Total operating revenues	988,660	4,835,866	6,570,949	12,395,475
<b>OPERATING EXPENSES</b>				
Personal services	212,504	310,410	679,415	1,202,329
Travel	-	2,032	3,393	5,425
Contractual services	90,381	107,859	623,717	821,957
Materials and Supplies:				
Fuel farm	-	-	4,374,266	4,374,266
Other	22,655	31,717	78,474	132,846
Professional Services	71,325	72,125	213,056	356,506
Other Charges	9,781	7,658	25	17,464
Cost allocations	223,183	517,077	396,280	1,136,540
Depreciation	93,251	1,457,562	1,465,580	3,016,393
Major maintenance	122,817	28,058	177,512	328,387
Total operating expenses	845,897	2,534,498	8,011,718	11,392,113
<b>NET OPERATING INCOME (Loss)</b>	<b>142,763</b>	<b>2,301,368</b>	<b>(1,440,769)</b>	<b>1,003,362</b>
<b>NONOPERATING REVENUES (Expenses)</b>				
Investment income	15	4,765	-	4,780
Gain (loss) on disposal of capital assets	(318)	-	-	(318)
Debt service interest and bank charges	-	(1,751,128)	-	(1,751,128)
Federal and state grants	-	(3,128)	-	(3,128)
Total nonoperating revenues (expenses)	(303)	(1,749,491)	-	(1,749,794)
<b>NET INCOME (Loss ) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>142,460</b>	<b>551,877</b>	<b>(1,440,769)</b>	<b>(746,432)</b>
<b>CONTRIBUTIONS AND TRANSFERS</b>				
Capital contributions from other funds	-	523	-	523
Operating transfers in	251,169	117,723	334,919	703,811
Operating transfers out	(13,000)	-	-	(13,000)
Total contributions and transfers	238,169	118,246	334,919	691,334
<b>CHANGES IN NET ASSETS</b>	<b>380,629</b>	<b>670,123</b>	<b>(1,105,850)</b>	<b>(55,098)</b>
<b>TOTAL NET ASSETS AT BEGINNING OF YEAR</b>	<b>5,144,761</b>	<b>4,471,256</b>	<b>12,117,567</b>	<b>21,733,584</b>
<b>TOTAL NET ASSETS AT END OF YEAR</b>	<b>\$ 5,525,390</b>	<b>\$ 5,141,379</b>	<b>\$ 11,011,717</b>	<b>\$ 21,678,486</b>

The notes to the financial statements are an integral part of this statement.

ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
PROPRIETARY FUNDS

Statement I

Statement of Cash Flows  
For the Year Ended June 30, 2004

	ORLEANS MARINA	SOUTH SHORE HARBOR MARINA	LAKEFRONT AIRPORT	TOTAL PROPRIETARY FUNDS
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Receipts from customers	\$ 988,920	\$ 5,215,786	\$ 6,547,415	\$ 12,752,121
Payments to suppliers	(690,220)	273,579	(5,816,073)	(6,232,714)
Payments to employees	(208,148)	(306,998)	(670,988)	(1,186,134)
Internal activity-payments to other funds	(223,183)	(517,077)	(396,280)	(1,136,540)
Net cash provided (used) by operating activities	(132,631)	4,665,290	(335,926)	4,196,733
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Contributions from donors	(318)	523	-	205
Operating transfers from other funds	238,169	117,723	334,919	690,811
Net cash provided (used) by noncapital financing activities	237,851	118,246	334,919	691,016
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from disposition of capital assets	318	-	-	318
Purchase of capital assets	(105,538)	(1,859,119)	(5,369)	(1,970,026)
Proceeds from federal and state grants	-	293,917	6,376	300,293
Principal paid on capital debt	-	(1,466,889)	-	(1,466,889)
Interest paid on capital debt	-	(1,711,444)	-	(1,711,444)
Net cash provided (used) by capital and related financing activities	(105,220)	(4,743,535)	1,007	(4,847,748)
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>				
Interest	15	4,765	-	4,780
Net cash provided by investing activities	15	4,765	-	4,780
<b>NET INCREASE IN CASH</b>	15	44,766	-	44,781
<b>CASH BALANCES, BEGINNING</b>	2,578	999,606	-	1,002,184
<b>CASH BALANCES, ENDING</b>	\$ 2,593	\$ 1,044,372	\$ -	\$ 1,046,965

(Continued)

The notes to the financial statements are an integral part of this statement.

ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
PROPRIETARY FUNDS

Statement I

Statement of Cash Flows  
For the Year Ended June 30, 2004

	ORLEANS MARINA	SOUTH SHORE HARBOR MARINA	LAKEFRONT AIRPORT	TOTAL PROPRIETARY FUNDS
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 142,762	\$ 2,301,366	\$ (1,440,769)	\$ 1,003,359
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Cash flows reported in other categories:				
Depreciation expense	93,251	1,457,562	1,465,580	3,016,393
Change in assets and liabilities:				
Receivables, net	274	(6,405)	(120,415)	(126,546)
Inventories	-	-	13,075	13,075
Prepaid expenses and other assets	21,534	21,324	50,147	93,005
Receivables from other funds	(408,601)	453,400	-	44,799
Accounts and other payables	18,149	438,043	48,983	505,175
Payables to other funds	-	-	(352,527)	(352,527)
Net cash provided (used) by operating activities	\$ (132,631)	\$ 4,665,290	\$ (335,926)	\$ 4,196,733

(Concluded)

The notes to the financial statements 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, 2004

**INTRODUCTION**

The Orleans Levee District (the District) and its Board of Commissioners (the Board) 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 District and the United States Corps of Engineers participate in several joint flood protection projects (note 22) relative to the Lake Pontchartrain and Vicinity Hurricane Protection Plan (High Level 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, The District receives certain rents and gaming related monies from a steamboat operator located at the South Shore Harbor Marina. The District has approximately 252 full-time employees, including 49 police officers and 11 firefighters.

The 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.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. BASIS OF PRESENTATION**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America 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.

This financial report has been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, issued in June 1999.

**B. REPORTING ENTITY**

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The 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 the will of the governor can be imposed upon the District. The accompanying financial statements present information only as to the transactions of the District, a component unit of the State of Louisiana. Annually, the State of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial statements.

**C. FUNDS**

The District uses fund accounting to maintain its financial records during the year. 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.

Funds of the District are classified into two categories: governmental and proprietary. In turn, each category is divided into separate

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

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 District's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources which may be used to finance future period programs or operations of the District. The following are the District's primary governmental funds:

1. General Fund--the primary operating fund of the District and it accounts for all financial resources, except those required to be accounted for in other funds.
2. Debt Service Fund--accounts for transactions relating to resources retained and used for the payment of general long-term debt principal, interest and related costs.
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 governmental 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.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Proprietary funds of the District consist of enterprise funds that account for the operations of the marinas and airport. The intent of the 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. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

**Government-Wide Financial Statements (GWFS)**

The Statement of Net Assets (Statement A) and the Statement of Activities (Statement B) display information about the reporting government as a whole. These statements include all the financial activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, certain interfund activity and balances were eliminated or reclassified.

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

**Program Revenues** - Program revenues included in the Statement of Activities (Statement B) derive directly from parties outside the District's taxpayers or citizenry, as a whole; program revenues

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

reduce the cost of the function to be financed from the District's general revenues.

**Allocation of Indirect Expenses** - The District reports all direct expenses by function in the Statement of Activities (Statement B). Direct expenses are those that are clearly identifiable with a function. Depreciation expense, which can be specifically identified by function, is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**Fund Financial Statements**

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. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The District considers all funds as major.

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year-end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. 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 due and payable. 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 year, and become delinquent on the first day of February. The taxes are generally collected in January, February, March, and April of each year.

Federal and state entitlements are recorded as unrestricted grants-in-aid when available and measurable. Expenditure-driven federal and state grants are recorded as restricted grants-in-aid when the reimbursable expenditures have been incurred.

Oil and gas royalties are recorded when earned.

Investment income includes both the interest earned on cash and investments and the change in the fair value of investments. GASB Statement No. 31 requires that investments be reported at fair value on the balance sheet. The change in fair value of investments from the beginning to the 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.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Substantially all other revenues are recorded when received.

**Expenditures**

In the fund financial statements, 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 assets; proceeds from capital leases; and proceeds from litigation settlements, 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.

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.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

**Expenses**

Salaries are recognized as expenses in the accounting period earned by employees.

Depreciation expense on all exhaustible capital 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 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 District prepares its budget in accordance with R.S. 38:318. The budget is prepared on a modified accrual basis for the General Fund. The budget for the fiscal year ended June 30, 2004, was adopted on January 22, 2003, and subsequent amendments were adopted on April 21, 2004 and June 16, 2004. Formal budget integration is employed as a management control device during the year for the General Fund. 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 CASH EQUIVALENTS AND INVESTMENTS**

Cash includes petty cash and demand deposits. Cash equivalents include amounts in time deposits, money market mutual funds, and United States Treasury bills. Under state law, the District may deposit funds with a fiscal agent bank organized under the laws of the State

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the District may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the 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 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 previously 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 in governmental activities consist of funds set aside for Bohemia settlement payments, and funds received as a result of forfeiture and seizure by the District police department, all within the General Fund. Additionally, restricted assets in the Debt Service Fund consist of funds set aside for payment of debt for the levee improvement bonds. These funds are classified as restricted assets since their use is limited.

Restricted assets presented in the financial statements for business-type activities represent proceeds from funds set aside for payment of South Shore Harbor debt. These funds are classified as restricted assets since their use is limited by applicable bond indentures.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

**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 in the fund financial statements 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. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure (such as bridges, seawalls, roads, and levees), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair value at the date of donation. The District maintains a threshold level of \$1,000 or more for capitalization.

Capital assets used in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary fund statements. No salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following estimated useful lives:

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

<u>Description</u>	<u>Years</u>
Land improvements	20
Buildings and building improvements	40
Furniture and fixtures	7-10
Vehicles	7
Equipment	7-10
Infrastructure	40

**Flood Protection Systems**

Resources of the United States Army Corps of Engineers (USACE), the State of Louisiana, the District, and the City of New Orleans as local participants are committed to protecting lives and property of the residents and businesses of the City of New Orleans from the potential for flooding posed by the Mississippi River and its tributaries, and from Lake Pontchartrain.

The District and the Corps of Engineers have together invested \$385 million in flood control systems in the Lake Pontchartrain and Vicinity Hurricane Protection Plan for Orleans Parish. Major elements of the protection program include (1) levees, floodwalls and floodgates along the lakefront, Mississippi River Gulf Outlet canal and along the three critical outfall canals, (2) a seawall at the shores of Lake Pontchartrain, and (3) barrier levees on the outskirts of the city. The current height of these levees is 14 to 18 feet.

The USACE has spent \$19.9 million on 27.5 miles of Mississippi River levees, floodwalls, floodgates, and other flood control structures.

In accordance with accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board Statement No. 34, governments are required to identify infrastructure assets, including flood control systems. While the District manages and monitors the levees, flood control structures and bridges comprising the flood protection system, the USACE has the primary responsibility for major maintenance and construction. Accordingly, the District has excluded from its financial statements those costs incurred on assets owned by others or substantially built and maintained by others.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Only those portions of the flood protection system that were funded by the District's 1984 bond issue have been capitalized. Those costs are included in the financial statements and amount to \$56,518,144 relating to investments in levees, floodwalls, floodgates, flood control structures, et cetera.

**Other Infrastructure Assets**

In addition to the \$63,216,122 noted above, the financial statements reflect investments in roadways, bridges, parks and recreation, and buildings. Total cost of infrastructure assets at June 30, 2004, totaled \$131,877,793. The components of this total are as follows:

Bridges/roadways	\$ 70,655,261
Parks/recreation	2,066,374
Buildings	2,638,014
Subtotal - other infrastructure assets	<u>75,359,649</u>
Flood protection systems	<u>56,518,144</u>
Total - infrastructure assets	<u><u>\$ 131,877,793</u></u>

Accumulated depreciation on infrastructure assets at June 30, 2004, totals \$23,974,517.

**L. DEFERRED REVENUES**

The District reports deferred revenues on its fund financial statement balance sheet. Deferred revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received before the incurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

**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 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 governmental fund financial statements when leave is actually taken. The government-wide financial statements present the cost of accumulated annual leave as a liability. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay this amount when employees separate from service.

**N. LONG-TERM OBLIGATIONS**

The government-wide financial statements and the proprietary fund statements present long-term debt and other long-term obligations. Bond premiums and discounts 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.

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

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

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

**P. DEFERRED COMPENSATION PLAN**

Certain employees of the District participate in the Louisiana Public Employees Deferred Compensation Plan adopted under the provisions of Internal Revenue Code Section 457. Complete disclosures relating to the Plan are included in the separately issued audit report for the Plan, available from the Louisiana Legislative Auditor, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397.

**Q. FUND EQUITY**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**R. RESTRICTED NET ASSETS**

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

- (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; or
- (2) imposed by law through constitutional provisions or enabling legislation.

**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. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

**T. ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**2. CASH AND CASH EQUIVALENTS**

At June 30, 2004, the District has cash and cash equivalents (book balances), totaling \$26,624,740, which consists of the following:

Cash:	
Petty cash	\$ 700
Demand deposits	862,492
Subtotal	<u>863,192</u>
Cash equivalents:	
Time deposits	2,000,000
Money market mutual funds	3,777,777
U. S. Treasury bills	19,983,771
Subtotal	<u>25,761,548</u>
Total cash and cash equivalents	<u>\$ 26,624,740</u>

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The deposits at June 30, 2004, are secured as follows:

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

	Deposits in Bank Accounts		Total
	Cash	Certificates of Deposit	
Deposits in Bank Accounts per Balance Sheet	\$ 862,492	\$ 2,000,000	\$ 2,862,492
Total Bank Balances	\$ 1,383,093	\$ 2,000,000	\$3,383,093

The District does not have any category 3 cash balances.

The \$3,777,777 of money market mutual funds, which includes restricted assets, consist of shares of mutual funds that are invested in direct obligations of the United States Department of Treasury, other federal governmental agencies, and repurchase agreements involving these securities that are not required to be classified as to category of credit risk by GASB Codification Section 150.165.

The \$19,983,771 of U.S. Treasury bills have an original maturity of three months or less and are defined as cash equivalents according to GASB Codification Section 2450.109 but are classified as investments for purposes of credit risk.

**3. INVESTMENTS**

At June 30, 2004, investments of the District total \$28,872,012, which is shown on Statement A as \$8,888,241 of investments, and \$19,983,771 of cash equivalents (U. S. Treasury bills). A summary of District investments follows:

	Reported Amount	Fair Value
U. S. Treasury bills	\$ 19,983,771	\$ 19,983,771
Federal Home Loan Mortgage	2,609,745	2,609,745
Federal National Mortgage Association	2,446,286	2,446,286
Governmental National Mortgage Association	3,546,356	3,546,356
U. S. Department of Veterans Affairs Guaranteed Remic Pass-Through Certificates	285,854	285,854
Total investments	\$ 28,872,012	\$ 28,872,012

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Investments of governmental securities reflected in the governmental funds and the enterprise funds are stated at fair value as required by GASB Statement No. 31. The District used quoted market values to determine the fair value of the investments. These investments are direct obligations of the United States Department of Treasury and other federal governmental agencies. These investments are considered uninsured and unregistered but are held in the name of the entity. These investments are classified as GASB Risk Category 2 of Statement No. 3 in applying the credit risk of GASB Codification Section 150.164.

**4. RECEIVABLES**

At June 30, 2004, the District has receivable balances, totaling \$1,416,499, as follows:

<u>Class of Receivables</u>	<u>Total Governmental Activities</u>	<u>Total Business-Type Activities</u>	<u>Total</u>
Ad valorem taxes	\$ 591,220		\$ 591,220
Fuel farm sales and fees		\$ 413,958	413,958
Rents, leases, and other	108,168	303,153	411,321
Total	<u>\$ 699,388</u>	<u>\$ 717,111</u>	<u>\$ 1,416,499</u>

All amounts are due within one year.

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

**5. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b>Government activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 12,574,748			\$ 12,574,748
Construction in progress	1,878,510	3,110,100	3,823,680	1,164,930
Total capital assets, not being depreciated	<u>14,453,258</u>	<u>3,110,100</u>	<u>3,823,680</u>	<u>13,739,678</u>
Capital assets, being depreciated:				
Buildings	10,061,647			10,061,647
Improvements other than buildings	10,315,119		87,095	10,228,024
Equipment	8,557,190	843,610	100,896	9,299,904
Infrastructure	128,054,113	3,823,680		131,877,793
Total capital assets, being depreciated	<u>156,988,069</u>	<u>4,667,290</u>	<u>187,991</u>	<u>161,467,368</u>
Less accumulated depreciation for:				
Buildings	5,783,109	334,161		6,117,270
Improvements other than buildings	7,340,987	150,750	87,095	7,404,642
Equipment	6,149,816	506,261	88,767	6,567,310
Infrastructure	20,674,369	3,300,148		23,974,517
Total accumulated depreciation	<u>39,948,281</u>	<u>4,291,320</u>	<u>175,862</u>	<u>44,063,739</u>
Total capital assets being depreciated, net	<u>117,039,788</u>	<u>375,970</u>	<u>12,129</u>	<u>117,403,629</u>
Government activities capital assets, net	<u>\$ 131,493,046</u>	<u>3,486,070</u>	<u>3,835,809</u>	<u>\$ 131,143,307</u>
	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 19,109,241			\$ 19,109,241
Construction in progress	558,133	1,962,654	433,987	2,086,800
Total capital assets, not being depreciated	<u>19,667,374</u>	<u>1,962,654</u>	<u>433,987</u>	<u>21,196,041</u>
Capital assets, being depreciated:				
Buildings	7,288,308			7,288,308
Improvements other than buildings	78,892,702	433,987		79,326,689
Equipment	1,290,816	27,757	6,093	1,312,480
Total capital assets, being depreciated	<u>87,471,826</u>	<u>461,744</u>	<u>6,093</u>	<u>87,927,477</u>
Less accumulated depreciation for:				
Buildings	5,981,854	119,042		6,100,896
Improvements other than buildings	49,884,919	2,830,160		52,715,079
Equipment	898,399	87,575	5,775	980,199
Total accumulated depreciation	<u>56,765,172</u>	<u>3,036,777</u>	<u>5,775</u>	<u>59,796,174</u>
Total capital assets, being depreciated, net	<u>30,706,654</u>	<u>(2,575,033)</u>	<u>318</u>	<u>28,131,303</u>
Business-type activities capital assets, net	<u>\$ 50,374,028</u>	<u>(612,379)</u>	<u>434,305</u>	<u>\$ 49,327,344</u>

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Depreciation expense for the year ended June 30, 2004 was charged to the following government functions:

Government Activities - Flood and drainage protection	<u>\$ 4,291,320</u>
Business-type activities:	
Marinas	\$ 1,550,813
Airport	<u>1,465,580</u>
Total depreciation expense - business-type activities	<u>\$ 3,016,393</u>

**6. RETIREMENT SYSTEM**

Substantially all employees of the 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 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 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, 2004, was at 15.8% of annual covered payroll, increased from 14.1% and 13% required in fiscal years ended June 30, 2003, and 2002

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

respectively. The District contributions to the System for the years ending June 30, 2004, 2003, and 2002, were \$1,087,393, \$933,684, and \$870,570, respectively, equal to the required contributions for each year.

**7. WORKERS' COMPENSATION INSURANCE PROGRAM**

Effective July 1, 1998, the District discontinued their workers' compensation self-insurance plan and obtained conventional coverage from the Louisiana Workers' Compensation Corporation. All open claims as of June 30, 1998 have been paid from the self-insurance plan. At June 30, 2004, all claims have been closed. However, all eligible medical expenses will continue to be paid until finalized. The total cost of eligible run over claims for the 2004 fiscal year was \$645. The District has a designation of fund balance in the General Fund for the self-insured workers' compensation plan of \$100,000 (Note 15) at June 30, 2004.

For fiscal year 2004, the District continued its workers' compensation coverage with the Louisiana Workers' Compensation Corporation for a one-year period. This workers' compensation program is a conventional plan. For the fiscal year ended June 30, 2004, the District paid a total premium of \$469,908 to the Louisiana Workers' Compensation Corporation. The standard premium was based on loss experience and projected annual payroll of \$8,549,813.

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

Substantially all District employees become eligible for postemployment health care, dental, and life insurance benefits if they reach normal retirement age while working for the 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 District. Benefits are expensed as paid. For 2004, the cost of providing those benefits for the 90 retirees totaled \$335,475.

**9. COMPENSATED ABSENCES**

As of June 30, 2004, employees of the District have accumulated and vested \$1,006,286 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The current portion

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

estimated to be paid within the next fiscal year is \$35,658 for governmental activities and \$5,375 for business-type activities. The noncurrent amount of \$847,870 is recorded for governmental activities and \$117,383 for business-type activities.

**10. LESSOR OPERATING LEASES**

The District leases boat slips, boathouses, and building space to certain parties under operating leases. At June 30, 2004, the total cost of the land, buildings, and improvements leased to others by both the General Fund and Enterprise Funds totals \$108,153,522, with \$60,091,959 of related accumulated depreciation. Future minimum rental payments to be received under these operating leases are as follows:

Fiscal year ending June 30:	
2005	\$ 8,452,363
2006	8,549,122
2007	8,754,512
2008	8,778,241
2009	<u>8,956,560</u>
Total	<u>\$ 43,490,798</u>

**11. RESTRICTED ASSETS**

Restricted assets at June 30, 2004, shown on Statement A, amounted to \$3,185,654, \$2,141,383 in governmental activities and \$1,044,271 in business-type activities. Restricted assets in governmental activities consist of \$1,894,211 of cash with fiscal agents, \$246,877 of funds set aside for Bohemia settlement payments, and \$295 of funds received as a result of forfeiture and seizure by the District police department, all within the General Fund. All funds in business-type activities consist of cash with fiscal agents for the South Shore Harbor Marina Fund.

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

**12. PAYABLES**

At June 30, 2004, the District has payables totaling \$908,401 as follows:

Class of Payables	Governmental Funds		Total Governmental Payables	Total Business-type Payables	Total
	General	Capital Projects			
Accounts payable	\$ 502,976	\$ 1,175	\$ 504,151	\$ 108,220	\$ 612,371
Salaries payable	225,440		225,440	26,691	252,131
Payroll deductions and employer's payable	38,882		38,882	5,017	43,899
<b>Total</b>	<b>\$ 767,298</b>	<b>\$ 1,175</b>	<b>\$ 768,473</b>	<b>\$ 139,928</b>	<b>\$ 908,401</b>

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

The following is a summary of the long-term obligation transactions for the year ended June 30, 2004:

	Long-Term Obligations Payable at July 1, 2003	Additions	Deductions and Retirement	Long-Term Obligations Payable at June 30, 2004	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 70,000		\$ (70,000)	NONE	NONE
Levee Improvement:					
Fixed Rate Refunding Bonds, Series 1986	43,945,000		(2,385,000)	\$ 41,560,000	2,565,000
Variable Rate Refunding Bonds, Series 1996	5,090,000		(335,000)	4,755,000	315,000
Total general obligation bonds payable	49,105,000	NONE	(2,790,000)	46,315,000	2,880,000
Compensated Absences	896,847		(13,319)	883,528	35,658
Judgments	19,135,560	1,185,648	(600,000)	19,721,208	NONE
<b>Governmental activity long-term liabilities</b>	<b>\$ 69,137,407</b>	<b>\$ 1,185,648</b>	<b>\$ (3,403,319)</b>	<b>\$ 66,919,736</b>	<b>\$ 2,915,658</b>

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

	Long-Term Obligations Payable at July 1, 2003	Additions	Deductions and Retirement	Long-Term Obligations Payable at June 30, 2004	Due Within One Year
<b>Business-type activities:</b>					
Public Improvement:					
Fixed Rate Refunding Bonds, Series 1986	\$ 27,375,000		\$ (1,365,000)	\$ 26,010,000	\$ 1,455,000
Variable Rate Refunding Bonds, Series 1996	2,150,000		(130,000)	2,020,000	120,000
Total business-type activity bonds	<u>29,525,000</u>	NONE	<u>(1,495,000)</u>	<u>28,030,000</u>	<u>1,575,000</u>
Less:					
Unamortized discounts	(249,754)		(20,812)	(228,942)	
Unamortized loss on refunding	(53,210)		(7,298)	(45,912)	
Total business-type activity bonds payable	<u>29,222,036</u>	NONE	<u>(1,466,890)</u>	<u>27,755,146</u>	<u>1,575,000</u>
Compensated absences	115,715	7,043		122,758	5,375
Business-type activity long-term liabilities	<u>\$ 29,337,751</u>	<u>\$ 7,043</u>	<u>\$ (1,466,890)</u>	<u>\$ 27,877,904</u>	<u>\$ 1,580,375</u>

The additions and reductions to compensated absences during the 2003-2004 fiscal year represent the net change during the year because the additions and deductions could not readily be determined.

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 District. General obligation bonds payable at the beginning of the year were \$70,000. This was the outstanding balance of the \$1,000,000 Public Improvement Bonds Series 1973-A issued to improve the New Orleans Lakefront Airport. The bonds were retired on October 1, 2003.

**B. LEVEE IMPROVEMENT FIXED RATE BONDS, SERIES 1986**

On August 28, 1986, the 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 District converted \$56,780,000 of the Levee Improvement Variable Rate Demand Bonds to a fixed interest rate of 5.95%. Levee

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Improvement Fixed Rate Refunding Bonds payable at the beginning of the year were \$43,945,000. Payments of \$2,385,000 reduced this amount to \$41,560,000 at June 30, 2004. 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 \$15,377,478 at a rate of 5.95% through November 1, 2014. The bonds are due in future annual installments of \$2,565,000 to \$5,295,000, beginning November 1, 2004, through November 1, 2014.

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

On October 29, 1996, the 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 \$5,090,000. Payments of \$335,000 reduced the amount to \$4,755,000 at June 30, 2004. The Levee Improvement Variable Rate Refunding Bonds, Series 1996, are secured by a claim on the 6.55 mill ad valorem tax, and are on parity basis with the Levee Improvement Fixed Rate Bonds, Series 1986. These bonds are due in future annual installments of \$315,000 to \$575,000 beginning November 1, 2004, through November 1, 2014. The bonds, which have a maximum rate of 14%, carried an initial rate of interest of 5.4% through November 1, 2003. The interest rate for the second period was reset to 2.54% on November 1, 2003. The interest rate will be reset for the third period on November 1, 2010, based on the same formula that yielded 5.4% for the initial period. The interest to maturity, calculated using 2.54% as reset on November 1, 2003, and an assumed rate of 5.5% for the third period, amounts to \$896,821 through November 1, 2014.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

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

On August 29, 1986, the 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 District converted \$34,780,000 of the Public Improvement Variable Rate Demand Bonds to a fixed interest rate of 5.95%. Public Improvement Fixed Rate Refunding Bonds payable at the beginning of the year were \$27,375,000. Payments of \$1,365,000 reduced this amount to \$26,010,000 at June 30, 2004. 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 \$10,519,005 at a rate of 5.95% through November 1, 2015. The bonds are due in future annual installments of \$1,455,000 to \$3,065,000, from November 1, 2004, through November 1, 2015.

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

On October 29, 1996, the 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 \$2,150,000. Payments of \$130,000 reduced the amount to \$2,020,000 at June 30, 2004. The Public Improvement Variable Rate Refunding Bonds, Series 1996, are secured by a claim on the 5.46 mill ad valorem tax, and are on parody basis with the Public Improvement Fixed Rate Bonds, Series 1986. These bonds are due in future annual installments of \$120,000 to \$230,000 beginning November 1, 2004, through November 1, 2015. The bonds, which have a maximum rate of 14%, carried an initial rate of interest of 5.4% through November 1, 2003. The interest rate for the second period was reset to 2.54% on November 1, 2003. The interest rate will be reset for the third period on November 1, 2010, based on the

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Notes to the Financial Statements (Continued)

same formula that yielded 5.4% for the initial period. The interest to maturity, calculated using 2.54% as reset on November 1, 2003, and an assumed rate of 5.5% for the third period, amounts to \$438,446 through November 1, 2015.

Debt service requirements on long-term debt at June 30, 2004, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>Payments</u>	<u>Payments</u>	
2005	2,880,000	2,513,288	\$ 5,393,288
2006	3,090,000	2,346,763	5,436,763
2007	3,310,000	2,168,128	5,478,128
2008	3,555,000	1,976,341	5,531,341
2009	3,810,000	1,770,360	5,580,360
2010-2014	23,800,000	5,326,084	29,126,084
2015	5,870,000	173,339	6,043,339
Total	<u>\$ 46,315,000</u>	<u>\$ 16,274,303</u>	<u>\$ 62,589,303</u>

<u>Year Ending June 30,</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	<u>Payments</u>	<u>Payments</u>	
2005	\$ 1,575,000	\$ 1,554,093	\$ 3,129,093
2006	1,685,000	1,461,286	3,146,286
2007	1,800,000	1,362,040	3,162,040
2008	1,920,000	1,256,058	3,176,058
2009	2,055,000	1,142,746	3,197,746
2010-2014	12,625,000	3,797,708	16,422,708
2015-2016	6,370,000	383,525	6,753,525
Total	<u>\$ 28,030,000</u>	<u>\$ 10,957,456</u>	<u>\$ 38,987,456</u>

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

**14. FUND BALANCE RESERVED**

The following is a summary of fund balance reserves at June 30, 2004:

	General Fund	Debt Service Fund	General Improvement Fund	Special Levee Improvement Fund	Total
Reserved for:					
Encumbrances	\$ 69,152	\$ -	\$ 66,090	\$ 2,633,094	\$ 2,768,336
Debt Service		1,883,941			1,883,941
Bohemia Spillway Escrow	246,877				246,877
Total	<u>\$ 316,029</u>	<u>\$ 1,883,941</u>	<u>\$ 66,090</u>	<u>\$ 2,633,094</u>	<u>\$ 4,899,154</u>

**15. FUND BALANCE - UNRESERVED - DESIGNATED**

The 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.

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

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

Capital assets - funds set aside for purchase of capital assets.

**ORLEANS LEVEE DISTRICT****STATE OF LOUISIANA**

## Notes to the Financial Statements (Continued)

A summary of the designations for the year ended June 30, 2004, follows:

Major construction equipment replacement	\$ 16,971
Air conditioning unit replacement	18,239
Hurricane cleanup and recovery	100,000
Workers' compensation	100,000
Capital assets	<u>156,356</u>
Total	<u><u>\$ 391,566</u></u>

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

The balances of due from/to other funds detailed by individual fund at June 30, 2004, are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental Funds:		
General Fund:		
Capital Project Funds:		
Special Levee Improvement		\$ 1,112,080
General Improvement		2,270,837
Enterprise Funds:		
Orleans Marina		4,636,156
South Shore Harbor Marina		9,130,918
New Orleans Lakefront Airport	\$ 13,928,516	
Total	<u>13,928,516</u>	<u>17,149,991</u>
Capital Projects Funds:		
Special Levee Improvement - General Fund	1,112,080	
General Improvement - General Fund	2,270,837	
Total	<u>3,382,917</u>	NONE
Total Governmental Funds Due From/To Other Funds	<u>17,311,433</u>	<u>17,149,991</u>
Enterprise Funds:		
Orleans Marina - General Fund	4,636,156	
South Shore Harbor Marina - General Fund	9,130,918	
New Orleans Lakefront Airport - General Fund		<u>13,928,516</u>
Total Enterprise Funds Due From/To Other Funds	<u>13,767,074</u>	<u>13,928,516</u>
Total Due From/To Other Funds	<u><u>\$ 31,078,507</u></u>	<u><u>\$ 31,078,507</u></u>

**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 District where all cash transactions are initially recorded in the General Fund.

**17. LITIGATION AND CLAIMS**

Numerous lawsuits have been filed by individuals and acts have been passed by the Louisiana Legislature concerning the return of certain expropriated properties in the Bohemia Spillway and the payment of royalties and rents derived from these properties to the original owners of the properties. 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 District upon receipt of the names of certified claimants from the Secretary of the Louisiana Department of Natural Resources (DNR) 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. At this date, the 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 capital assets is \$133,244.

Before the effective date of Act 1364 of 1997 and 1378 of 1999, DNR certified claimants who had an interest in 164 of 220 tracts of land in the Bohemia Spillway for the return of the property. All property claims certified by DNR as of October 1, 2002 have been returned. All claims certified as of June 30, 2004, have been conveyed. Upon the return of the property, the District is required to return the royalties, et cetera, collected since June 29, 1984, until the date of transfer.

*Judgment was rendered in Haspel & Davis v. Board of Commissioners of the District, Case No. 31-357, in favor of the plaintiffs awarding the sum of \$18,767,145, plus interest from the date of judicial demand until paid, for the sum of revenues paid to the District of its share of royalties under mineral leases in the Bohemia Spillway. A number of payments have been made since 2001 as reflected in previous years. On February 26, 2004, a payment in the full sum of \$600,000 was paid into the registry of the Court in the Haspel & Davis class action. The Court accepted the payment as being current on the settlement agreement amortization plan. In the matter of Lemona H. Chandler, Administratrix of the*

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

succession of Henry Taylor, Jr. v. in the matter of: The Board of Commissioners of the District, docket #47-842, CDC New Orleans, the District paid the full sum of \$314,491.59. A remaining balance of \$166,842.53 in special interest and attorney fees awarded by the Court is presently on appeal to the 4<sup>th</sup> Circuit. All judgments in the Bohemia Spillway matter will be paid if and when funds become available, and when funds are appropriated therefore.

At June 30, 2004, the District is a defendant or co-defendant in 40 lawsuits, including 8 cases related to the Bohemia Spillway, claiming damages, possession of property, and contract disputes. In addition, the District is involved in several civil service actions. The District's legal counsel has reviewed all claims and lawsuits to evaluate the likelihood of an unfavorable outcome to the District and has attempted to arrive at an estimate of the amount of potential loss. For the lawsuits involving claims or damages not related to the Bohemia Spillway, the District's legal counsel does not anticipate that potential losses resulting from these lawsuits will have a significant adverse effect on the financial position of the District.

During fiscal year 2004, a judgment was rendered against the District for damages related to a contractual dispute. Although the District is currently appealing this decision, a provision for damages, attorney's fees and judicial interest of \$1,000,000 is included in judgments payable on Statement A.

As reflected in Statement D, expenditures for claims and litigation totaled \$1,094,492 for the year ended June 30, 2004. At June 30, 2004, liabilities associated with claims and judgments total \$19,721,208 as shown on Statement A.

**18. LEVEE DISTRICT TAXES**

Article 6, Section 39 of the 1974 Louisiana Constitution provides that the 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 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.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

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:

	<u>Authorized Millage</u>	<u>Levied Millage</u>
Parishwide taxes:		
Constitutional	5.46	5.46
Levee improvements	6.55	6.55
General maintenance	0.75	0.75

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. By a special election held with the district on March 5, 1974, the voters of the parish of Orleans elected to authorize a "General Maintenance" tax to finance the general maintenance expenditures of the District, at the rate of three quarters (3/4) of a mill to begin in 1986, and continue thereafter. By a vote on a resolution on December 1, 1999, the Board voted to reaffirm the .75 millage pursuant to Article 7, Section 23 (B) of the Constitution of 1974.

At June 30, 2004, approximately \$635,411 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.

**19. FEDERAL GRANTS**

The District participates in a number of federally-assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. The District believes that the amount of disallowances, if any, which may arise from future audits, will not be material.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

**20. OPERATING TRANSFERS IN/OUT**

The following is a summary of the operating transfers in and out for the year ended June 30, 2004:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund:		
Debt Service	\$ 89	\$ 72,390
Capital Project Funds:		
General Improvement		830,816
Special Levee Improvement	2,500,000	
Enterprise Funds:		
Orleans Marina		3,771
South Shore Harbor Marina		11,748
New Orleans Lakefront Airport		51,487
Total General Fund Transfers	<u>2,500,089</u>	<u>970,212</u>
Debt Service Fund:		
General Fund	72,390	89
Special Levee Improvement	5,461,592	
Total Debt Service Fund Transfers	<u>5,533,982</u>	<u>89</u>

Continued on next page

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Capital Projects Fund -		
General Improvement:		
General Fund	830,816	
Enterprise Funds:		
Orleans Marina		247,398
South Shore Harbor Marina		92,975
New Orleans Lakefront Airport		283,432
Special Levee Improvement:		
General Fund		2,500,000
Debt Service Fund		5,461,592
Total Capital Projects Fund Transfers	<u>830,816</u>	<u>8,585,397</u>
 Total Governmental Fund Transfers	 <u>8,864,887</u>	 <u>9,555,698</u>
 Proprietary Funds:		
Orleans Marina		
General Fund	3,771	
General Improvement	247,398	
South Shore Harbor Marina		13,000
South Shore Harbor Marina		
General Fund	11,748	
General Improvement	92,975	
Orleans Marina	13,000	
Lakefront Airport		
General Fund	51,487	
General Improvement	283,432	
Total Proprietary Fund Transfers	<u>703,811</u>	<u>13,000</u>
 Total Transfers	 <u>\$ 9,568,698</u>	 <u>\$ 9,568,698</u>

**21. PRIOR PERIOD ADJUSTMENT**

In fiscal year 2001, the amount originally recorded as a judgment payable for Bohemia litigation was understated. Additionally, interest has been accruing on the outstanding balance of the judgment. Consequently, the District recorded a prior period adjustment in the amount of \$4,964,233.

The beginning net assets for governmental activities at July 1, 2003 have been restated to reflect the increased liability. The effect on the beginning net assets is as follows:

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

	Governmental Activities
Net assets at June 30, 2003	\$ 101,995,523
Adjustment to judgments payable	<u>(4,964,233)</u>
Net assets restated at July 1, 2003	<u>\$ 97,031,290</u>

**22. IN-KIND CONTRIBUTIONS**

The United States Army Corps of Engineers (USACE) and the levee districts in southeastern Louisiana, including the 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 District has expended bond and ad valorem tax funds over (approximately) the last 19 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 \$738,000,000 for the 300-year Lake Pontchartrain and Vicinity Hurricane Protection Plan. The estimated amount per the USACE for Orleans Parish is \$377,714,000. The USACE will expend 70% and the District will expend 30%. The estimated expenditures at June 30, 2004, are \$264,400,000 for the USACE. The 30% participation by the District will not cause direct cash outflows. Three major projects on the High Level Plan are ongoing in Orleans Parish: London Avenue Canal, Orleans Avenue Canal, and 17th Street Canal bridges. It is anticipated that the entire High Level Plan will be completed by 2010.

**23. PROPOSED LEASE OF AIRPORT**

On March 27, 2002 by Resolution No. S1-032702, the Board approved the Agreement for the Lease, Management, Operation, Commercial Enhancement and Development of the New Orleans Lakefront Airport between the Board of Commissioners of the District and American Airports Lakefront, L.L.C., previously approved by the Special Airport Committee of the Orleans Levee Board. The Board also authorized the President of the Board to sign and file with the Federal Aviation Administration (FAA) the

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Final Application for Exemptions under the Federal Airport Privatization Pilot Program, for the privatization of the New Orleans Lakefront Airport. The Final Application for Exemptions under the Federal Airport Privatization Pilot Program, for the privatization of the New Orleans Lakefront Airport was submitted to the FAA on April 30, 2002, and is currently under review.

**24. SUBSEQUENT EVENTS**

1. In a Board meeting held on August 20, 2003, the Board adopted four resolutions determining to proceed with a plan of restructuring the currently outstanding Orleans Levee District Levee Improvement Bonds, Series 1986, the Orleans Levee District Levee Improvement Refunding Bonds, Series 1996, the Orleans Levee District Public Improvement Bonds, Series 1986, and the Orleans Levee District Public Improvement Refunding Bonds, Series 1996 by pursuing one or more transaction structures; authorizing seeking approval of the Louisiana State Bond Commission for the issuance of the refunding bonds; hiring a financial advisor in connection with the restructuring; authorizing the distribution/publication of a request for qualifications for qualified investment banking firms to assist with the restructuring and providing for other matters in connection therewith.

Approval of the State Bond Commission was granted on September 18, 2003. The financial team has advised that it is probable that the \$56,780,000 Orleans Levee District Levee Improvement Bonds, Series 1986 can be refinanced on a forward delivery basis, which will result in substantial debt service savings.

In a Board meeting held on August 18, 2004, the Board adopted a resolution authorizing the preparation and distribution of a preliminary official statement relating to the sale on a forward delivery basis of \$38,405,000 of Orleans Levee District Levee Improvement Bonds, Series 2004, if financially beneficial.

2. On March 27, 2002 by Resolution No. S1-032702, the Board approved the Agreement for the Lease, Management, Operation, Commercial Enhancement and Development of the New Orleans Lakefront Airport between the Board of Commissioners of the Orleans Levee District and American Airports Lakefront, L.L.C., previously approved by the Special Airport Committee of the

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA**

Notes to the Financial Statements (Continued)

Orleans Levee Board. The Board also authorized the President of the Board to sign and file with the Federal Aviation Administration (FAA) the Final Application for Exemptions under the Federal Airport Privatization Pilot Program, for the privatization of the New Orleans Lakefront Airport. The Final Application for Exemptions under the Federal Airport Privatization Pilot Program, for the privatization of the New Orleans Lakefront Airport was submitted to the FAA on April 30, 2002 and is currently under review.

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**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
SUPPLEMENTAL INFORMATION SCHEDULES  
For the Year Ended June 30, 2004**

**PER DIEM PAID BOARD MEMBERS**

Schedule 1, which presents the 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 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 and activities.

**ANNUAL FISCAL REPORT TO THE OFFICE OF THE GOVERNOR,  
DIVISION OF ADMINISTRATION,  
OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY**

Schedule 2 contains the annual fiscal report, which presents the financial position of the District, as of June 30, 2004, and the results of its operations for the year then ended. This report contains information in the format requested by the Office of Statewide Reporting and Accounting Policy for consolidation into the Louisiana Comprehensive Annual Financial Report.

SCHEDULE 1

Schedule of Per Diem Paid Board Members

Schedule 1

ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA

Schedule of Per Diem Paid Board Members  
For the Year Ended June 30, 2004  
(With Comparative Totals for the Year  
Ended June 30, 2003)

	JUNE 30,	
	2004	2003
Thomas B. Coleman	\$ NONE	\$ NONE
Marlin N. Gusman (Resigned effective July 24, 2002)	NONE	75
Patricia W. Harris	1,350	1,725
James P. Huey, President	1,500	1,500
Victor A. Landry, Vice President	2,700	2,700
James E. Livingston	NONE	NONE
Robert E. Smith Lupo	NONE	NONE
Charles L. Rice	975	375
Cynthia Willard-Lewis	750	825
	<hr/>	<hr/>
Total	<u>\$ 7,275</u>	<u>\$ 7,200</u>

STATE OF LOUISIANA  
Annual Financial Statement  
Fiscal Year Ending June 30, 2004

BOARD OF COMMISSIONERS OF THE ORLEANS LEVEE DISTRICT

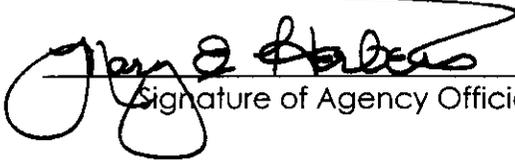
Division of Administration  
Office of Statewide Reporting  
and Accounting Policy  
Post Office Box 94095  
Baton Rouge, Louisiana 70804-9095

Office of Legislative Auditor  
Post Office Box 94397  
Baton Rouge, Louisiana 70804-9095

AFFIDAVIT

Personally came and appeared before the undersigned authority, Mary E. Herbert, Comptroller of the Board of Commissioners of the Orleans Levee District who duly sworn, deposes and says, that the financial statements herewith given, present fairly the financial position of the Board of Commissioners of the Orleans Levee District at June 30, 2004 and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board.

Sworn and subscribed before me this 26th day of August, 2004.

  
\_\_\_\_\_  
Signature of Agency Official

  
\_\_\_\_\_  
NOTARY PUBLIC

**GARY G. BENOIT**  
NOTARY PUBLIC  
Parish of Orleans, State of Louisiana  
La. State Bar Roll No.: 20006  
My Commission is issued for life.

Prepared by: Mary E. Herbert

Title: Comptroller

Telephone No.: (504) 243-4059

Date: August 26, 2004

SCHEDULE 2

Annual Fiscal Report to the Office of the Governor,  
Division of Administration, Office of Statewide  
Reporting  
and Accounting Policy, as of and for the Year  
Ended  
June 30, 2004

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
**Management's Discussion and Analysis**  
**As of June 30, 2004**

The Management's Discussion and Analysis of the Orleans Levee District's financial performance presents a narrative overview and analysis of Orleans Levee District's financial activities for the year ended June 30, 2004. This document focuses on the current year's activities, resulting changes, and currently known facts.

**Financial Highlights**

- The assets of the Orleans Levee District exceeded its liabilities at the close of fiscal year 2004 by \$120,177,168 (net assets), which represents a 1.19% increase from last fiscal year.
- The District's total net assets increased by \$1,412,294. The major cause of this increase is that charges for services, et cetera, were greater than the cost of operations and debt service.

**Overview of the Financial Statements**

The minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments consists of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

**Basic Financial Statements**

The basic financial statements present information for the Orleans Levee District as a whole. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets (page v) presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Orleans Levee District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page vi) presents information showing how the Orleans Levee District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statement of Cash Flow (page viii) presents information showing how the Orleans Levee District's cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB Statement No. 34.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
**Management's Discussion and Analysis**  
**As of June 30, 2004**

**Financial Analysis of the Orleans Levee District**

<b>Net Assets</b>		
	FY 2004	FY 2003
Current and other assets	\$ 38,109,261	\$ 40,305,783
Capital assets	180,470,651	181,867,074
Total assets	<u>\$ 218,579,912</u>	<u>\$ 222,172,857</u>
Long-term liabilities outstanding	\$ 91,188,139	\$ 94,217,127
Other liabilities	7,214,605	9,190,856
Total liabilities	<u>\$ 98,402,744</u>	<u>\$ 103,407,983</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 106,400,505	\$ 103,540,038
Restricted	3,175,059	950,716
Unrestricted	10,601,604	14,274,120
Total net assets	<u>\$ 120,177,168</u>	<u>\$ 118,764,874</u>

The Districts net assets increased by \$1,412,294 during the current fiscal year. The major cause of this increase is that charges for services, et cetera, were greater than the cost of operations and debt service.

**Statement of Revenues, Expenses,  
and Changes in Net Assets**

	FY 2004	FY 2003
Operating revenues	\$ 14,476,297	\$ 13,860,553
Operating expenses	<u>(32,737,118)</u>	<u>(29,835,979)</u>
Operating loss	(18,260,821)	(15,975,426)
Non-operating revenues (expenses)	19,671,620	18,256,217
Capital contributions	<u>1,495</u>	<u>-</u>
Net increase(decrease) in net assets	<u>\$ 1,412,294</u>	<u>\$ 2,280,791</u>

Operating income decreased by 13.90%. While operating revenues increased by \$615,743 (4.44%), which is mainly attributable to an increase in charges for services of \$685,962 (5.46%), operating expenses rose 9.51% or \$2,837,123. The most significant increases in operating expenses occurred in the areas of salaries and related benefits (\$587,825), and major maintenance (\$1,126,339). Non-operating revenues (expenses) increased by \$1,354,187. This increase in earnings is largely attributable to an increase in tax revenue of \$1,717,653.

**Capital Asset and Debt Administration**

**Capital assets.** The Orleans Levee District's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$180,470,651 (net of accumulated

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
**Management's Discussion and Analysis**  
**As of June 30, 2004**

depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery, and equipment. The total decrease in the Orleans Levee District's investments in capital assets for the current fiscal year was 0.77%.

**Capital Assets**  
**(Net of Depreciation)**

	FY 2004	FY 2003
Land	\$ 31,683,989	\$ 31,683,989
Buildings	5,131,789	5,584,992
Improvements other than buildings	29,434,992	31,981,915
Movable property	3,064,874	2,799,791
Infrastructure	107,903,277	107,379,744
Construction in progress	3,251,730	2,436,643
Total	<u>\$ 180,470,651</u>	<u>\$ 181,867,074</u>

Major capital asset events during the current fiscal year included the following:

- Major upgrade of information systems infrastructure
- Rebuilding the Lakeshore Drive bridge that crosses Orleans Avenue canal, as well as improvements on Lakeshore Drive and the Mardi Gras fountain
- Construction of piers, ADA ramps and site paving at South Shore Harbor Marina
- Completion of segment no. 3 for the New Basin Canal Park bicycle path
- Addition of wash racks at the Franklin Facility
- Deletion of Mardi Gras fountain which was demolished and will be rebuilt

**Debt.** At the end of the current fiscal year, the Orleans Levee District had total bonded debt outstanding of \$74,345,000. The debt of the Orleans Levee District is payable from the avails of the two limited ad valorem taxes: the tax authorized by Article 6, Section 39A of the Louisiana Constitution and the special levee improvement tax authorized by the election of November 1983.

**Outstanding Debt**

	FY 2004	FY 2003
General obligation bonds		\$ 70,000
Public improvement bonds	\$ 28,030,000	29,525,000
Levee improvement bonds	46,315,000	49,035,000
Total	<u>\$ 74,345,000</u>	<u>\$ 78,630,000</u>

The Orleans Levee District has judgments of \$19,721,208 outstanding at year-end compared with \$19,135,560, last year, as restated. Other obligations include accrued annual and compensatory leave.

**Variations between Budgeted and Actual**

Operating revenues were \$475,541 (3.40%) over budget and operating expenses were \$148,876 (0.45%) under budget. Cost of services was \$7,456,589 less than budget, of which capital

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Management's Discussion and Analysis  
As of June 30, 2004**

expenses accounts for \$6,154,743. Of this amount, \$3,959,064 was capitalized and the remainder unspent. Other categories where actual was less than budgeted include personal services (\$375,000) and contractual services (\$356,679). Both principal and interest payments are budgeted, while actual debt service reports only interest expense, which results in debt service being less than budgeted by \$4,379,245. Offsetting these favorable budget variances is \$7,307,713 of depreciation, which is not budgeted.

**Economic Factors and Next Year's Budgets and Rates**

The Board of Commissioners of the Orleans Levee District considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- Minimal growth in assessed values of property subject to ad valorem taxes, and
- Expectation of low inflation and low interest rates on the District's investments.

The Orleans Levee District does not envision any substantive change in the economic environment or its operations. It therefore, prepared the budget using existing revenue and cost parameters. Given the constraints the Orleans Levee District faces in raising revenue, it is expected that next year's results will not improve. Some improvement may be realized should the privatization of Lakefront Airport be achieved.

**Contacting the Orleans Levee District's Management**

This financial report is designed to provide a general overview of the Orleans Levee District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Board of Commissioners of the Orleans Levee District, Finance Department, Suite 219, 6001 Stars & Stripes Boulevard, New Orleans, Louisiana 70126.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
**Statement of Net Assets**  
**As of June 30, 2004**

<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents (note C1)	\$ 23,439,086
Investments (note C2)	8,888,241
Receivables (note U)	1,663,637
Inventory	479,412
Other assets	16,498
Restricted assets (note F)	3,185,654
Deferred charges	436,733
Total current assets	<u>38,109,261</u>
Noncurrent assets:	
Capital assets (net of depreciation) (note D)	
Land	31,683,989
Buildings	5,131,789
Improvements other than buildings	29,434,992
Movable property	3,064,874
Infrastructure	107,903,277
Construction in progress	3,251,730
Total noncurrent assets	<u>180,470,651</u>
TOTAL ASSETS	<u>\$ 218,579,912</u>
<b>LIABILITIES AND NET ASSETS</b>	
Current liabilities:	
Payables (note V)	\$ 908,401
Contracts payable	411,863
Deferred revenues	686,761
Accrued compensated absences (note K)	41,033
Other liabilities	12,527
Bonds payable	4,455,000
Payable from restricted assets - accrued bond interest payable (note Z)	699,020
Total current liabilities	<u>7,214,605</u>
Noncurrent liabilities:	
Deferred revenues	886,532
Accrued compensated absences (note K)	965,253
Bonds payable	69,615,146
Judgments payable	19,721,208
Total noncurrent liabilities	<u>91,188,139</u>
Total liabilities	<u>98,402,744</u>
Net assets:	
Invested in capital assets, net of related debt	106,400,505
Restricted	3,175,059
Unrestricted	10,601,604
Total net assets	<u>120,177,168</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 218,579,912</u>

The accompanying notes are an integral part of this statement.

## Statement B

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Year Ended June 30, 2004**

<b>OPERATING REVENUES</b>	
Charges for services	\$ 13,250,388
Miscellaneous	1,225,909
Total operating revenues	<u>14,476,297</u>
<b>OPERATING EXPENSES</b>	
Cost of services	25,365,386
Depreciation	7,307,713
Total operating expenses	<u>32,673,099</u>
Operating loss	(18,196,802)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Taxes	23,210,568
State revenue sharing	1,494,830
Investment earnings	504,939
Gain (loss) on disposal of capital assets	281,559
Federal and state grants	248,248
Interest expense	(4,452,403)
Other	(1,680,140)
Total non-operating revenues(expenses)	<u>19,607,601</u>
Income before contributions and transfers	1,410,799
Capital Contributions	1,495
Total capital contributions and transfers	<u>1,495</u>
<b>CHANGE IN NET ASSETS</b>	1,412,294
<b>NET ASSETS AT BEGINNING OF YEAR, as restated</b>	<u>118,764,874</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$120,177,168</u></u>

The accompanying notes are an integral part of this statement.

## Statement C

ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Statement of Activities  
For the Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
<b>Orleans Levee District</b>	<u>\$ 37,125,502</u>	<u>\$ 13,250,388</u>	<u>NONE</u>	<u>\$ 249,743</u>	<u>\$ (23,625,371)</u>
General revenues:					
Property taxes					23,210,568
Unrestricted intergovernmental revenues					1,494,830
Unrestricted investment earnings					504,939
Miscellaneous					1,225,909
Gain (loss) on disposal of capital assets					281,559
Litigation payments					<u>(1,680,140)</u>
Total general revenues and litigation payments (net)					<u>25,037,665</u>
<b>CHANGE IN NET ASSETS</b>					<b>1,412,294</b>
<b>NET ASSETS AT BEGINNING OF YEAR, as restated</b>					<b>118,764,874</b>
<b>NET ASSETS AT END OF YEAR</b>					<u><b>\$ 120,177,168</b></u>

The accompanying notes are an integral part of this statement.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Statement of Cash Flows  
For the Year Ended June 30, 2004**

**CASH FLOW FROM OPERATING ACTIVITIES:**

Receipts from customers	\$ 14,808,925
Payments to suppliers	(11,173,977)
Payments to employees	(14,066,248)
Net cash used by operating activities	<u>(10,431,300)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Receipts from taxpayers	24,753,836
Litigation payments	(1,094,492)
Net cash provided by noncapital financing activities	<u>23,659,344</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Proceeds from sale of capital assets	281,559
Purchase of capital assets	(6,656,560)
Proceeds from federal and state grants	(209,271)
Principal paid on capital debt	(4,256,890)
Interest paid on capital debt	(4,398,168)
Net cash used by capital and related financing activities	<u>(15,239,330)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Interest	504,940
Proceeds from sale of investments	11,301,511
Net cash provided by investing activities	<u>11,806,451</u>

**Net increase in cash** 9,795,165

**Cash and cash equivalents (including restricted cash), July 1, 2003** 16,829,575

**Cash and cash equivalents, June 30, 2004** \$ 26,624,740

Cash	\$ 23,439,086
Restricted cash	3,185,654
Total cash, end of year	<u>\$ 26,624,740</u>

**RECONCILIATION OF OPERATING LOSS TO NET****CASH USED BY OPERATING ACTIVITIES:**

Operating loss	\$ (18,260,823)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	7,307,713
Change in assets and liabilities:	
Increase in Receivables, net	(173,496)
Decrease in Inventories	17,559
Decrease Prepaid expenses and other assets	647,273
Decrease in Accounts and other payables	30,474
Net cash used by operating activities	<u>\$ (10,431,300)</u>

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, 2004**

**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, seawall, 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 relative to the Lake Pontchartrain and Vicinity Hurricane Protection Plan (High Level 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 252 full-time employees, including 49 police officers and 11 firefighters.

The 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.

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements present information only as to the transactions of the District as authorized by Louisiana statutes.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the District are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration - Office of Statewide Reporting and Accounting Policy as follows:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Notes to the Financial Statements  
As of and for the Year Ended June 30, 2004**

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

**B. BUDGETARY PRACTICES**

The District prepares its budget in accordance with R.S. 38:318. The budget for the fiscal year ended June 30, 2004, was adopted on January 22, 2003, and subsequent amendments were adopted on April 21, 2004, and June 16, 2004. Formal budget integration is employed as a management control device during the year. All appropriations lapse at year-end.

**C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

**1. DEPOSITS WITH FINANCIAL INSTITUTIONS**

**CASH AND CASH EQUIVALENTS**

At June 30, 2004, the District has cash and cash equivalents (book balances), totaling \$26,624,740, which consist of the following:

Cash:	
Petty cash	\$ 700
Demand deposits	862,492
Subtotal	<u>863,192</u>
Cash equivalents:	
Time deposits	2,000,000
Money market mutual funds	3,777,777
U. S. Treasury bills	19,983,771
Subtotal	<u>25,761,548</u>
 Total cash and cash equivalents	 <u>\$ 26,624,740</u>

Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The deposits at June 30, 2004, are secured as follows:

ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
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	Deposits in Bank Accounts			Total
	Cash	Certificates of Deposit	Other	
Deposits in Bank Accounts per Balance Sheet	\$ 862,492	\$ 2,000,000	NONE	\$ 2,862,492
Bank Balances:				
a. Insured (FDIC) or collateralized with securities held by the entity or its agent in the entity's name	\$ 109,494	\$ 100,000	NONE	\$ 209,494
b. Collateralized with securities held by pledging financial institution's trust department of agent in the entity's name	1,273,599	1,900,000	NONE	3,173,599
Total Bank Balances	\$ 1,383,093	\$ 2,000,000	NONE	\$3,383,093

Note: the total bank balances will not necessarily equal the deposits in bank account per the Statement of Net Assets (Schedule A).

The \$3,777,777 of money market mutual funds, which includes restricted assets, consist of shares of mutual funds that are invested in direct obligations of the United States Department of Treasury, other federal governmental agencies, and repurchase agreements involving these securities that are not required to be classified as to category of credit risk by GASB Codification Section 150.165.

The \$19,983,771 of U.S. Treasury bills have an original maturity of three months or less and are defined as cash equivalents according to GASB Codification Section 2450.109 but are classified as investments for purposes of credit risk.

The following is a breakdown by banking institution, program, and amount of the balances shown above:

Banking institution	Amount
1. Whitney National Bank	\$ 1,373,599
2. Hibernia National Bank	9,494
3. Liberty Bank	2,000,000
Total	\$ 3,383,093

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
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As of and for the Year Ended June 30, 2004**

**2. INVESTMENTS**

At June 30, 2004, investments of the District total \$28,872,012, which is shown on Statement A as \$8,888,241 of investments, and \$19,983,771 of cash equivalents (U. S. Treasury bills).

A summary of levee district investments follows:

	Reported Amount	Fair Value
U. S. Treasury bills	\$ 19,983,771	\$ 19,983,771
Federal Home Loan Mortgage	2,609,745	2,609,745
Federal National Mortgage Association	2,446,286	2,446,286
Governmental National Mortgage Association	3,546,356	3,546,356
U. S. Department of Veterans Affairs Guaranteed Remic Pass-through Certificates	285,854	285,854
	<hr/>	<hr/>
Total investments	<u>\$ 28,872,012</u>	<u>\$ 28,872,012</u>

Investments of governmental securities are stated at fair value as required by GASB Statement No. 31. The District used quoted market values to determine the fair value of the investments. These investments are direct obligations of the United States Department of Treasury and other federal governmental agencies. These investments are considered uninsured and unregistered but are held in the name of the entity. These investments are classified as GASB Risk Category 2 of Statement No. 3 in applying the credit risk of GASB Codification Section 150.164. Category 2 investments are considered uninsured and unregistered with securities held by the counter party's trust department or agent in the entity's name.

**D. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure (such as bridges, seawalls, roads, and levees), are reported in the financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$1,000 or more for capitalization.

No salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Years</u>
Land improvements	20
Buildings and building improvements	40
Furniture and fixtures	7-10
Vehicles	7
Equipment	7-10
Infrastructure	40

**Flood Protection Systems**

Resources of the United States Army Corps of Engineers (USACE), the State of Louisiana, the Orleans Levee District and the City of New Orleans as local participants are committed to protecting lives and property of the residents and businesses of the City of New Orleans from the potential for flooding posed by the Mississippi River and its tributaries, and from Lake Pontchartrain.

**ORLEANS LEVEE DISTRICT**  
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The Orleans Levee District and the Corps of Engineers have together invested \$385 million in flood control systems in the Lake Pontchartrain and Vicinity Hurricane Protection Plan for Orleans Parish. Major elements of the protection program include 1) levees, floodwalls and floodgates along the lakefront, Mississippi River Gulf Outlet canal and along the three critical outfall canals, 2) a seawall at the shores of Lake Pontchartrain, and 3) barrier levees on the outskirts of the city. The current height of these levees is 14 to 18 feet.

The USACE has spent \$19.9 million on 27.5 miles of Mississippi River levees, floodwalls, floodgates and other flood control structures.

In accordance with accounting principles generally accepted in the United States of America and the Government Accounting Standards Board Statement No. 34, governments are required to identify infrastructure assets, including flood control systems. While the Orleans Levee District manages and monitors the levees, flood control structures and bridges comprising the flood protection system, the USACE has the primary responsibility for major maintenance and construction. Accordingly, the Orleans Levee District has excluded from its financial statements those costs incurred on assets owned by others, or substantially built and maintained by others.

Only those portions of the flood protection system that were funded by the District's 1984 bond issue have been capitalized. Those costs are included in the financial statements and amount to \$56,518,144 relating to investments in levees, floodwalls, floodgates, flood control structures, etc.

**Other Infrastructure Assets**

In addition to the \$56,518,144 noted above, the financial statements reflect investments in roadways, bridges, parks and recreation, and buildings. Total cost of infrastructure assets at June 30, 2004 totaled to \$131,877,793. The components of this total are:

Bridges/roadways	\$ 70,655,261
Parks/recreation	2,066,374
Buildings	2,638,014
Subtotal - other infrastructure assets	<u>75,359,649</u>
Flood protection systems	<u>56,518,144</u>
Total - infrastructure assets	<u><u>\$ 131,877,793</u></u>

Accumulated depreciation on infrastructure assets at June 30, 2004 totaled \$23,974,517.

A summary of changes in capital assets is as follows:

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
**Notes to the Financial Statements**  
**As of and for the Year Ended June 30, 2004**

	Balance June 30, 2003	Additions	Transfers *	Retirements	Balance June 30, 2004
Land	\$ 31,683,989				\$ 31,683,989
Construction in progress	2,436,643	\$ 5,072,754		(\$4,257,667)	3,251,730
Total capital assets not being depreciated	<u>\$ 34,120,632</u>	<u>\$ 5,072,754</u>	<u>NONE</u>	<u>\$ (4,257,667)</u>	<u>\$ 34,935,719</u>
Other capital assets:					
Movable property	\$ 9,848,006	\$ 850,459		\$ (86,081)	\$ 10,612,384
Less accumulated depreciation	(7,048,215)	(593,836)		94,542	(7,547,509)
Total movable property	<u>2,799,791</u>	<u>256,623</u>	<u>NONE</u>	<u>8,461</u>	<u>3,064,875</u>
Buildings	17,349,955				17,349,955
Less accumulated depreciation	(11,764,963)	(453,203)			(12,218,166)
Total buildings	<u>5,584,992</u>	<u>(453,203)</u>	<u>NONE</u>	<u>NONE</u>	<u>5,131,789</u>
Improvements other than buildings	89,207,821	433,987		(87,095)	89,554,713
Less accumulated depreciation	(57,225,906)	(2,980,910)		87,095	(60,119,721)
Total improvements other than buildings	<u>31,981,915</u>	<u>(2,546,923)</u>	<u>NONE</u>	<u>NONE</u>	<u>29,434,992</u>
Infrastructure	128,054,113	3,823,680			131,877,793
Less accumulated depreciation	(20,674,369)	(3,300,148)			(23,974,517)
Total infrastructure	<u>107,379,744</u>	<u>523,532</u>	<u>NONE</u>	<u>NONE</u>	<u>107,903,276</u>
Total other capital assets	<u>\$ 147,746,442</u>	<u>\$ (2,219,971)</u>	<u>NONE</u>	<u>\$ 8,461</u>	<u>\$ 145,534,932</u>
Capital assets not being depreciated	\$ 34,120,632	\$ 5,072,754		\$ (4,257,667)	\$ 34,935,719
Other capital assets, at cost	244,459,895	5,108,126		(173,176)	249,394,845
Total cost of capital assets	<u>278,580,527</u>	<u>10,180,880</u>	<u>NONE</u>	<u>(4,430,843)</u>	<u>284,330,564</u>
Less accumulated depreciation	<u>(96,713,453)</u>	<u>(7,328,097)</u>		<u>181,637</u>	<u>(103,859,913)</u>
Capital assets, net	<u>\$ 181,867,074</u>	<u>\$ 2,852,783</u>	<u>NONE</u>	<u>\$ (4,249,206)</u>	<u>\$ 180,470,651</u>

#### **E. INVENTORIES**

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. The general government inventory is recorded as an expense 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 when consumed. The fuel purchases are valued at cost using the first-in, first-out (FIFO) method.

#### **F. RESTRICTED ASSETS**

Restricted assets at June 30, 2004, shown on Statement A, amounted to \$3,185,654. Restricted assets consist of \$2,938,482 of cash with fiscal agents, \$246,876 of funds set aside for Bohemia settlement payments, and \$295 of funds received as a result of forfeiture and seizure by the District's police department.

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
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**G. 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 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 an expense when leave is earned. The financial statements present the cost of accumulated annual and compensatory leave as a liability. There is no liability for unpaid accumulated sick leave since the levee district does not have a policy to pay this amount when employees separate from service. The value of accrued annual leave and compensatory leave is \$885,453 and \$120,833, respectively.

**H. RETIREMENT SYSTEM**

Substantially all employees of the 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 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 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, 2004, was 15.8% of annual covered payroll, increased from 14.1% and 13% required in fiscal years ended June 30, 2003, and 2002 respectively. The District contributions to the System for the years ending June 30, 2004, 2003, and 2002, were \$1,087,393, \$933,684, and \$870,570, respectively, equal to the required contributions for each year.

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

Substantially all 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 2004, the cost of providing those benefits for the 90 retirees totaled \$335,475.

ORLEANS LEVEE DISTRICT  
 STATE OF LOUISIANA  
 Notes to the Financial Statements  
 As of and for the Year Ended June 30, 2004

**J. LEASES**

None

**1. OPERATING LEASES**

The total payments for operating leases during fiscal year 2004 amounted to \$39,638. A schedule of payments for operating leases follows:

Nature of lease	FY 2005	FY 2006	FY 2007
Copier machines	26,002	26,002	26,002
Total	<u>\$ 26,002</u>	<u>\$ 26,002</u>	<u>\$ 26,002</u>

The contract for the leasing of copiers is for the period July 1, 2004 through June 30, 2007.

**2. CAPITAL LEASES**

None

**3. LESSOR DIRECT FINANCING LEASES**

None

**4. LESSOR OPERATING LEASES**

The District leases boat slips, boathouses, and building space to certain parties under operating leases. At June 30, 2004, the total cost of the land, buildings and improvements leased to others is \$108,153,522, with \$60,091,959 of related accumulated depreciation. Future minimum rental payments to be received under these operating leases are as follows:

Fiscal year ending June 30:	
2005	\$ 8,452,363
2006	8,549,122
2007	8,754,512
2008	8,778,241
2009	<u>8,956,560</u>
Total	<u>\$ 43,490,798</u>

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
**Notes to the Financial Statements**  
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**K. LONG-TERM OBLIGATIONS**

The following is a summary of the long-term obligation transactions for the year ended June 30, 2004:

	Long-Term Obligations Payable at July 1, 2003	Additions	Deductions and Retirement	Long-Term Obligations Payable at June 30, 2004	Due Within One Year
General obligation bonds	\$ 70,000		\$ (70,000)	NONE	NONE
Levee Improvement:					
Fixed Rate Refunding Bonds, Series 1986	43,945,000		(2,385,000)	\$41,560,000	2,565,000
Variable Rate Refunding Bonds, Series 1996	5,090,000		(335,000)	4,755,000	315,000
Public Improvement:					
Fixed Rate Refunding Bonds, Series 1986	27,375,000		(1,365,000)	26,010,000	1,455,000
Variable Rate Refunding Bonds, Series 1996	2,150,000		(130,000)	2,020,000	120,000
Less:					
Unamortized discounts	(249,754)		20,812	(228,942)	
Unamortized loss on refunding	(53,210)		7,298	(45,912)	
Total - bonds	<u>78,327,036</u>	<u>NONE</u>	<u>(4,256,890)</u>	<u>74,070,146</u>	<u>4,455,000</u>
Judgments, as restated	19,135,560	1,185,648	(600,000)	19,721,208	NONE
Compensated absences	1,012,562	\$ 7,043	(13,319)	1,006,286	41,033
Total long-term obligations	<u>\$ 98,475,158</u>	<u>\$ 1,192,691</u>	<u>\$ (4,870,209)</u>	<u>\$ 94,797,640</u>	<u>\$ 4,496,033</u>

A detailed summary, by issues, of all debt outstanding at June 30, 2004, including outstanding interest of \$27,231,759, is shown on schedule 3-C. Schedule 4-D is an amortization schedule of the outstanding debt.

**K. LITIGATION**

Numerous lawsuits have been filed by individuals and acts have been passed by the Louisiana Legislature concerning the return of certain expropriated properties in the Bohemia Spillway and the payment of royalties and rents derived from these properties to the original owners of the properties. 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 (DNR) 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. At this date, the 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 capital assets is \$133,244.

Before the effective date of Act 1364 of 1997 and 1378 of 1999, DNR certified claimants who had an interest in 164 of 220 tracts of land in the Bohemia Spillway for the return of the property. All property claims certified by DNR as of October 1, 2002 have been returned. All claims certified as of June 30, 2004, have been conveyed. Upon the return of the property, the District is required to return the royalties, et cetera, collected since June 29, 1984, until the date of transfer.

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Notes to the Financial Statements  
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Judgment was rendered in *Haspel & Davis v. Board of Commissioners of the Orleans Levee District*, Case No. 31-357, in favor of the plaintiffs awarding the sum of \$18,767,145, plus interest from the date of judicial demand until paid, for the sum of revenues paid to the levee district of its share of royalties under mineral leases in the Bohemia Spillway. A number of payments have been made since 2001 as reflected in previous years. On February 26, 2004, a payment in the full sum of \$600,000 was paid into the registry of the Court in the *Haspel & Davis* class action. The Court accepted the payment as being current on the settlement agreement amortization plan. In the matter of *Lemona H. Chandler, Administratrix of the succession of Henry Taylor, Jr. v. in the matter of: The Board of Commissioners of the Orleans Levee District*, docket #47-842, CDC New Orleans, the levee district paid the full sum of \$314,491.59. A remaining balance of \$166,842.53 in special interest and attorney fees awarded by the Court is presently on appeal to the 4<sup>th</sup> Circuit. All judgments in the Bohemia Spillway matter will be paid if and when funds become available, and when funds are appropriated therefore.

At June 30, 2004, the District is a defendant or co-defendant in 40 lawsuits, including 8 cases related to the Bohemia Spillway, claiming damages, possession of property, and contract disputes. In addition, the levee district is involved in several civil service actions. The District's legal counsel has reviewed all claims and lawsuits to evaluate the likelihood of an unfavorable outcome to the District and has attempted to arrive at an estimate of the amount of potential loss. For the lawsuits involving claims or damages not related to the Bohemia Spillway, the District's legal counsel does not anticipate that potential losses resulting from these lawsuits will have a significant adverse effect on the financial position of the District.

During fiscal year 2004, a judgment was rendered against the District for damages related to a contractual dispute. Although the District is currently appealing this decision, a provision for damages, attorney's fees and judicial interest of \$1,000,000 is included in judgments payable on Statement A.

As reflected in Statement B, expenditures for claims and litigation totaled \$1,680,140 for the year ended June 30, 2004. At June 30, 2004, liabilities associated with claims and judgments total \$19,721,208 as shown on Statement A.

**M. RELATED PARTY TRANSACTIONS**

None

**N. ACCOUNTING CHANGES**

None

**O. 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 District has expended bond and ad valorem tax funds over (approximately) the last 19 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 \$738,000,000 for the 300-year Lake Pontchartrain and Vicinity Hurricane Protection Plan. The estimated amount per the USACE for Orleans Parish is \$377,714,000. The USACE will expend 70% and the Orleans Levee District will expend 30%. The estimated expenditures at June 30, 2004, are \$264,400,000 for the USACE. The 30% participation by the Orleans Levee District will not cause direct cash outflows. Three major

**ORLEANS LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
**Notes to the Financial Statements**  
**As of and for the Year Ended June 30, 2004**

projects on the High Level Plan are ongoing in Orleans Parish: the Orleans Avenue Canal and 17th Street Canal bridges. It is anticipated that the entire High Level Plan will be completed by 2010.

**P. OUTSTANDING DEFEASED DEBT**

None

**Q. COOPERATIVE ENDEAVORS**

None

**R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS)**

The Orleans Levee District participates in a number of federally-assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. The District believes that the amount of disallowances, if any, which may arise from future audits, will not be material.

**S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS**

None

**T. SHORT-TERM DEBT**

None

**U. DISAGGREGATION OF RECEIVABLE BALANCES**

Receivables at June 30, 2004, were as follows:

Activity	Customer Receivables	Taxes	From Other Governments	Other Receivables	Total Receivables
Gross receivables	\$ 825,279	\$ 591,220	\$ 247,138	-	\$ 1,663,637
Less allowance for uncollectible accounts					
Receivables, net	<u>\$ 825,279</u>	<u>\$ 591,220</u>	<u>\$ 247,138</u>	<u>NONE</u>	<u>\$ 1,663,637</u>
Amounts not scheduled for collection during the subsequent year	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>

**V. DISAGGREGATION OF PAYABLE BALANCES**

Payables at June 30, 2004, were as follows:

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Notes to the Financial Statements  
As of and for the Year Ended June 30, 2004**

Activity	Vendors	Salaries and Benefits	Subtotal Payables	Accrued Interest	Other (Contracts) Payable	Total Payables
Total payables	\$ 612,371	\$ 296,030	\$ 908,401	\$ 699,020	\$ 411,863	\$ 2,019,284

**W. SUBSEQUENT EVENTS**

1. In a Board meeting held on August 20, 2003, the Orleans Levee Board adopted four resolutions determining to proceed with a plan of restructuring the currently outstanding Orleans Levee District Levee Improvement Bonds, Series 1986, the Orleans Levee District Levee Improvement Refunding Bonds, Series 1996, the Orleans Levee District Public Improvement Bonds, Series 1986, and the Orleans Levee District Public Improvement Refunding Bonds, Series 1996 by pursuing one or more transaction structures; authorizing seeking approval of the Louisiana State Bond Commission to the issuance of the refunding bonds; hiring a financial advisor in connection with the restructuring; authorizing the distribution/publication of a request for qualifications for qualified investment banking firms to assist with the restructuring and providing for other matters in connection therewith.

Approval of the State Bond Commission was granted on September 18, 2003. The financial team has advised that it is probable that the \$56,780,000 Orleans Levee District Levee Improvement Bonds, Series 1986 can be refinanced on a forward delivery basis, which will result in substantial debt service savings.

In a Board meeting held on August 18, 2004, the Orleans Levee Board adopted a resolution authorizing the preparation and distribution of a preliminary official statement relating to the sale on a forward delivery basis of \$38,405,000 of Orleans Levee District Levee Improvement Bonds, Series 2004, if financially beneficial.

2. On March 27, 2002 by Resolution No. S1-032702, the Board approved the Agreement for the Lease, Management, Operation, Commercial Enhancement and Development of the New Orleans Lakefront Airport between the Board of Commissioners of the Orleans Levee District and American Airports Lakefront, L.L.C., previously approved by the Special Airport Committee of the Orleans Levee Board. The Board also authorized the President of the Board to sign and file with the Federal Aviation Administration (FAA) the Final Application for Exemptions under the Federal Airport Privatization Pilot Program, for the privatization of the New Orleans Lakefront Airport. The Final Application for Exemptions under the Federal Airport Privatization Pilot Program, for the privatization of the New Orleans Lakefront Airport was submitted to the FAA on April 30, 2002 and is currently under review.

**X SEGMENT INFORMATION**

None

**Y. DUE TO/DUE FROM AND TRANSFERS**

None

**Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS**

ORLEANS LEVEE DISTRICT  
 STATE OF LOUISIANA  
 Notes to the Financial Statements  
 As of and for the Year Ended June 30, 2004

Liabilities payable from restricted assets at June 30, 2004 total \$699,020 in the current liabilities section on Statement A, and consists of accrued bond interest payable.

**AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS**

In fiscal year 2001, the amount originally recorded as a judgment payable for Bohemia litigation was understated. Additionally, interest has been accruing on the outstanding balance of the judgment. Consequently, the District recorded a prior period adjustment in the amount of \$4,964,234.

The beginning net assets at July 1, 2003 have been restated to reflect the increased liability. The effect on the beginning net assets is as follows:

Net assets at June 30, 2003	\$ 123,729,108
Adjustment to judgments payable	<u>(4,964,234)</u>
Net assets restated at July 1, 2003	<u>\$ 118,764,874</u>

ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS  
For the Year Ended June 30, 2004

<u>Name</u>	<u>Amount</u>
Thomas B. Coleman	NONE
Patricia W. Harris	1,350
James P. Huey, President	1,500
Victor A. Landry, Vice President	2,700
James E. Livingston	NONE
Robert E. Smith Lupo	NONE
Charles L. Rice	975
Cynthia Willard-Lewis	750
	<hr/>
Total	<u>\$ 7,275</u>

ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
SCHEDULE OF STATE FUNDING  
For the Year Ended June 30, 2004

Description of Funding	Amount
1. _____	\$ _____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____
7. _____	_____
8. _____	_____
9. _____	_____
10. _____	_____
Total	\$ <u>      NONE      </u>





ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
SCHEDULE OF BONDS PAYABLE  
June 30, 2004

Issue	Date of Issue	Original Issue	Principal Outstanding 06/30/03	Issued (Redeemed)	Principal Outstanding 06/30/04	Interest Rates	Interest Outstanding 06/30/04
Public Improvement Bonds - Series A	10/01/73	\$ 1,000,000	\$ 70,000	\$ (70,000)	NONE	5.4%	NONE
Public Improvement Fixed Rate Bonds - Series 1986	08/29/86	36,225,000	27,375,000	(1,365,000)	26,010,000	5.95%	10,519,008
Public Improvement Variable Rate Refunding Bonds - Series 1996	10/29/96	2,795,000	2,150,000	(130,000)	2,020,000	See note 1	438,448
Levee Improvement Fixed Rate Bonds - Series 1986	08/28/86	64,920,000	43,945,000	(2,385,000)	41,560,000	5.95%	15,377,478
Levee Improvement Variable Rate Refunding Bonds - Series 1996	10/29/96	6,775,000	5,090,000	(335,000)	4,755,000	See note 1	896,825
Total		\$ 111,715,000	\$ 78,630,000	\$ (4,285,000)	\$ 74,345,000		\$27,231,759

Note 1: First rate period (October 1996 to November 2003) was at 5.4%.  
 Second rate period (November 2003 to November 2010) is at 2.54%.  
 Third rate period (November 2010 to November 2015) is at assumed rate of 5.5%.

ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION  
For the Year Ended June 30, 2004

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ _____	\$ _____
2006	_____	_____
2007	_____	_____
2008	_____	_____
2009	_____	_____
2010-2014	_____	_____
2015-2019	_____	_____
2020-2024	_____	_____
2025-2029	_____	_____
Total	\$ <u>          NONE          </u>	\$ <u>          NONE          </u>

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
SCHEDULE OF CAPITAL LEASE AMORTIZATION  
For the Year Ended June 30, 2004**

<u>Fiscal Year</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2005	\$ _____	\$ _____	\$ _____	\$ _____
2006	_____	_____	_____	_____
2007	_____	_____	_____	_____
2008	_____	_____	_____	_____
2009	_____	_____	_____	_____
2010-2014	_____	_____	_____	_____
2015-2019	_____	_____	_____	_____
2020-2024	_____	_____	_____	_____
2025-2029	_____	_____	_____	_____
Total	\$ <u>NONE</u>	\$ <u>NONE</u>	<u>NONE</u>	<u>NONE</u>

ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
SCHEDULE OF NOTES PAYABLE AMORTIZATION  
For the Year Ended June 30, 2004

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ _____	\$ _____
2006	_____	_____
2007	_____	_____
2008	_____	_____
2009	_____	_____
2010-2014	_____	_____
2015-2019	_____	_____
2020-2024	_____	_____
2025-2029	_____	_____
Total	\$ <u>          NONE</u>	\$ <u>          NONE</u>

ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
SCHEDULE OF BONDS PAYABLE AMORTIZATION  
For the Year Ended June 30, 2004

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 4,455,000	\$ 4,067,381
2006	4,775,000	3,808,049
2007	5,110,000	3,530,168
2008	5,475,000	3,232,399
2009	5,865,000	2,913,106
2010-2014	36,425,000	9,123,792
2015-2016	<u>12,240,000</u>	<u>556,864</u>
Total	<u>\$ 74,345,000</u>	<u>\$ 27,231,759</u>

**ORLEANS LEVEE DISTRICT  
STATE OF LOUISIANA  
Comparative Figures**

To assist OSRAP in determining the reason for the change in financial position for the state and reason for the changes in the budget, please complete the schedule below. If the change is greater than 10%, explain the reason for the change.

	<u>FY 2004</u>	<u>FY 2003</u>	<u>Difference</u>	<u>Percentage Change</u>
1) Revenues	\$ 40,217,936	\$ 38,952,191	\$ 1,265,745	3.25%
Expenses	\$ 38,805,642	\$ 36,671,400	\$ 2,134,242	5.82%
2) Capital assets	\$ 180,470,651	\$ 181,867,074	\$ (1,396,423)	-0.77%
Long-term debt	\$ 74,345,000	\$ 78,630,000	\$ (4,285,000)	-5.45%
Net assets	\$ 120,437,168	\$ 118,764,874	\$ 1,672,294	1.41%

There were no new bond issues, only routine sinking fund payments.

3)	<u>FY 2004 Original Budget</u>	<u>FY 2004 Final Budget</u>	<u>Difference</u>	<u>Percentage Change</u>
Revenues	\$ 37,025,680	\$ 39,183,957	\$ 2,158,277	5.83%
Expenses	\$ 40,167,904	\$ 42,778,874	\$ 2,610,970	6.50%

	<u>FY 2004 Final Budget</u>	<u>FY 2004 Actual</u>	<u>Difference</u>	<u>Percentage Change</u>
Revenues	\$ 39,183,957	\$ 40,217,936	\$ 1,033,979	2.64%
Expenses	\$ 42,778,874	\$ 38,805,642	\$ (3,973,232)	-9.29%

**OTHER REPORT REQUIRED BY**

***GOVERNMENT AUDITING STANDARDS***

The following pages contain a report on compliance with laws and regulations and on internal control 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.



## Postlethwaite & Netterville

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

BOARD OF COMMISSIONERS OF  
THE ORLEANS LEVEE DISTRICT  
New Orleans, Louisiana

We have audited the basic financial statements of the Orleans Levee District, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated August 25, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Orleans 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 the following instances of noncompliance that is required to be reported under *Government Auditing Standards*.

#### Failure to Submit a Document Retention Schedule

For the second consecutive year, the Orleans Levee District did not submit a written record retention schedule to the Secretary of State in accordance with state law. Louisiana Revised Statute 44:411 (A)(1) requires agency heads to submit schedules to the state archivist that state the length of time each state record or series of records should be retained for administrative, legal, or fiscal purposes after the records have been created or received by the agency. Management has drafted a written record retention schedule; however, has not submitted it to the Secretary of State for approval.

Failure to establish a written record retention schedule could result in the destruction or deterioration of critical records while failure to submit the schedule to the Secretary of State results in noncompliance with state law. In addition, the lack of a written retention schedule could result in the district keeping records beyond the legally required retention date, which would be an inefficient use of office or warehouse space.

### EXHIBIT A

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

Compliance and Internal Control Report

August 25, 2004

Page 2

Management should submit a written record retention schedule to the Secretary of State for approval as required by state law. Once the retention schedule is approved, it should be implemented immediately. Management concurred with the finding and recommendation (see Appendix A, page 1).

**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 described below 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.

**No Formal Disaster Recovery Plan**

For the third consecutive year, the Orleans Levee District has not formally implemented and tested a disaster recovery/contingency plan. This plan should include provisions for an offsite disaster recovery facility to provide for the timely restoration and continuation of critical entity operations in the event that normal data processing facilities were unavailable for an extended period of time. Provisions of the plan should be tested periodically and updated when necessary to ensure a timely and orderly return to regular operations.

Management has taken steps towards developing and testing a comprehensive disaster recovery/contingency plan; however, the plan has not been fully developed, implemented, and tested. Failure to develop and test a comprehensive disaster recovery plan increases the risk that in the event of a disaster, there will be an untimely or excessive delay in processing critical data and that critical data may be lost.

The district should continue to develop a comprehensive disaster recovery/contingency plan that would provide for the timely resumption of critical entity operations following a disaster. Management should focus on locating a back-up site that will allow the district to reestablish its critical operations within an acceptable time frame should a disaster occur. After establishing the plan, the district should test the plan periodically, and update it as necessary, to ensure that it continues to meet the district's needs. Management concurred with the finding and outlined a plan of corrective action (see Appendix A, page 2).

**EXHIBIT A**



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

Compliance and Internal Control Report

August 25, 2004

Page 3

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. However, we believe that the reportable condition described previously is not a material weakness.

This report is intended solely for the information and use of the levee district and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite & Netterville*

August 25, 2004

EXHIBIT A



Appendix A

Management's Corrective Action  
Plans and Responses to the  
Findings and Recommendations

MANAGEMENT'S CORRECTIVE ACTION PLANS AND RESPONSES  
TO THE FINDINGS AND RECOMMENDATIONS

**Failure to Submit a Document Retention Schedule**

For the second consecutive year, the Orleans Levee District did not submit a written record retention schedule to the Secretary of State in accordance with state law. Louisiana Revised Statute 44:411 (A)(1) requires agency heads to submit schedules to the state archivist that state the length of time each state record or series of records should be retained for administrative, legal, or fiscal purposes after the records have been created or received by the agency. Management has drafted a written record retention schedule; however, has not submitted it to the Secretary of State for approval.

Management should submit a written record retention schedule to the Secretary of State for approval as required by state law. Once the retention schedule is approved, it should be implemented immediately.

**Management Response**

The Orleans Levee District concurs with the auditors' recommendation. The Orleans Levee District has an informal record retention program that is administered in the Finance Department. A formal record retention plan has been drafted and will be submitted to the Secretary of State for approval by June 2005.

**No Formal Disaster Recovery Plan**

For the third consecutive year, the Orleans Levee District has not formally implemented and tested a disaster recovery/contingency plan. This plan should include provisions for an offsite disaster recovery facility to provide for the timely restoration and continuation of critical entity operations in the event that normal data processing facilities were unavailable for an extended period of time. Provisions of the plan should be tested periodically and updated when necessary to ensure a timely and orderly return to regular operations.

The district should continue to develop a comprehensive disaster recovery/contingency plan that would provide for the timely resumption of critical entity operations following a disaster. Management should focus on locating a back-up site that will allow the district to reestablish its critical operations within an acceptable time frame should a disaster occur. After establishing the plan, the district should test the plan periodically, and update it as necessary, to ensure that it continues to meet the district's needs.

**Management Response**

The Orleans Levee District concurs with the auditors' recommendation. The District has drafted a business continuity plan (BCP) that will address multiple disaster scenarios, and has secured the data center equipment needed, including sixteen notebook computers to be used by the disaster discovery team. Additionally, the District has secured a location at its Franklin Facility, which is within flood protection, to act as the primary disaster recovery site. Preliminary testing procedures have also been performed. The disaster recovery team is in the process of being defined along with critical business functions and procedures. The District plans to have a fully documented and tested BCP by June 2005.