

ORLEANS LEVEE DISTRICT

FINANCIAL REPORT

June 30, 2008

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA**

Basic Financial Statements and
Independent Auditor’s Report
As of and for the Year Ended June 30, 2008

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REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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A PROFESSIONAL CORPORATION

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INDEPENDENT AUDITOR'S REPORT

Southeast Louisiana Flood Protection Authority – East
New Orleans, Louisiana

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, 2008, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 respective financial position of the governmental activities, business-type activities, and major funds of the Orleans Levee District, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective 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 November 18, 2008, 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 and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 financial statements that collectively comprise 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.

Reboue & Company

November 18, 2008

**State of Louisiana
Orleans Levee District
Management's Discussion and Analysis
As of June 30, 2008**

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, 2008. 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 12.

Financial Highlights -- Accrual Basis Results

	Government		Enterprise		Total	
	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
in thousands						
Current and other assets	\$ 82,726	\$ 65,382	\$ 3,366	\$ 3,276	\$ 86,092	\$ 68,658
Capital assets	121,188	122,298	62,332	51,059	183,520	173,357
Total assets	\$ 203,914	\$ 187,680	\$ 65,698	\$ 54,335	\$ 269,612	\$ 242,015
Other liabilities	\$ 11,307	\$ 8,428	\$ 295	\$ 2,005	\$ 11,601	\$ 10,434
Long-term debt outstanding	103,694	97,856	2,330	967	106,024	98,824
Total liabilities	\$ 115,000	\$ 106,285	\$ 2,624	\$ 2,973	\$ 117,625	\$ 109,257
Net assets:						
Invested in capital assets, net	\$ 66,658	\$ 62,486	\$ 62,332	\$ 51,059	\$ 128,990	\$ 113,545
Restricted	5,173	5,294	-	-	5,173	5,294
Unrestricted	17,082	13,616	742	304	17,824	13,919
Total Net Assets	\$ 88,913	\$ 81,395	\$ 63,074	\$ 51,363	\$ 151,987	\$ 132,758

	Government		Enterprise		Total	
	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
in thousands						
Operating revenues	\$ 2,852	\$ 4,418	\$ 3,681	\$ 2,711	\$ 6,533	\$ 7,129
Operating expenses	(18,601)	(16,970)	(5,506)	(5,895)	(24,107)	(22,865)
Operating loss	(15,749)	(12,552)	(1,825)	(3,185)	(17,574)	(15,737)
Non-operating revenues (expenses)	21,511	17,194	1	246	21,512	17,990
Federal grants	6,742	1,070	8,645	12,201	15,387	13,270
Insurance	1,433	(1)	938	1,444	2,370	893
Transfers to enterprise funds	(3,953)	-	3,953	-	-	-
Transfers to Other Govt	(2,466)	-	-	-	(2,466)	-
Net increase (decrease) in net assets	\$ 7,518	\$ 5,711	\$ 11,712	\$ 10,706	\$ 19,229	\$ 16,417

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- Ad valorem taxes amounted to nearly \$23 million in fiscal 2008, nearly 95% of the tax revenue for the pre-storm year ended June 2005. Revenue from mineral royalties in 2008 declined by \$922 thousand and 28.5% from a year earlier.
- Net assets of the government funds increased by \$7.5 million and 9.4% in fiscal 2008, mostly the result of grant income.
- As discussed in previous reports, the District is borrowing from the State of Louisiana to defray the cost of debt service on outstanding bonds. Note payable to the State rose to \$17.3 million and will amount to \$26.1 million when the District resumes payment of that debt service beginning in November, 2009. The State assistance was given to avoid possible difficulties following Katrina in meeting debt obligations.
- Income from the enterprise funds of the District amounted to \$11.7 million, up \$1 million over 2007 reflecting a full year rental income for Lake Vista Community Center and New Basin Canal compared with ½ year in fiscal 2007 before the reorganization was complete. The primary driver for the increase in net assets for both years was grant income and insurance proceeds of \$9.6 and \$13.6 million for the current and prior year, respectively
- Operating costs for the entity as a whole rose \$1.2 million, 5%, to \$24.1 million.
- Grant income for capital projects -- from the federal government, a reimbursement of spending to rebuild the assets lost to Katrina -- amounted to \$15.4 million, up \$2 million and 16% over the year earlier. These funds, which pay for costs that are capitalized to construction work in progress, are the most significant reason for the levels of earnings reported.

Following are additional observations about the accompanying financial statements and the District's financial condition.

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

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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 2008. 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 12-13 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 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

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Management's Discussion and Analysis (Continued)
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to facilitate this comparison between governmental funds and governmental activities.

The Orleans Levee District maintains five 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 balance for the General Fund, Debt Service Fund, Special Levee Improvement Fund, General Improvement Fund, and Real Estate Division.

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 starting on page 14 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, Lakefront Airport, Lake Vista Community Center and New Basin Canal. 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 19-21 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 starting on page 22 of this report.

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, 2008, assets exceeded liabilities by \$152 million, and increased by \$19.1 million over FY 2007.

By far, the largest portion of the Orleans Levee District's net assets (85%) 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. Capital assets provide flood protection services to the citizenry of Orleans Parish as well as recreational facilities, parks and roads. 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

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Management's Discussion and Analysis (Continued)
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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.

The change in net assets reflects a nearly \$3.4 million increase in grant income and insurance proceeds to \$17.9 million. Operating expenses increased by \$1.2 million and 5.4%. The tables shown previously include operating grants in operating income rather than in the grant line item.

Charges for services declined by \$600,000 and 8% due to lower mineral revenue and lower operating grants.

Revenue from ad valorem taxes rose \$3.3 million and 16.6% to nearly \$23 million.

Cash and cash investments increased by \$13 million and 25%, the result of borrowing to pay debt service, inflows from grants, and a reduced level of construction activity.

Governmental activities -- full accrual basis

Government operations had an increase in net assets before transfers of \$13.9 million, an \$8.2 million increase over the year earlier period. This was due to an increase in grant income and insurance proceeds of \$7.4 million and a 16.6% increase in tax revenue.

The government operations transferred assets to the non-flood division as well as to the newly created Algiers Levee District.

Operating expenses rose \$1.6 million and 9.6% to \$18.6 million. Over \$1 million of that increase was due to the 1st year recognition of the current costs of future post retirement benefits.

Business-type activities. Business-type activities increased the Orleans Levee District's net assets by approximately \$7.8 million (excluding transfers from governmental funds) in fiscal 2008 reflecting grant income not offset by costs. Net assets were also increased by nearly \$4 million as assets previously managed by the government operations were moved to the enterprise funds.

Capital improvements paid for by \$8.6 million in grants are capitalized.

- Revenue from operations of the enterprise funds increased \$970,000.
- Overall expenses for business-type activities declined by \$389 thousand and 6.6% reflecting reductions in major maintenance (\$490 thousand) and lower costs allocated from service departments of the government funds.

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Management's Discussion and Analysis (Continued)
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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 – modified accrual The focus of the Orleans Levee District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In addition, fund accounting is uniquely adept at assisting managers assure that the organization is complying with laws, limitations and specifications about spending public funds. 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 \$74.1 million compared with \$61 million a year ago.

The General Fund is the chief operating fund of the Orleans Levee District's flood control division, while the fund identified as "Real Estate Division" is the administrative fund for the non flood division.

Current year surplus reported by the governmental funds was \$14.9 million before transfers, compared with \$25 million in 2007. Removing the effect of borrowing, the increase in net assets for FY 2008 and FY 2007 were \$6.2 million and \$6.8 million, respectively. And most of 2008's \$6.3 million came from federal grants or insurance.

Operating revenues were 6% and \$1.9 higher than in fiscal 2007. Grants and insurance represented nearly \$5.8 million. Tax revenue and mineral revenue both declined. Revenues exclusive of grants and insurance declined by \$2.1 million and 6.9% due to reduced income from taxes and mineral royalties.

Operating expenses other than major maintenance rose \$800 thousand and 6%.

Proprietary funds

Business-type activities increased the Orleans Levee District's net assets by approximately \$7.8 million (excluding transfers from governmental funds) in fiscal 2008 reflecting grant income not offset by costs. Net assets were also increased by nearly \$4 million as assets previously managed by the combined operations were moved from the government records to the books of the enterprise funds.

Capital improvements paid for by \$8.6million in grants are capitalized.

- Revenue from operations of the enterprise funds increased \$970,000.

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Management's Discussion and Analysis (Continued)
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- Overall expenses for business-type activities declined by \$389 thousand and 6.6% reflecting reductions in major maintenance (\$490 thousand) and lower costs allocated from service departments of the government 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.

Following are the changes in net income for each of the proprietary funds, excluding and including depreciation:

	<u>Orleans</u>	<u>South</u>	<u>Lakefront</u>	<u>LVCC</u>	<u>NBC</u>
Change in net assets	\$742,437	\$ 169,574	\$ 6,184,108	\$ 665,020	\$3,950,452
Excl transfers/grants/Ins	\$530,666	\$(1,117,285)	\$(2,028,396)	\$ 7,029	\$ 783,982
Excl Depreciation	\$618,952	\$ (161,428)	\$ (880,352)	\$ 88,432	\$ 785,904

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, 2008, amounted to \$183.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery, and equipment. The total increase of over \$10 million and 5.8% in the District's investments in capital assets for the current fiscal year reflects the rebuilding underway of Katrina damaged properties.

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 11,329,254	\$ 14,274,748	\$ 22,054,734	\$ 19,109,241	\$ 33,383,988	\$ 33,383,989
Buildings	2,595,125	3,732,474	1,759,321	1,284,510	4,354,446	5,016,984
Improvements other than buil	2,647,463	2,821,397	29,514,900	21,758,687	32,162,363	24,580,084
Equipment	1,821,949	2,135,233	430,899	463,747	2,252,848	2,598,980
Infrastructure	93,661,972	94,279,758	242,076	-	93,904,048	94,279,758
Construction in progress	9,132,197	5,054,640	8,330,045	8,442,898	17,462,242	13,497,538
Total	<u>\$ 121,187,960</u>	<u>\$ 122,298,250</u>	<u>\$ 62,331,975</u>	<u>\$ 51,059,083</u>	<u>\$ 183,519,935</u>	<u>\$ 173,357,333</u>

Additional information on the Orleans Levee District's capital assets can be found in note 5 on page 39 of this report.

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Outstanding Debt

	2008	2007
Public Improvement Bonds	\$ 21,050,000	\$ 22,970,000
Levee Improvement Bonds	33,480,000	37,035,000
Community Disaster Loans	10,063,789	9,777,241
Notes, State of Louisiana	17,347,565	8,640,165
Total	\$ 81,941,354	\$ 78,422,046

Long-term debt. At the end of the current fiscal year, the Orleans Levee District had total bonded debt outstanding of \$54,530,000. The bonded 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.

The Orleans Levee District's bonded debt decreased by \$5,475,000 during the current fiscal year due to scheduled debt service payments.

In addition to the Bonds outstanding, the District entered into loan agreements last fiscal year with the Federal Emergency Management Agency ("FEMA") and the State of Louisiana. FEMA provided a community disaster loan of \$9.6 million. The State of Louisiana is providing funding for the District's debt service for the three-year period beginning November, 2006, and ending in May, 2009. The amount borrowed under that agreement in fiscal 2008 was \$8.7 million. Both borrowings are explained in the footnotes (13 E and F).

Variations between Budgeted and Actual: General Fund

The final budgeted revenue for the District's General Fund was approximately \$14.1 million, \$298,000 and 2.1% higher than the original approved budget. Due to higher than expected collections the revised budget for ad valorem tax and the actual amounts far exceeded the original budget. Actual collections exceeded the original budget by \$2.9 million and nearly 36%. Reflecting the higher than expected collections, as well as the continued payment of debt service by the State of Louisiana, investment balances rose driving an increase of \$547,000 in the estimate for interest earnings. An interruption in cash flow from mineral leases caused the District to all but eliminate that source of income, reducing its estimate from \$3.6 million to only \$371 thousand. The actual amounts were much higher than expected because of a late receipt that had been the subject of litigation.

Operating expenses in the final budget were \$455,000 and 4% less than in the original budget – due to delays in hiring and pay rate adjustments, along with

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some lowering in expected costs for legal fees. On a line item basis, salaries and benefits were revised downward by \$1.5 million and contractual services raised by \$1.2 million due to a reorganization of the District which moved employee costs to contractual costs. The larger decline in salaries and benefits reflects the delay in hiring and other factors noted in the previous sentence.

Actual revenues results were \$2.2 million and 15.5% higher than the revised estimate. The primary factor in this difference was an unexpected receipt of mineral revenue (nearly \$2 million) which for planning purposes was not provided for. Operating expenses of \$10.2 million were very close to revised budget estimates with the only difference a \$500,000 interdivisional charge which will be eliminated on consolidation.

Economic Factors and Next Year's Budget and Rates

The Southeast Louisiana Flood Protection Authority and Orleans Levee District considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- Uncertain income from mineral leases due to litigation over Bohemia properties.
- The need to replace employees lost after Katrina in order to address increasing responsibilities
- The need to plan for significant financing and construction and attendant debt burden

Requests for Information

This financial report is designed to provide a sufficient amount of detail to allow an understanding of the Orleans Levee District's financial position and results for the current year. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Orleans Levee District, Finance Department, and 6920 Franklin Avenue, New Orleans, Louisiana, 70122. For information about the Real Estate, Recreation and Non Flood Asset Division, contact Director, 6500 Spanish Fort Blvd, New Orleans, Louisiana, 70124.

FINANCIAL SECTION

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Statement of Net Assets
June 30, 2008

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
ASSETS			
Current assets:			
Cash and cash equivalents (note 2)	\$ 64,711,075	\$ 100	\$ 64,711,175
Receivables (note 4)	2,897,128	3,508,626	6,405,754
Due from other funds, net	3,343,558	(3,343,558)	-
Due from Other Governments	5,281,048	3,001,887	8,282,935
Inventory (note 1-G)	236,368	-	236,368
Other Assets	290,477	199,405	489,882
Restricted assets (note 11)	5,506,533	-	5,506,533
Total current assets	<u>82,266,187</u>	<u>3,366,460</u>	<u>85,632,647</u>
Noncurrent assets:			
Deferred charges	459,590	-	459,590
Capital assets:			
Land (note 5)	11,329,254	25,000,229	36,329,483
Other capital assets, net of depreciation (note 5)	109,858,707	37,331,745	147,190,452
Total noncurrent assets	<u>121,647,551</u>	<u>62,331,974</u>	<u>183,979,525</u>
TOTAL ASSETS	<u>203,913,738</u>	<u>65,698,434</u>	<u>269,612,172</u>
LIABILITIES			
Current liabilities:			
Payables (note 12)	858,442	94,445	952,887
Contracts payable	2,684,173	158,735	2,842,908
Deferred revenues - current (note 1-L)	1,386,318	-	1,386,318
Accrued compensated absences (notes 9 and 13)	148,698	39,870	188,568
Due to other agencies	67,351	-	67,351
Other liabilities	-	1,500	1,500
Payable from restricted assets:			
Bonds payable (note 13)	5,865,000	-	5,865,000
Accrued bond interest payable	296,629	-	296,629
Total current liabilities	<u>11,306,611</u>	<u>294,550</u>	<u>11,601,161</u>
Noncurrent liabilities:			
Deferred revenues - noncurrent (note 1-L)	-	2,057,803	2,057,803
Accrued compensated absences (notes 9 and 13)	695,856	86,257	782,113
Bonds payable (note 13)	48,665,000	-	48,665,000
Long term notes payable (note 13)	27,411,354	-	27,411,354
Judgments payable (note 19)	25,875,480	-	25,875,480
Post employment benefit liability	1,046,154	185,664	1,231,818
Total noncurrent liabilities	<u>103,693,844</u>	<u>2,329,724</u>	<u>106,023,568</u>
TOTAL LIABILITIES	<u>115,000,455</u>	<u>2,624,274</u>	<u>117,624,729</u>
NET ASSETS			
Invested in capital assets, net of related debt	66,657,961	62,331,974	128,989,935
Restricted (note 11)	5,173,315	-	5,173,315
Unrestricted (deficit)	17,082,007	742,186	17,824,193
TOTAL NET ASSETS	<u>\$ 88,913,283</u>	<u>\$ 63,074,160</u>	<u>\$ 151,987,443</u>

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, 2008

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental activities:							
Flood and drainage protection	\$ 18,600,979	\$ 2,341,098	\$ 190,902	\$ 6,742,126	\$ (9,326,853)	\$ -	\$ (9,326,853)
Interest	3,467,579	-	-	-	(3,467,579)	-	(3,467,579)
Total governmental activities	22,068,558	2,341,098	190,902	6,742,126	(12,794,432)	-	(12,794,432)
Business-type activities:							
Airport	3,373,116	1,312,829	-	7,223,038	-	5,162,751	5,162,751
Marinas	1,921,136	1,320,839	-	1,421,674	-	821,377	821,377
Other Real Estate	211,714	1,017,657	-	-	-	805,943	805,943
Total business-type activities	5,505,966	3,651,325	-	8,644,712	-	6,790,071	5,984,128
Total	\$ 27,574,524	\$ 5,992,423	\$ 190,902	\$ 15,386,838	(12,794,432)	6,790,071	(6,004,361)
General revenues and (expenses):							
Property taxes					22,958,449	-	22,958,449
Unrestricted intergovernmental revenues					1,163,320	-	1,163,320
Unrestricted investment earnings					2,295,144	1,013	2,296,157
Miscellaneous					320,121	29,940	350,061
Gain (loss) on disposal of capital assets					(25,850)	(321)	(26,171)
Insurance Proceeds and Adjustments Katrina					1,432,492	937,892	2,370,384
Amort bond issuance cost					(75,820)	-	(75,820)
Other Income (Expense)					(1,336,850)	-	(1,336,850)
Total general revenues, litigation payments, and transfers					26,731,006	968,524	27,699,530
CHANGE IN NET ASSETS Before Transfers					13,936,574	7,758,595	21,695,169
Transfers to non affiliates					(2,465,808)	-	(2,465,808)
Transfers from Gov to Enterprise					(3,952,994)	3,952,994	-
Change in Net Assets after Transfer					7,517,772	11,711,589	19,229,361
NET ASSETS AT BEGINNING OF YEAR					81,395,511	51,362,571	132,758,082
NET ASSETS AT END OF YEAR					\$ 88,913,283	\$ 63,074,160	\$ 151,987,443

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

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2008**

	GENERAL FUND	REAL ESTATE DIVISION	DEBT SERVICE FUND	GENERAL IMPROVEMENT FUND	SPECIAL LEVEE IMPROVEMENT PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Cash and cash equivalents	\$ 30,405,050	\$ 810,186	\$ -	\$ -	\$ 33,495,839	\$ 64,711,075
Receivables	1,994,869	2,259	-	-	-	1,997,128
Due from other funds (note 15)	9,184,207	9,176,777	-	303,227	1,024,506	19,688,717
Due from other governments	221,462	209,236	-	4,187,511	-	4,618,209
Inventory	236,368	-	-	-	-	236,368
Restricted assets	333,218	-	5,173,315	-	-	5,506,533
Other assets	260,318	300,313	-	-	-	560,631
TOTAL ASSETS	\$ 42,635,492	\$ 10,498,771	\$ 5,173,315	\$ 4,490,738	\$ 34,520,345	\$ 97,318,661
LIABILITIES						
Payables (note 12)	\$ 801,987	\$ 11,483	\$ -	\$ -	\$ 44,972	\$ 858,442
Contracts payable	-	2,644,573	-	39,600	-	2,684,173
Due to other agencies	35,742	-	-	31,609	-	67,351
Deferred revenues - current	113,616	-	-	-	-	113,616
Due to other funds (note 17)	3,063,019	8,563,101	-	4,334,591	384,448	16,345,159
Deferred credits	-	-	-	3,096,732	17,774	3,114,506
Total liabilities	4,014,364	11,219,157	-	7,502,532	447,194	23,183,247
FUND BALANCE						
Reserved (note 14)	463,102	-	5,173,315	2,402,301	-	8,038,718
Unreserved - designated (note 16)	391,566	-	-	-	-	391,566
Unreserved - undesignated	37,766,460	(720,386)	-	(5,414,095)	34,073,151	65,705,130
Total fund balances	38,621,128	(720,386)	5,173,315	(3,011,794)	34,073,151	74,135,414
TOTAL LIABILITIES AND FUND BALANCES	\$ 42,635,492	\$ 10,498,771	\$ 5,173,315	\$ 4,490,738	\$ 34,520,345	\$ 97,318,661

Continued

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2008**

Total governmental fund balances (Statement D)	\$ 74,135,414
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 \$52,287,734	121,187,961
Other noncurrent assets are not available to pay for current- expenditures and therefore are deferred in the funds	3,404,643
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued bond interest payable	(296,629)
Accrued compensated absences	(844,554)
Long Term Debt Payable	(81,481,764)
Judgments payable	(26,145,634)
Post employment benefits payable	<u>(1,046,154)</u>
Net Assets of Governmental Activities (Statement A)	<u><u>\$ 88,913,283</u></u>

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
For the Year Ended June 30, 2008**

	GENERAL FUND	REAL ESTATE DIVISION	DEBT SERVICE FUND	GENERAL IMPROVEMENT FUND	SPECIAL LEEVE IMPROVEMENT PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES						
Taxes	\$ 10,992,322	\$ -	\$ -	\$ -	\$ 11,580,684	\$ 22,573,006
Intergovernmental:						
Federal grants	190,902	113,832	-	3,668,081	455,571	4,428,386
State revenue sharing	1,163,320	-	-	-	-	1,163,320
Charges for services:						
Oil & Gas Royalties	2,313,883	-	-	-	-	2,313,883
Rents and leases	17,400	9,815	-	-	-	27,215
Investment income	1,071,978	92,723	172,179	-	958,264	2,295,144
Miscellaneous	312,947	80,391	-	-	-	393,338
Total revenues	16,062,752	296,761	172,179	3,668,081	12,994,519	33,194,292
EXPENDITURES						
Current Operating Expenses, Flood and Drainage Protection	10,203,333	3,232,054	-	-	45,575	13,480,962
Management of Infrastructure and Real Estate	-	-	-	-	-	-
Debt service:						
Principal	-	-	5,475,000	-	-	5,475,000
Interest	-	-	3,232,398	-	-	3,232,398
Capital outlay	-	-	-	6,023,382	88,484	6,111,866
Total expenditures	10,203,333	3,232,054	8,707,398	6,023,382	134,059	28,300,226
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,859,419	(2,935,293)	(8,535,219)	(2,355,301)	12,860,460	4,894,066
OTHER FINANCING SOURCES (USES)						
Sale of Assets	-	-	-	-	-	-
Transfers in	3,176,058	-	-	-	5,531,340	8,707,398
Transfers out	(3,176,058)	-	8,707,398	-	(5,531,340)	-
Transfers out, Algiers	(1,179,005)	-	-	-	(381,461)	(1,560,466)
Transfers in (out) Enterprise funds	(2,070,154)	1,800,000	-	188,191	(188,191)	(270,154)
Proceeds (Adj) of Insurance - Katrina	48,105	749,310	-	-	635,077	1,432,492
Litigation payments (receipts) Net	(92,043)	-	-	-	-	(92,043)
Total other financing sources (uses)	(3,293,097)	2,549,310	8,707,398	188,191	65,425	8,217,227
NET CHANGES IN FUND BALANCES	2,566,322	(385,983)	172,179	(2,167,110)	12,925,885	13,111,293
FUND BALANCES AT BEGINNING OF YEAR	36,054,806	(334,403)	5,001,136	(844,684)	21,147,266	61,024,121
FUND BALANCES AT END OF YEAR	\$ 38,621,128	\$ (720,386)	\$ 5,173,315	\$ (3,011,794)	\$ 34,073,151	\$ 74,135,414

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

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
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, 2008

Net change in fund balance - total governmental funds (Statement D)	\$ 13,111,293
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	6,511,161
Depreciation expense	(4,504,820)
Financing is Reported as income in the Government Funds Report, but are recognized as Long Term Liabilities on the Statement of Net Assets	(9,210,367)
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, disposed, or impaired.	(25,850)
Transfers of capital assets	(2,662,768)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	1,371,973
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	5,475,000
Amortization of deferred bond costs	(75,820)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Bond interest	(235,181)
Compensated absences	(45,665)
Legal claims and interest	(1,145,030)
Post employment benefit costs	(1,046,154)
Change in Net Assets of Governmental Activities (Statement B)	<u><u>\$ 7,517,772</u></u>

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

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
GENERAL FUND
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	Increase (Decr) Actual Vs Final Budget
	ORIGINAL	FINAL		
REVENUES				
Taxes	\$ 8,100,458	\$ 10,992,322	\$ 10,992,322	\$ -
Intergovernmental:				
State revenue sharing	1,500,000	1,163,320	1,163,320	-
Federal grants	-	177,488	190,902	13,414
Charges for services:				
Rents and leases	-	16,000	17,400	1,400
Oil and gas royalties	3,600,000	371,830	2,313,883	1,942,053
Investment income	600,000	1,147,500	1,071,978	(75,522)
Miscellaneous	35,000	265,000	312,947	47,947
Total revenues	13,835,458	14,133,460	16,062,752	1,929,292
EXPENDITURES				
Flood and drainage protection:				
Personal services	7,409,498	5,875,000	5,894,670	19,670
Travel	12,000	4,000	3,903	(97)
Contractual Services	2,412,925	3,431,627	3,306,924	(124,703)
Materials and supplies	528,434	512,500	541,744	29,244
Professional services	722,000	552,300	516,271	(36,029)
Other charges	23,940	27,893	(298,765)	(326,658)
Cost Allocations	-	-	(160,986)	(160,986)
Machinery and equipment	125,000	375,000	399,572	24,572
Total expenditures	11,233,797	10,778,320	10,203,333	(574,987)
Excess (deficiency) of revenues over expenditures	2,601,661	3,355,140	5,859,419	2,504,279
OTHER FINANCING SOURCES (USES)				
Major Maintenance	(150,000)	-	-	-
Proceeds from long Term Debt	-	3,176,058	3,176,058	-
Debt Service	-	(3,177,053)	(3,176,058)	995
Transfer to NonFlood Operations	(1,351,396)	(1,800,000)	(2,070,154)	(270,154)
Transfer to Algiers	-	(841,925)	(1,179,005)	(337,080)
Katrina Insurance Adjustments	-	48,102	48,105	3
Litigation payments	(1,000,000)	(100,000)	(92,043)	7,957
Total other financing sources (uses)	(2,501,396)	(2,694,818)	(3,293,097)	(598,279)
NET CHANGES IN FUND BALANCES	100,265	660,322	2,566,322	1,906,000
FUND BALANCE AT BEGINNING OF YEAR	36,054,806	36,054,806	36,054,806	-
FUND BALANCES AT END OF YEAR	\$ 36,155,071	\$ 36,715,128	\$ 38,621,128	\$ 1,906,000

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

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
PROPRIETARY FUNDS
Statement of Net Assets
June 30, 2008**

	ORLEANS MARINA	SOUTH SHORE HARBOR MARINA	LAKEFRONT AIRPORT	LAKE VISTA COMMUNITY CENTER	NEW BASIN CANAL	TOTAL PROPRIETARY FUNDS
ASSETS						
Current assets:						
Cash	\$ 100	\$ -	\$ -	\$ -	\$ -	\$ 100
Receivables (net of allowance for uncollectibles) (note 4)	79,112	-	3,167,556	153,447	108,511	3,508,626
Due from other governments	659,200	1,024,335	1,315,520	-	2,832	3,001,887
Other Assets	13,461	-	187,303	2,089	-	202,853
Total current assets	751,873	1,024,335	4,670,379	155,536	111,343	6,713,466
Noncurrent assets:						
Due from other funds (note 18)	1,227,183	257	2,934,500	76,525	1,100,369	5,338,834
Land (note 5)	301,339	3,358,103	15,449,799	23,023	2,922,471	22,054,735
Other capital assets (net of accumulated depreciation) (note 5)	1,112,549	14,472,804	23,896,245	553,565	242,076	40,277,239
Total noncurrent assets	2,641,071	17,831,164	42,280,544	653,113	4,264,916	67,670,808
TOTAL ASSETS	\$ 3,392,944	\$ 18,855,499	\$ 46,950,923	\$ 808,649	\$ 4,376,259	\$ 74,384,274
LIABILITIES						
Liabilities:						
Current liabilities:						
Payables (note 12)	\$ 21,071	\$ 61,248	\$ 12,126	\$ -	\$ -	\$ 94,445
Contracts payable	1,204	-	157,109	422	-	158,735
Accrued compensated absences (notes 9 and 13)	12,689	-	27,181	-	-	39,870
Other liabilities	-	1,500	-	-	-	1,500
Total current liabilities	34,964	62,748	196,416	422	-	294,550
Noncurrent liabilities:						
Due to other funds (note 18)	4,853	4,449,382	4,231,016	589	-	8,685,840
Deferred revenues	31,404	1,068,372	958,027	-	-	2,057,803
OPEB liability	59,075	-	126,589	-	-	185,664
Accrued compensated absences (notes 9 and 13)	30,137	-	56,120	-	-	86,257
Total noncurrent liabilities	125,469	5,517,754	5,371,752	589	-	11,015,564
TOTAL LIABILITIES	160,433	5,580,502	5,568,168	1,011	-	11,310,114
NET ASSETS						
Invested in capital assets (net of related debt)	1,413,888	17,830,907	39,346,044	576,588	3,164,547	62,331,974
Unrestricted (deficit)	1,818,623	(4,555,910)	2,036,711	231,050	1,211,712	742,186
TOTAL NET ASSETS	\$ 3,232,511	\$ 13,274,997	\$ 41,382,755	\$ 807,638	\$ 4,376,259	\$ 63,074,160

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

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
PROPRIETARY FUNDS
Statement of Revenues, Expenses,
and Changes in Fund Net Assets
For the Year Ended June 30, 2008

	ORLEANS MARINA	SOUTH SHORE HARBOR MARINA	LAKEFRONT AIRPORT	Lake Vista Community Center	New Basin Canal	TOTAL PROPRIETARY FUNDS
OPERATING REVENUES						
Charges for services:						
Rentals	\$ 1,320,839	\$ -	\$ 910,525	\$ 185,866	\$ 831,791	\$ 3,249,021
Fuel farm sales and fees	-	-	402,304	-	-	402,304
Total charges for services	1,320,839	-	1,312,829	185,866	831,791	3,651,325
Miscellaneous	12,162	500	32,211	21,628	(36,561)	29,940
Total operating revenues	1,333,001	500	1,345,040	207,494	795,230	3,681,265
OPERATING EXPENSES						
Personal services	394,867	(1,070)	913,433	-	-	1,307,230
Travel	-	-	2,934	-	-	2,934
Contractual services	132,695	58,781	995,964	65,178	215	1,252,833
Materials and supplies:						
Other	15,520	351	102,243	1,243	-	119,357
Professional services	69,436	90,364	25,966	36,834	9,111	231,711
Other charges	19,225	339	68,239	589	-	88,392
Depreciation	88,286	955,858	1,148,045	81,403	1,923	2,275,515
Major maintenance	83,320	13,164	116,294	15,218	-	227,996
Total operating expenses	803,349	1,117,787	3,373,118	200,465	11,249	5,505,968
NET OPERATING INCOME (LOSS)	529,652	(1,117,287)	(2,028,078)	7,029	783,981	(1,824,703)
NONOPERATING REVENUES (EXPENSES)						
Investment income	1,013	-	-	-	-	1,013
Gain (Loss) on disposal of capital assets	-	-	(321)	-	-	(321)
Insurance proceeds (Adj)	-	57,900	879,992	-	-	937,892
Total nonoperating revenues (expenses)	1,013	57,900	879,671	-	-	938,584
NET INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	530,665	(1,059,387)	(1,148,407)	7,029	783,981	(886,119)
CONTRIBUTIONS AND TRANSFERS						
Capital contributions from grants	206,936	1,214,739	7,223,038	-	-	8,644,713
transfers from flood control	4,835	14,221	109,478	657,991	3,166,470	3,952,995
Total contributions and transfers	211,771	1,228,960	7,332,516	657,991	3,166,470	12,597,708
CHANGES IN NET ASSETS	742,436	169,573	6,184,109	665,020	3,950,451	11,711,589
TOTAL NET ASSETS AT BEGINNING OF YEAR	2,490,075	13,105,424	35,198,646	142,618	425,808	51,362,571
TOTAL NET ASSETS AT END OF YEAR	\$ 3,232,511	\$ 13,274,997	\$ 41,382,755	\$ 807,638	\$ 4,376,259	\$ 63,074,160

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

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
PROPRIETARY FUNDS
Statement of Cash Flows
For the Year Ended June 30, 2008**

	MAJOR FUNDS			NON-MAJOR FUNDS	
	ORLEANS MARINA	SOUTH SHORE HARBOR MARINA	LAKEFRONT AIRPORT	LAKE VISTA and NEW BASIN CANAL	TOTAL PROPRIETARY FUNDS
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 1,313,715	\$ 109,296	\$ (743,594)	\$ 970,801	\$ 1,650,218
Payments to vendors and suppliers	(377,196)	(433,669)	(2,382,990)	(146,951)	(3,340,806)
Payments to employees	(300,820)	(27,304)	(768,974)	-	(1,097,098)
Internal activities - receipts from (payments to) other funds	(697,150)	177,663	1,968,023	3,000,611	4,449,147
Net cash provided by operating activities	(61,451)	(174,014)	(1,927,535)	3,824,461	1,661,461
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from federal and state grants	206,936	1,074,498	9,666,827	-	10,948,261
Purchase of capital assets	(146,498)	(958,484)	(8,620,190)	(3,824,461)	(13,549,633)
Proceeds from sale of capital assets	-	-	906	-	906
Insurance Proceeds	-	57,900	879,992	-	937,892
Net cash provided (used) by capital and related financing activities	60,438	173,914	1,927,535	(3,824,461)	(1,662,574)
CASH FROM INVESTING ACTIVITIES					
Interest	1,013	-	-	-	1,013
Net cash provided by investing activities	1,013	-	-	-	1,013
Net increase (decrease) in cash	-	(100)	-	-	(100)
Cash balances, beginning	100	100	-	-	200
Cash balances, ending	\$ 100	\$ -	\$ -	\$ -	\$ 100
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 529,652	\$ (1,117,287)	\$ (2,028,078)	\$ 791,010	\$ (1,824,703)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Cash flows reported in other categories:					
Depreciation expense	88,286	955,858	1,148,045	83,326	2,275,515
Transfers from flood control	4,835	14,221	109,478	3,824,461	3,952,995
Change in assets and liabilities:					
Receivables, net	35,587	157	(2,881,644)	(31,254)	(2,877,154)
Prepaid expenses and other assets	401	-	(11,102)	(2,089)	(12,790)
Receivables from other funds	(427,198)	(257)	36,067	(824,439)	(1,215,827)
Accounts and other payables	(18,227)	(190,405)	(122,779)	(17,143)	(348,554)
Payables to other funds	(274,787)	163,699	1,822,478	589	1,711,979
Net cash provided (used) by operating activities	\$ (61,451)	\$ (174,014)	\$ (1,927,535)	\$ 3,824,461	\$ 1,661,461

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

ORLEANS LEVEE DISTRICT STATE OF LOUISIANA

Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2008

INTRODUCTION

The Orleans Levee District (the District) was established by Act 93 of the 1890 General Assembly (Legislature) of the State of Louisiana. The District 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 District is responsible for the maintenance of almost 115 miles of levees and floodwalls. To enhance flood protection, the Orleans Levee District and the United States Corps of Engineers participate flood protection projects.

Act 292 of the 1928 Louisiana Legislature authorized the District to dedicate, construct, operate, and maintain public parks, beaches, marinas, aviation fields, and other like facilities. The District owns and operates a general aviation airport, the New Orleans Lakefront Airport. The District 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, 453 open boat slips, and 26 covered boat slips. The District has approximately 143 full-time employees, including 32 police officers and 8 firefighters.

Until December 31, 2006, The District was governed by a Board of eight commissioners, six of whom are appointed by the governor. Two commissioners served 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.

Effective January 1, 2007 Act 1 of the First Extraordinary Session of 2006 provided that flood control activities of the District will be governed by the Southeast Louisiana Flood Protection Authority-East, a newly constituted governing Board, in accordance with changes in state law approved by the citizenry on September 30, 2006. Significant non-flood facilities and improvements owned by the Orleans Levee District are managed and

controlled by the state, through the Division of Administration (“Non-Flood Division”).

The Southeast Louisiana Flood Protection Authority-East is composed of eleven members, of whom there are at least, and not more than, one member from each parish within the territorial jurisdiction of the authority. The members shall be appointed by the governor from nominations submitted by the nominating committee:

(i) Five members shall either be an engineer or a professional in a related field such as geotechnical, hydrological, or environmental science. Of the five members, one member shall be a civil engineer, and one member shall be a geologist or a hydrologist.

(ii) Three members shall be a professional in a discipline other than that occurring in (i) with at least ten years of professional experience in that discipline. One of these members shall be a resident of a parish as provided for in (B)(1)(a)(vi) or (vii) of this Section.

(iii) Three members who shall be at-large.

The re-organization of the District has proceeded from the time the legislation approving the changes were approved by constitutional amendment.

The re-organization of the District into Flood Control and Non Flood Control, or Real Estate Divisions, does not translate neatly into Government and Business-type activities. The Real Estate division’s administrative fund, which manages the non-flood assets, is organizationally a “non-flood” fund; however, it has responsibility not only for the Enterprise funds, but also roadways, a bridge and the police force – all government type activities. Thus, that fund, plus the General Improvement Fund, which does major improvements for the lakefront assets of the District, are reported as Government funds. Those business type activities of the non flood division are reported as enterprise, or non-government funds.

One significant difference in accounting that occurred in Fiscal 2007 was the movement of the Public Improvement Bonds from the South Shore Harbor financial statements to the Statement of Net Assets and Statement of Activities of the Governmental organization. The changes in governance and reporting does not change the ownership of assets.

Act 475 of the regular 2007 session of Louisiana Legislature mandated that the geographic portion of the District that exists on the west bank of the Mississippi River would become a new Algiers Levee District, and that the new district would be governed by the Southeast Louisiana Flood Protection Authority - West. The law became effective July 12, 2007.

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

For purposes of reporting by the State of Louisiana in its Comprehensive Annual Financial Report, GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. For that report, the District is considered a component unit of the State of Louisiana because the state exercises oversight responsibility and appoints and removes the governing body. As such, the financial results of the District are included in the overall financial results reported by the State of Louisiana.

Government Accounting Standard Board Statement 14, paragraph 65 notes that "Although the nucleus of a financial reporting entity usually is a primary government, an organization other than a primary government, such as a component unit, may serve as a nucleus for a reporting entity when it issues separate financial statements. The requirements of this Statement apply to the separately issued financial statements of governmental component units. As noted in paragraph 43, this Statement should be applied in layers "from the bottom up." That is, each component unit "layer" should apply the definition and display provisions to its own component unit financial reports. Because this Statement is written

from the perspective of the primary government, a governmental component unit should apply the provisions of this Statement as if it were a primary government. Separately issued financial statements of a component unit should acknowledge that it is a component unit of another government.....”

This guidance, along with the Codification’s section 1300.101 dealing with the diverse nature of governmental operations, and the importance of fund accounting to management of such operations, lead the District to report its financial results within the primary government model for its Annual Audited 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 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 as relates to the flood protection purpose of

the organization. The fund accounts for all financial resources related to flood control functions, except those required to be accounted for in other funds. A companion fund, referred to as the Real Estate Fund, was created in January, 2007 to provide management and administration of non-flood control operations, including the District's proprietary funds as well as parks, roadways and public safety functions.

2. Real Estate Division – the administrative fund for the “non flood control” division.
3. 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.
4. Capital Projects Funds—The General Improvement Fund for the non flood division and the Special Levee Improvement Fund for the Flood Control division, account for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the enterprise funds.

Proprietary Funds

Proprietary funds account for activities similar to those found in the private sector where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator. Proprietary funds of the District consist of enterprise funds that account for the operations of the marinas, the airport, and income producing real estate. The intent of the District for these activities 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 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. Certain minor funds may be combined for reporting purposes.

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 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. At year-end, revenue is accrued based on an estimate of what is likely to be collected over the following 60 or 365 days relating to the current year's tax bill.

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. In the entity-wide and proprietary statements, revenue is recognized when eligible expenditures are made; while in government statements, a receivable and a deferred revenue is recorded.

Oil and gas royalties are recorded when earned.

The District's investments are made in an investment pool whose investments are short term in nature; changes in market value are accounted for by the pool managers and included in interest income.

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

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.

In prior periods, gaming revenue was recorded as operating revenues in the accounting period in which it was earned. Because the source of gaming income is no longer present and the contract involved in litigation, no current revenue is being recognized from that source. Amounts billed and recorded as earned in the immediately prior fiscal year have been removed from net assets due to the uncertainty of collection.

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

Expenses

Salaries are recognized as expenses in the accounting period earned by employees. Depreciation expense on all exhaustible 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, 2008, was adopted on March 15, 2007, and subsequent amendments were adopted on February 21, June 19 and July 17, 2008. 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 may include amounts in time deposits, money market mutual funds, commercial paper, and United States Treasury bills. Under state law, the Orleans Levee District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the District may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

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. See Note 2 for discussion of the investment, beginning last year, of the District's funds in the Louisiana Asset Management Pool.

G. INVENTORY

The District maintains a perpetual inventory system for general government materials and supplies. 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.

H. RESTRICTED ASSETS

Restricted assets in governmental activities consist of funds set aside for legal settlement payments within the General Fund, and proceeds from funds set aside for payment of bonded debt within the Debt Service Fund. These funds are classified as restricted assets since their use is limited.

With the reclassification of the District's public improvement bonds, from the South Shore Harbor fund to the Government funds, there are, effective, in fiscal 2007, no bonded debt or restricted funds reported by the enterprise funds.

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 of furniture and equipment and \$50,000 for major maintenance and capital improvement projects.

Capital assets used in the governmental funds are recorded as current period costs in the governmental fund financial statements. Depreciation expense is only 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:

<u>Description</u>	<u>Years</u>
Land improvements	20
Buildings and building improvements	40
Furniture and fixtures	7-10
Vehicles	7
Equipment	5-10
Infrastructure	40

Flood Protection Systems

Resources of the United States Army Corps of Engineers (USACE), and the Orleans Levee District, as local cost share 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.

Through the end of 2005, the Orleans Levee District and the Corps of Engineers together invested \$411 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 3 critical outfall canals, 2) barrier levees on the outskirts of the city.

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. The District has capitalized its portion of infrastructure costs.

These costs are included in the financial statements and amount to \$51,931,706 relating to investments in levees, floodwalls, floodgates, flood control structures, et cetera.

Other Infrastructure Assets

In addition to the \$51,931,706 noted above, the financial statements reflect investments in roadways, bridges, parks and recreation, and buildings. Total cost of infrastructure assets at June 30, 2008, totaled \$129,551,718. The components of this total are as follows:

Parks/recreation	\$ 2,575,125
Buildings	1,823,094
Subtotal - other infrastructure assets	<u>77,620,012</u>
Flood protection systems	<u>51,931,706</u>
Total infrastructure assets	<u><u>\$ 129,551,718</u></u>

Accumulated depreciation on infrastructure assets at June 30, 2008, totals \$35,889,746.

L. DEFERRED REVENUES

The District reports deferred revenues on its fund and proprietary financial statement Balance Sheets / Statements of Net Assets. Deferred revenues arise when resources are received by the District before it has a legal claim to them. 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. In the Government funds, deferred revenue is also recorded when funds are received more than 60 days beyond year’s end – too long after the Balance sheet date to record as revenue, but justifying recognition of a receivable.

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, and in the enterprise fund financial statements when earned. 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 (if applicable) 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 Orleans Levee District provides certain continuing health care and life insurance benefits for its retired employees. In the modified accrual, governmental financials, the District recognizes the cost of providing these retiree benefits as an expenditure when paid during the year. In the full accrual, total entity financial statements, such costs are expensed when earned as estimated actuarially (See note 8).

P. DEFERRED COMPENSATION PLAN

Certain employees of the Orleans Levee 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.

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, 2008, the District has cash and cash equivalents (book balances), totaling \$ 70,217,608, which consists of the following:

Cash:	<u>Total</u>	<u>Flood Control</u>	<u>Real Estate</u>
Petty cash	\$ 2,850	\$ 2,750	\$ 100
LAMP Investment Pool	64,439,528	63,879,165	560,363
Demand deposits	268,697	18,974	249,723
Subtotal	<u>64,711,075</u>	<u>63,900,889</u>	<u>810,186</u>
Restricted cash	<u>5,506,533</u>	<u>5,506,533</u>	<u>-</u>
Total cash and cash equivalents & restricted cash	<u>\$ 70,217,608</u>	<u>\$ 69,407,422</u>	<u>\$ 810,186</u>

The following is a breakdown by banking institution of the balances per bank.

Banking Institution

	<u>Totals</u>	<u>Flood Control</u>	<u>Real Estate</u>
Whitney National Bank	\$ 5,835	\$ 5,835	-
Capital One	3,124,327	385,750	2,738,577
LAMP	333,218	333,218	-
Bank of New York	5,173,315	5,173,315	-
Total	<u>\$ 8,636,695</u>	<u>\$ 5,898,118</u>	<u>\$ 2,738,577</u>

Note: the total bank balances will not necessarily equal the deposits in bank account per the Statement of Net Assets (Schedule A). Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits are 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 at all times equals the amount on deposit with the fiscal agent. Because the securities are held by the pledging fiscal agent in the District's name, the District does not have any custodial credit risk.

3. INVESTMENTS

At June 30, 2008, the District had invested \$64,439,528 with the Louisiana Asset Management Pool ("LAMP") an investment pool composed of assets of local government entities and investing only in securities authorized by LA-RS 33:2955.

In accordance with GASB Codification Section 150.165 the investment in LAMP is not categorized in the three risk categories provided by the GASB Codification Section 150.164 because the investment is in the pool of funds and thereby not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc; a non-profit corporation organized under the laws of the State of Louisiana, and is governed by a board of directors comprised of representatives from various local governments and statewide professional organizations. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2-a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments.

The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. The fair market value of investments is determined on a weekly basis to monitor any variances between amortized cost and market value. For the purpose of determining participants' shares, investments are valued at amortized cost. GASB Statement No. 31 requires that investments that fall within the definitions of said statement be recorded at fair value. However, Statement No. 31 also states that investments in an external investment pool can be reported at amortized cost if the external investment pool operates in a manner consistent with the Security Exchange Commission's (SEC's) Rule 2a7. LAMP is an external investment pool that operates in a manner consistent with SEC Rule 2a7.

4. RECEIVABLES

At June 30, 2008, the District has receivable balances, totaling \$14,688,689 as seen on the next page:

Activity	Customer Receivables	Receivables from			Total Receivables
		Taxes	Gov	Other	
Receivables, net of allowances, Govt	\$ 1,997,128	\$ 900,000	\$ 5,281,048	\$ -	\$ 8,178,176
Business Type	3,508,626		3,001,887		6,510,513
Receivables, net	<u>\$ 5,505,754</u>	<u>\$ 900,000</u>	<u>\$ 8,282,935</u>	<u>\$ -</u>	<u>\$ 14,688,689</u>

All amounts are due or expected to be collected within one year.

5. CHANGES IN CAPITAL ASSETS

The following page displays a summary of changes in capital assets:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 14,274,748	\$ -	\$ (2,945,494)	\$ 11,329,254
Construction in progress	5,054,640	5,918,883	(1,841,322)	9,132,201
Total capital assets, not being depreciated	<u>19,329,388</u>	<u>5,918,883</u>	<u>(4,786,816)</u>	<u>20,461,455</u>
Capital assets, being depreciated:				
Buildings	9,655,097	-	(2,249,422)	7,405,675
Improvements other than buildings ¹	10,441,615	-	-	10,441,615
Equipment	9,113,844	531,436	(1,111,265)	8,534,015
Infrastructure ¹	127,201,640	3,529,362	(1,580,395)	129,150,607
Total capital assets, being depreciated	<u>156,412,196</u>	<u>4,060,798</u>	<u>(4,941,082)</u>	<u>155,531,912</u>
Less accumulated depreciation for:				
Buildings	5,922,623	452,851	(1,564,923)	4,810,551
Improvements other than buildings	7,620,218	173,934	-	7,794,152
Equipment	6,978,612	578,801	(845,346)	6,712,067
Infrastructure	32,921,882	3,299,235	(732,481)	35,488,636
Total accumulated depreciation	<u>53,443,335</u>	<u>4,504,821</u>	<u>(3,142,750)</u>	<u>54,805,406</u>
Total capital assets being depreciated, net	102,968,861	(444,023)	(1,798,332)	100,726,506
Government activities capital assets, net	<u>\$ 122,298,249</u>	<u>\$ 5,474,860</u>	<u>\$ (6,585,148)</u>	<u>\$ 121,187,961</u>

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 22,054,734	\$ 2,945,495	\$ -	\$ 25,000,229
Construction in progress	8,442,899	9,598,330	(9,711,186)	8,330,043
Total capital assets, not being depreciated	<u>30,497,633</u>	<u>12,543,825</u>	<u>(9,711,186)</u>	<u>33,330,272</u>
Capital assets, being depreciated:				
Buildings	7,386,434	-	(1,227)	7,385,207
Improvements other than buildings	76,683,707	6,766,596	-	83,450,303
Equipment	1,377,373	547,732	-	1,925,105
Infrastructure	401,111	-	-	401,111
Total capital assets, being depreciated	<u>85,848,625</u>	<u>7,314,328</u>	<u>(1,227)</u>	<u>93,161,726</u>
Less accumulated depreciation for:				
Buildings	5,486,024	139,862	-	5,625,886
Improvements other than buildings	54,924,759	1,956,138	-	56,880,897
Equipment	913,887	580,319	-	1,494,206
Infrastructure	157,112	1,923	-	159,035
Total accumulated depreciation	<u>61,481,782</u>	<u>2,678,242</u>	<u>-</u>	<u>64,160,024</u>
Total capital assets, being depreciated, net	24,366,843	4,636,086	(1,227)	29,001,702
Business-type activities capital assets, net	<u>\$ 54,864,476</u>	<u>\$ 17,179,911</u>	<u>\$ (9,712,413)</u>	<u>\$ 62,331,974</u>

Depreciation expense for the year ended June 30, 2008 was charged to the following government functions:

Government Activities -	
Flood and drainage protection	<u>\$ 4,500,709</u>
Business-type activities:	
Marinas	\$ 1,044,144
Airport	1,148,045
Other Properties	<u>83,326</u>
Total depreciation expense - business-type activities	<u>\$ 2,275,515</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 Louisiana 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, if they were hired prior to July 1, 2006 and 8% after July 1, 2006. The contribution rate for fiscal year ending June 30, 2008 is 20.4%. The contribution rate for fiscal years ending June 30, 2007 and fiscal year ending 2006 was 19.1%. The District contribution to the System for the years

ending June 30, 2008, 2007 and 2008 were \$991,929, \$971,251, and \$1,257,813, respectively, equal to the required contributions for each year.

7. WORKERS' COMPENSATION INSURANCE PROGRAM

Effective July 1, 1998, the District discontinued its 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. All claims were closed at June 30, 2008. However, all eligible medical expenses will continue to be paid until finalized. 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, 2008.

For fiscal year 2008, 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, 2008, the District paid a total premium of \$230,203 for the coverage in the Louisiana Workers' Compensation Corporation. The standard premium was based on loss experience and projected annual payroll.

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. Supplemental Life-Retiree amount of coverage is based on either 150% (Option 1) or 250% (Option 2) of the retiree's annual salary (prior to retirement), to a maximum coverage of \$70,000. Premium is based on the amount of coverage and the retiree's age. The District pays 50% of the premium. Retiree must have a monthly salary of \$1,000 or more to choose Option 1 or 2. In the financial statements of the government funds, these benefits are expensed as paid. For 2008, the cost of providing those benefits for the 102 retirees totaled \$501,288.

In the total entity, full accrual statements, the costs of post-employment health and life insurance benefits, beginning in the current fiscal year, are accounted for as earned. Similar to accounting for pension costs, accrual accounting charges the current period in an amount which is actuarially

estimated to be adequate to fund benefits when they become due in the future, rather than charging such costs off when paid. The actuarially determined cost for fiscal 2008 amounted to \$1,231,818.

Plan Description. The District’s defined benefit healthcare plan, currently provided by United Health care, provides medical benefits to active and eligible retired District employees and their beneficiaries. The Southeast Louisiana Flood Protection Authority (SLFPAE) board may amend the plan as it sees fit, and can likewise define the cost to employees and retirees.

Funding Policy. Members receiving benefits contribute \$228 per month for retiree-only coverage, \$477 per month for retiree and spouse, 725 for retiree and family and 228 for surviving spouse.

The District’s annual required contribution, the employer (ARC), is an amount actuarially determined in accordance with the parameters of GASB Statements 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The current ARC rate is 19.4 percent of annual covered payroll. The District’s governing body will in the upcoming year review the costs and benefits program and determine a funding plan. The ARC has not been funded for fiscal 2008. Because the District did not fund its ARC in 2008, the assumed investment rate of return used in the valuation is 4%.

Annual OPEB Cost. For 2008, the District’s annual OPEB cost (expense) of \$1,684,886 for healthcare costs was equal to the ARC. The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Net Annual OPEB Cost Contributed	OPEB Obligation
6/30/08	1,684,886	0	\$1,684,886
6/30/07	not avail	0	not avail
6/30/06	not avail	0	not avail

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2008, was as follows:

Actuarial accrued liability (AAL)	\$20,016,153
Actuarial value of plan assets	\$ -

Unfunded actuarial accrued liability	\$20,016,153
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 8,677,061
UAAL as a percentage of covered payroll	231%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2008, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included 4% percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. Both rates include a 4.5 percent inflation assumption. The actuarial value of the District's assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three-year period. The District's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, was thirty years.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for the District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
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		Entry Age (b)				
7/1/2007	\$0	\$20,016,153	\$20,016153	100%	\$8,677,061	231%
07/1/2006	0	Not avail	Not avail			
07/1/2005	0	Not avail	Not avail			

Post Employment Life Insurance Benefits

Retirees have the option to keep Optional Life/Supplemental Insurance. Supplemental Life-Retiree amount of coverage is based on either 150% (Option 1) or 250% (Option 2) of the retiree's annual salary (prior to retirement), to a maximum coverage of \$70,000. Premium is based on the amount of coverage and the retiree's age. OLD pays 50% of the premium. Retiree must have a monthly salary of \$1,000 or more to choose OPT. 1 or 2. Approval is determined by the insurance carrier (Guardian Life Insurance). This benefit must be selected for continuation at the time of retirement. Retiree can not choose this option after retirement.

Under the provisions of OLD Group Life Insurance program with Guardian Life Insurance Company, premium rates are adjusted every five years to reflect an increase in cost as retirees move from one age group to another. Because of the increase in the older age groups, Guardian views the retirees as a higher risk. To compensate for the risk factor, premiums are increased to cover the anticipated additional cost.

Life Insurance coverage is reduced by 50% at the age of 70.

Retirees can not maintain spouse or dependent life insurance. Retirees can not maintain Basic Life coverage of \$5,000 or accidental death and dismemberment (AD&D) insurance.

9. COMPENSATED ABSENCES

As of June 30, 2008, employees of the District have accumulated and vested \$970,680 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The government portion of this amount is \$844,553, and the non government is \$126,127. The current portion estimated to be paid within the next fiscal year is \$148,698 for governmental activities and \$39,870 for business-type activities.

10. LESSOR OPERATING LEASES

The Orleans Levee District leases boat slips, boathouses, and building space to certain parties under operating leases. At June 30, 2008, the total cost of the land, buildings, and improvements leased to others by

Enterprise Funds is \$113 million with \$62.5 million of related accumulated depreciation. Future minimum rental payments to be received under these operating leases are as follows:

Lessor operating leases

2009	\$ 1,784,286
2010	944,659
2011	912,431
2012	844,233
2013	824,615
2014-18	3,797,810
2019-23	3,275,499
2024-28	2,646,052
Remainder	<u>6,367,217</u>
Total	<u>\$ 21,396,802</u>

11. RESTRICTED ASSETS

Restricted assets at June 30, 2008, shown on Statement A, amounted to \$5,506,533 in governmental activities. Restricted assets in governmental activities consist of \$5,173,315 of cash with fiscal agents within the Debt Service Fund, and \$333,218 of funds set aside for legal settlement payments within the General Fund.

12. PAYABLES

At June 30, 2008, the District has payables totaling \$4,092,424 as follows:

<u>Class of Payables</u>	<u>Government</u>	<u>Business Type</u>	<u>Total</u>
Accounts payable	\$ 858,442	\$ 94,445	\$ 952,887
Contracts Payable	2,684,173	158,735	2,842,908
Interest Payable	296,629	-	296,629
Total	<u>\$ 3,839,243</u>	<u>\$ 253,180</u>	<u>\$ 4,092,424</u>

13. CHANGES IN LONG-TERM OBLIGATIONS

The following page displays a summary of the long-term obligation transactions for the year ended June 30, 2008:

	June 30, 2007	Additions	Retirement	June 30, 2008	One Year
Governmental activities:					
Levee Improvement:					
Fixed Rate Refunding Bonds, Series 1986	\$ 33,285,000	\$ -	\$ (3,180,000)	\$ 30,105,000	\$ 3,415,000
Variable Rate Refunding Bonds, Series 1996	3,750,000	-	(375,000)	3,375,000	395,000
Total Special levee Improvement Bonds Payable	37,035,000	-	(3,555,000)	33,480,000	3,810,000
Public Improvement:					
Fixed Rate Refunding Bonds, Series 1986	21,330,000	-	(1,780,000)	19,550,000	1,905,000
Variable Rate Refunding Bonds, Series 1996	1,640,000	-	(140,000)	1,500,000	150,000
Total Public Improvement Bonds Payable	22,970,000	-	(1,920,000)	21,050,000	2,055,000
Less:					
Unamortized discounts	(166,503)	-	20,813	(145,690)	-
Unamortized loss on refunding	(26,596)	-	5,484	(21,112)	-
Net Public Improvement Bonds Payable	22,776,901	-	(1,893,703)	20,883,198	2,055,000
Long Term Borrowing From State of Louisiana	8,640,165	8,707,398	-	17,347,563	-
Community Disaster Loans	9,560,820	502,969	-	10,063,789	-
Total Bonds and Notes Payable	78,012,886	9,210,367	(5,448,703)	81,774,550	5,865,000
Compensated absences	798,888	45,667	-	844,554	148,698
Judgments	24,630,673	1,244,807	-	25,875,480	-
Post employment Benefit Liability	-	1,046,154	-	1,046,154	-
Governmental activity long-term liabilities	\$ 103,442,447	\$ 11,546,995	\$ (5,448,703)	\$ 109,540,738	\$ 6,013,698
Business Type Activities					
Compensated absences	\$ 101,659	\$ 24,467	\$ -	\$ 126,126	\$ 39,870
Post Employment Benefit Liability	-	185,664	-	185,664	-
Total Long Term Obligations	\$ 103,544,106	\$ 11,757,126	\$ (5,448,703)	\$ 109,852,528	\$ 6,053,568

The additions and reductions to compensated absences during the 2007-2008 fiscal year represent the net change during the year because the additions and deductions could not readily be determined.

Demand and refunding bonds and long-term notes are described in the following paragraphs:

A. 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 Improvement Fixed Rate Refunding Bonds payable at the beginning of the year were \$33,285,000. Payments of \$3,180,000 reduced this amount to \$30,105,000 at June 30, 2008. 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 \$6,788,504 at a rate of 5.95% through November 1, 2014. The bonds are due in future annual installments of \$3,415,000 to \$5,295,000, beginning November 1, 2008, through November 1, 2014.

B. 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 \$3,750,000. Payments of \$375,000 reduced the amount to \$3,375,000 at June 30, 2008. The Levee Improvement Variable Rate Refunding Bonds, Series 1996, are secured by the 6.55 mill ad valorem tax, ranking equally and enjoying complete parity of lien with the Levee Improvement Fixed Rate Bonds, Series 1986. These bonds are due in future annual installments of \$395,000 to \$575,000 beginning November 1, 2008, 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 \$481,277 through November 1, 2014.

C. 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 \$21,330,000. Payments of \$1,780,000 reduced this amount to \$19,550,000 at June 30, 2008. The Public Improvement Fixed Rate Bonds, Series 1986, are secured by the 5.46 mill ad valorem tax, and the scheduled payment principal and interest are guaranteed under insurance policies issued by Financial Security Assurance, Inc. The interest to maturity amounts to \$5,065,235 at a rate of 5.95% through November 1, 2015. The bonds are due in future annual installments of \$1,905,000 to \$3,065,000, from November 1, 2008, through November 1, 2015.

D. 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 \$1,640,000. Payments of \$140,000 reduced the amount to \$1,500,000 at June 30, 2008. The Public Improvement Variable Rate Refunding Bonds, Series 1996, are secured by the 5.46 mill ad valorem tax, ranking equally and enjoying complete parity of lien with the Public Improvement Fixed Rate Bonds, Series 1986. These bonds are due in future annual installments of \$150,000 to \$230,000 beginning November 1, 2008, 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 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 \$258,741 through November 1, 2015.

E. Community Disaster Loans

The CDL Act of 2006, authorized up to \$1 billion in direct loans to local governments and organizations providing government services who have been adversely affected by a disaster affecting its ability to provide essential municipal services. During the period July through September, 2006, the District executed a series of promissory notes under the CDL Program with the Federal Emergency Management Agency, to obtain funds necessary to replace working capital used in the aftermath of hurricane Katrina. The loans had to be used solely for operating expenses and could not be used for construction or debt service. Monies borrowed under these agreements were used to replace funds that paid salaries and benefits for District personnel over the 11-month period following the storm.

Amounts of the notes and respective interest rates are:

	<u>Date</u>	<u>Amount</u>	<u>Rate</u>
1. 1603LA57	06/21/2011	\$3,346,000	3.12%
2. 1603LA57A	08/27/2011	671,734	2.93%
3. 1603LA74A	09/10/2011	230,752	2.87%
4. 1603LA74B	08/27/2011	<u>5,312,334</u>	2.93%
Total		\$ 9,560,820	

No repayment is required for 5 years from the date of issuance, but interest accrues from the disbursement date. Interest accrued during the fiscal year ending June 30, 2008 amounted to \$286,548, and the total amount outstanding, including interest at June 30, 2008 of \$502,969 was \$ 10,063,789.

As collateral for these notes the District has provided a subordinated pledge of its revenues from its various real estate and mineral holdings located in Orleans and Plaquemines parishes, Louisiana. The pledge is on net revenue after payment of all operating expenses and debt service, and is further subordinated to any future debt instruments secured on a first lien basis.

F. Loans from the State of Louisiana

On July 19, 2006 The District entered into a cooperative endeavor agreement with the State of Louisiana constituting a loan agreement between the two parties wherein the State agreed to

lend to the District \$26,125,671 for the sole purpose of paying the debt service on the then outstanding 1986 and 1996 Series, Special Levee and Public Improvement bonds described in the paragraphs above. The agreement provides assurance that financial disruptions brought on by Hurricanes Katrina and Rita would not cause a failure in the ability of the District to meet its obligations to bondholders.

The terms of the loan include a maturity date 20 years from the delivery of the bonds that the State may issue to fund the assistance. In the first 5-years, neither principal nor interest are payable. Thereafter the loan will bear interest at a fixed rate of 4.64% and shall be repaid in level installments over the remaining 15 years of the agreement's term. The District has the right to request one additional extension of its obligation to begin payments, not to exceed 5 years. Such an extension can be made at the sole judgment of the Office of Community Development approved in writing by the Commissioner of Administration. The funds are to be used solely for payment of debt service on the identified bonds. The loan is payable from available revenue and subordinated to the existing obligations of the borrower.

At 4.64% interest, assuming all funds are borrowed, the annual installment due for debt service beginning in 2012 is \$2,456,132 through 2026. The amount outstanding as of June 30, 2008 is \$17,347,563.

The following page displays a summary of future debt service on the bonded debt of the District:

<u>Special Levee Improvement Bonds</u>			
<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2009	\$ 3,810,000	\$ 1,770,360	\$ 5,580,360
2010	4,110,000	1,548,721	5,658,721
2011	4,415,000	1,341,186	5,756,186
2012-2015	<u>21,145,000</u>	<u>2,609,514</u>	<u>23,754,514</u>
Total	<u>\$ 33,480,000</u>	<u>\$ 7,269,781</u>	<u>\$ 40,749,781</u>

Public Improvement Bonds

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2009	\$ 2,055,000	\$ 1,142,746	\$ 3,197,746
2010	2,200,000	1,021,446	3,221,446
2011	2,350,000	906,806	3,256,806
2012-2015	14,445,000	2,252,979	16,697,979
Total	<u>\$ 21,050,000</u>	<u>\$ 5,323,977</u>	<u>\$ 26,373,977</u>

Debt Service in future years for the notes payable to FEMA and to the State of Louisiana, assuming that all funds are borrowed, and that the loans are amortized over the stated periods of 5 and 15 years, respectively, are as followings:

	<u>CDL Loans FEMA</u>	<u>Notes Payable to State of Louisiana</u>
2009	\$ -	\$ -
2010	-	-
2011	-	-
2012	-	-
2013	2,404,837	606,116
2014-2018	9,619,348	12,122,340
2019-2023	-	12,082,040
2024-2028	-	12,031,481

14. FUND BALANCE RESERVED

The following is a summary of fund balance reserves at June 30, 2008:

	<u>General Fund</u>	<u>Gen'l Improv Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Reserved for:				
Encumbrances	\$ -	\$ 2,402,300	\$ -	\$ 2,402,300
Debt Service	-	-	5,173,315	5,173,315
Legal Settlements	463,102	-	-	463,102
Total	<u>\$ 463,102</u>	<u>\$ 2,402,300</u>	<u>\$ 5,173,315</u>	<u>\$ 8,038,717</u>

16. FUND BALANCE - UNRESERVED - DESIGNATED

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

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

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

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 Orleans Levee District self-insurance plan. See Note 7.

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

A summary of the designations for the year ended June 30, 2008, 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>

17. DUE FROM/TO OTHER FUNDS

The inter-fund "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 (and beginning this year in the new administrative fund for the non-flood asset division, fund 500). As a result, all transactions other than income received for the SLIP Fund flow through the cash accounts of the General Fund or the Real Estate fund. The pooled cash practice has been in place since 1984, when the various funds were initially created for fund accounting reporting purposes.

When such amounts become significant the District records transfers among the various funds that have the effect of eliminating these inter-fund balances.

These transactions effect reported net assets of the individual funds of the District, but have no cash impact and no effect on the financial condition of the District taken as a whole. The balances of due from/to other funds detailed by individual fund at June 30, 2008, are reported on the following page.

General Fund Due Tos and Froms Non Flood Division

Due from Real Estate Admin Fund	\$	6,987,250
Due from South Shore Harbor		3,742,293
Due from LVCC		669
Due to Non Flood Gen'l Improve Fund		(303,227)
Due to Orleans Marina		(795,132)
Due to Lakefront Airport		(2,867,211)

**Net Flood Control Due From (to) Real Estate
Division**

\$ 6,764,642

Real Estate (Non-Flood Division)

Administrative fund

Due from General Improvement Fund	\$	4,334,591
Due From Airport		4,163,727
Due from South Shore Harbor		678,459
Subtotal Due from		<u>9,176,777</u>

Due To Lake Vista Comm Center		(77,194)
Due to Orleans Marina		(396,755)
Due to New Basic Canal		(1,108,351)
Subtotal Due to		<u>(1,582,300)</u>

Lake Vista Comm Center Due from Admin		77,194
Orleans Marian Due From Admin		396,755
New Basin Canal Due from Admin		1,108,351
Subtotal Due from		<u>1,582,300</u>

Genl Improvement fund due to Admin		(4,334,591)
Airport Due to Admin		(4,163,727)
South Shore Harbor due to Admin		(678,459)
Subtotal Due to		<u>(9,176,777)</u>

**Net due to/from, non-flood funds, within
the divisions**

\$ -

Due from/to other funds (continued)

Real Estate /on Flood Division's due (tos) froms the flood Control division

Admin fund due to Flood Division General Fund	\$ (6,987,250)
Airport fund due from Flood Control Fund	2,867,211
Orleans Marina due from Flood Division	795,132
South Shore Harbor Due to Flood Divisions	(3,742,293)
LVCC Due to Flood Division	(669)
Gen Improv Fund due from Flood Control	303,227
Net amount due to Flood Control	<u><u>\$ (6,764,642)</u></u>

Although the Real Estate Administrative fund and the General Improvement Fund are shown among the government funds because they have public safety, recreation and roadway responsibilities, State Law dictates that they be managed apart from the Flood Divisions. This Report in most respects follows the dictates of GASB 34 in separating govt and business type activities; but in certain cases, such as this, flood control and real estate functions are shown.

Operating transfers can represent immediate cash transfers among funds or an adjustment in the inter-fund receivable/payables. The following table is a summary of the operating transfers in and out for the year ended June 30, 2007. The transfers all relate to financing, debt service including \$1.8 million transferred from the Flood Control Division to the Non-Real Estate Division as part of the re-organization of operations.

OPERATING TRANSFERS

Debt Service Fund from the		
Special levee Improvement Fund	\$ 5,531,340	\$ -
Debt Service Fund from the		
General Fund	3,176,058	-
Non Flood / Enterprise Funds from Flood Control	1,800,000	-
General Improvement Fund from SLIP Fund	188,191	-
	<u>10,695,589</u>	<u>-</u>
From Special Levee Improvement Projects Fund		
To the Debt Service Funds	-	5,531,340
From the General Fund to the Debt		
Service Fund	-	3,176,058
To Non Flood Division, Enterprise Funds	-	1,800,000
SLIP Fund To General Improvement Fund	-	188,191
	<u>-</u>	<u>10,695,589</u>
Total	<u><u>\$ 10,695,589</u></u>	<u><u>\$ 10,695,589</u></u>

19. 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, 1378 of 1999, and 130 of 2005, 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.

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, 2005, 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 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 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. The class members in *Haspel & Davis* have agreed to accept \$10,076,559 to settle the case.

During fiscal 2007, plaintiffs in the class brought action in federal court alleging a violation of their civil rights by the District's failure to return revenues attributable to their properties. On October 10, 2006 the circuit court rendered a judgment in favor of plaintiffs in the amount of \$17,442,323, plus interest and attorneys fees. On July 23, 2007 the Fifth Circuit Court of Appeals issued a unanimous opinion overturning the actions of the District court. On August 3, 2007, plaintiffs filed a petition for

panel rehearing. To this date, the Fifth Circuit Court of Appeals has taken no action on that request.

Judgments in the Bohemia Spillway matter will be paid if and when funds become available, and when funds are appropriated therefore.

At June 30, 2008, the District is a defendant or co-defendant in multiple lawsuits not including those relating to Katrina.

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.

Numerous class action lawsuits have been filed in connection with Hurricane Katrina, which is being handled under the District's general and excess liability insurer.

As reflected in Statement A, estimated liabilities relating to judgments and legal contingencies totaled \$25,875,480 for the year ended June 30, 2008. The amount recorded for the current fiscal year, for payments of legal claims and changes in estimated liability, was \$1,336,850 and is included on Statement A.

20. 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.

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.

As a result of reassessment for the tax year beginning January 2008, and decision by the Authority, tax millages were reduced from the maximum levels. The following table indicates authorized maximum millages as well as the millages assessed in 2008 and to be assessed in 2009:

	<u>Authorized</u>	Levied <u>2008</u>	To be Levied <u>2009</u>
Constitutional	5.46	4.13	5.25
Maintenance	<u>0.75</u>	0.57	0.75
Levee Improvement	<u>6.55</u>	<u>4.95</u>	<u>4.95</u>
Total	<u>12.76</u>	<u>9.65</u>	<u>10.95</u>

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.

At June 30, 2008, approximately \$854,781 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.

21. FEDERAL GRANTS

The Orleans Levee District received federal funds from the Federal Emergency Management Assistance Agency under the Public Assistance Grants program (CFDA 83.544). The levee district administers this program as a sub recipient with funds passed through the Department of Military Affairs. During the year ended June 30, 2008, the levee district expended federal funds totaling \$10,188,837 under this program.

In addition, the Orleans Levee District received federal funds from the Federal Aviation Administration under the Airport Improvement Grants Program (CFDA 20.106). This grant provides for Hurricane Katrina Damage Repairs at New Orleans Lakefront Airport (Design Services only). During the year ended June 30, 2008, the levee district expended federal funds totaling \$4,283,937 under this program.

22. IN-KIND CONTRIBUTIONS

The United States Army Corps of Engineers (USACE) and the 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 20 years for USACE qualified projects and earned credits for such expenditures to be applied against future flood protection projects.

Before 2005, the United States Congress had approved projects totaling \$744,000,000 for the 300-year Lake Pontchartrain and Vicinity Hurricane Protection Plan. The estimated amount per the USACE for Orleans Parish was \$410,880,000. The 30% participation by the Orleans Levee District is not expected to cause direct cash outflows for the District.

23. SUBSEQUENT EVENT

The Southeast Louisiana Flood Protection Authority-East has received a letter from the Southeast Louisiana Flood Protection Authority – West (Authority – West) taking a position that Act 475, which created the Algiers Levee District should be interpreted in ways that entitles that new district to certain assets in addition to the land and other real assets located in the geographic area defining the new district. The Authority - West also asserts that certain funds withheld by the District in accordance with Act 475 should be returned.

The Authority does not yet have sufficient information to determine the validity of the assertion, nor to estimate the potential impact on the assets of the District.

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, 2008

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Management's Discussion and Analysis
As of June 30, 2008**

The Management's Discussion and Analysis of the Orleans Levee District's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended June 30, 2008. This document focuses on the current year's activities, resulting changes, and currently known facts.

Financial Highlights

- Reported income from ad valorem taxes in fiscal 2008 increased \$3.2 million and 16.6% prior year to nearly \$23 million.
- Revenue from mineral leases and royalties declined by \$923 thousand and 29% from a year earlier as continued litigation disrupts cash flows and market conditions make planning for production levels problematic.
- Operating expenses increased \$1.2 million and 5.4%
- Because of a loan arrangement with the State of Louisiana, the District has been borrowing the equivalent of its debt service rather than paying those obligations out of current revenue. In fiscal 2008, the District borrowed \$8.7 million to retire \$5.475 million in bonds and pay current interest charges.
- The enterprise funds reported a net loss of \$886 thousand prior to any capital contributions from grants. While expenses declined by about 6.6% reflecting lesser major maintenance and depreciation.

Following is additional information about the accompanying financial statements and the District's financial condition.

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 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 66) 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 District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets (page 67) 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.

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Management's Discussion and Analysis (Continued)
As of June 30, 2008

The Statement of Cash Flow (page 69) presents information showing how the 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.

Financial Analysis of the Orleans Levee District

	2008	2007
Current and other assets	\$ 86,092,231	\$ 68,658,145
Capital assets	183,519,936	173,357,333
Total assets	<u>269,612,167</u>	<u>242,015,478</u>
Other liabilities	13,658,963	10,433,748
Long-term debt outstanding	103,965,763	98,823,648
Total liabilities	<u>117,624,726</u>	<u>109,257,396</u>
Net assets:		
Invested in capital assets, net of debt	128,989,935	113,545,432
Restricted	5,173,315	5,293,658
Unrestricted	17,824,193	13,918,992
Total net assets	<u>\$ 151,987,443</u>	<u>\$ 132,758,082</u>

The District's total net assets increased by over \$19.3 million, the result of significant reconstruction finance by federal grants and insurance. Operating Revenues declined due to lower mineral revenues while operating costs increased by \$2 million and 5.4% due in part to a first time recognition of a \$1.2 million current year liability for post employment benefits. Net income increased by \$2.8 million and 17.1% almost entirely due to the increase in grant income.

	FY 2008	FY 2007
Operating revenues	\$ 6,342,484	\$ 7,128,622
Operating expenses	(24,106,943)	(22,865,145)
Operating loss	<u>(17,764,459)</u>	<u>(15,736,523)</u>
Non-operating revenues (expenses)	21,511,506	17,990,181
Federal grants	15,577,740	13,270,418
Insurance	2,370,384	893,396
Transfers to Other Govt	(2,465,808)	-
Net increase (decrease) in net assets	<u>\$ 19,229,363</u>	<u>\$ 16,417,472</u>

The largest gain in operating revenue for the year was in ad valorem taxes, as noted in the financial highlights. Revenue from mineral production declined \$900,000 and 28%, Non Operating income rose as a result of an increase in Grant income of 2.1 million & 16%.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Management's Discussion and Analysis (Continued)
As of June 30, 2008**

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, 2008, amounts to \$183.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, machinery, and equipment. The increase in the District's investments in capital assets for the current fiscal year was \$10.2 million, a 5.86% increase over prior year.

	<u>FY 2008</u>	<u>FY 2007</u>
Land	\$ 33,383,989	\$ 33,383,989
Buildings	4,354,446	5,016,984
Improvements other than buildings	32,162,363	24,580,084
Movable property	2,252,848	2,598,980
Infrastructure	93,904,048	94,279,758
Construction in progress	17,462,242	13,497,538
Total	<u>\$ 183,519,936</u>	<u>\$ 173,357,333</u>

The single most significant factor in the increase in capital assets is the rebuilding program funded by federal grants. Construction work in progress fiscal year end is \$17.5 million, \$4 million over a year earlier. Major spending is underway at the airport, roadways and marinas, although progress has been slowed by the deliberate pace of the process put in place to justify costs and obtain funding for the rebuilding. Repair of the flood protection assets is on-going and at federal expense

Debt. At the end of the current fiscal year, the Orleans Levee District had total bonded debt outstanding of \$54.5 million excluding debt discount and other deferred financing costs. The bonded debt of the 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.

During the months of July through September, 2006 the State of Louisiana arranged to issue indebtedness under the GO Zone legislation passed by the United States Congress. With the proceeds of that financing, the State is funding the debt service payments of the District through May, 2009, a total of \$26.1 million in assistance. Also in 2006, the District borrowed \$9.6 million in federal Community Disaster Loan program. At year-end, \$502,969 in interest had accrued on that loan bringing the balance to \$10.1 million. In fiscal 2008, the District borrowed \$ 8.7 million from the State to pay its debt service.

	2008	2007
Public Improvement Bonds	\$ 21,050,000	\$ 22,970,000
Levee Improvement Bonds	33,480,000	37,035,000
Community Disaster Loans	10,063,789	9,777,241
Notes, State of Louisiana	17,347,565	8,640,165
Total	<u>\$ 81,941,354</u>	<u>\$ 78,422,406</u>

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Management's Discussion and Analysis (Continued)
As of June 30, 2008

The District has estimated the amounts payable on judgments or contingencies to be \$25.9 million at year-end compared with \$24.6 million last year. Other obligations include accrued annual and compensatory leave.

Variations between Budgeted and Actual: General Fund

The final budgeted revenue for the District's General Fund was approximately \$14.1 million, \$298,000 and 2.1% higher than the original approved budget. Due to higher than expected collections the revised budget for ad valorem tax and the actual amounts far exceeded the original budget. Actual collections exceeded the original budget by \$2.9 million and nearly 36%. Reflecting the higher than expected collections, as well as the continued payment of debt service by the State of Louisiana, investment balances rose driving an increase of \$547,000 in the estimate for interest earnings. An interruption in cash flow from mineral leases caused the District to all but eliminate that source of income, reducing its estimate from \$3.6 million to only \$371 thousand. The actual amounts were much higher than expected because of a late receipt that had been the subject of litigation.

Operating expenses in the final budget were \$455,000 and 4% less than in the original budget – due to delays in hiring and pay rate adjustments, along with some lowering in expected costs for legal fees. On a line item basis, salaries and benefits were revised downward by \$1.5 million and contractual services raised by \$1.2 million due to a reorganization of the District which moved employee costs to contractual costs. The larger decline in salaries and benefits reflects the delay in hiring and other factors noted in the previous sentence.

Actual revenues results were \$2.2 million and 15.5% higher than the revised estimate. The primary factor in this difference was an unexpected receipt of mineral revenue (nearly \$2 million) which for planning purposes was not provided for. Operating expenses of \$10.2 million were very close to revised budget estimates with the only difference a \$500,000 interdivisional charge which will be eliminated on consolidation.

Economic Factors and Next Year's Budget and Rates

The Southeast Louisiana Flood Protection Authority and Orleans Levee District considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- Uncertain income from mineral leases due to litigation over Bohemia properties.
- The need to replace employees lost after Katrina in order to address increasing responsibilities
- The need to plan for significant financing and construction and attendant debt burden

Contacting the Orleans Levee District's Management

This financial report is designed to provide a general overview of the 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 the Orleans Levee District, Finance Department, 6920 Franklin Avenue, New Orleans, Louisiana 70122. Questions about the Real Estate division may be directed to 6508 Spanish Fort Blvd, New Orleans, La. 70124.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Statement of Net Assets
As of June 30, 2008**

Current Assets:	
Cash and cash equivalents (note C1)	\$ 64,711,175
Receivables (note U)	14,688,687
Inventory	236,368
Other Assets	489,879
Restricted assets (note F)	5,506,533
Deferred charges	459,590
Total current assets	<u>86,092,232</u>
Noncurrent assets:	
Capital assets (net of depreciation) (note D)	
Land	33,383,989
Buildings	4,354,447
Improvements other than buildings	32,162,363
Movable Property	2,252,848
Infrastructure	93,904,047
Construction in progress	17,462,242
Total noncurrent assets	<u>183,519,936</u>
TOTAL ASSETS	<u><u>\$ 269,612,168</u></u>
 LIABILITIES	
Current liabilities:	
Payables (note V)	\$ 1,249,515
Contracts payable	2,842,908
Deferred revenues	1,386,318
Accrued compensated absences (note K)	188,568
Other liabilities	68,850
Bonds payable (note K)	5,865,000
Total current liabilities	<u>11,601,159</u>
Noncurrent liabilities:	
Deferred revenues	2,057,803
Accrued compensated absences (note K)	782,111
Bonds payable (note K)	48,665,000
Notes Payable (note K)	27,411,354
Judgments payable	25,875,480
Post Employment Benefits Payable	1,231,818
Total noncurrent liabilities (note K & L)	<u>106,023,566</u>
Total Liabilities	<u>117,624,724</u>
NET ASSETS	
Invested in capital assets, net of related debt	128,989,936
Restricted	5,173,315
Unrestricted	17,824,193
Total Net Assets	<u>151,987,444</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 269,612,168</u></u>

The accompanying notes are an integral part of this statement.

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2008

OPERATING REVENUES

Charges for services	\$ 5,992,423
Miscellaneous	350,061
Total operating revenues	<u>6,342,484</u>

OPERATING EXPENSES

Cost of services	17,330,720
Depreciation	6,776,223
Total operating expenses	<u>24,106,943</u>
Operating income (loss)	<u>(17,764,459)</u>

NON-OPERATING REVENUES (EXPENSES)

Taxes	22,958,449
State revenue sharing	1,163,320
Investment earnings	2,296,156
Operating grants	190,902
Gain (loss) on disposal of capital assets	(26,170)
Interest expense	(3,467,579)
Bond issuance costs	(75,820)
Other	(1,336,850)
Total non-operating revenues (expenses)	<u>21,702,408</u>

Income (loss) before contributions and transfers	<u>3,937,949</u>
Capital Contributions/transfer in	-
Capital Contributions from federal grants	15,386,838
Insurance Proceeds	2,370,384
Transfers to Others	(2,465,808)
Total capital contributions	<u>15,291,414</u>

CHANGE IN NET ASSETS	19,229,363
NET ASSETS AT BEGINNING OF YEAR	132,758,082
NET ASSETS AT END OF YEAR	<u>\$ 151,987,445</u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Statement of Activities
For the Year Ended June 30, 2008**

	Program Revenues			Governmental Activities	Business- Type Activities	Net (Expense) Revenue and Changes in Net Assets
	Charges for Expenses	Operating Grants and Contributions	Capital Grants and Contributions			
	\$27,574,522	\$5,992,423	\$ 190,902	\$ 15,386,838	\$ (12,794,431)	\$ 6,790,072
						\$ (6,004,359)
General revenues:						
Property taxes				\$ 22,958,449	\$ -	\$ 22,958,449
Unrestricted intergovernmental revenues				1,163,320	-	1,163,320
Unrestricted investment earnings				2,295,144	1,013	2,296,156
Miscellaneous				320,121	29,940	350,060
Gain (loss) on disposal of capital assets				(25,850)	(321.00)	(26,170)
Amort issue costs				(75,820)	-	(75,820)
Insurance Proceeds (adjustments)				1,432,492	937,892	2,370,385
Other				(1,336,850)	-	(1,336,850)
Total general revenues and litigation payments (net)				26,731,006	968,524	27,699,530
CHANGE IN NET ASSETS BEFORE transfers				13,936,575	7,758,596	21,695,171
Transfers in (out)				(6,418,802)	3,952,994	(2,465,808)
Change in net assets				7,517,773	11,711,590	19,229,363
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED				81,395,511	51,362,571	132,758,082
NET ASSETS AT END OF YEAR				\$ 88,913,284	\$ 63,074,161	\$ 151,987,445

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, 2008**

CASH FLOW FROM OPERATING ACTIVITIES:

Receipts from customers	\$ 3,080,552
Payments to vendors and suppliers	(12,984,228)
Payments to employees	(11,386,113)
Other operating revenue	438,471
Net cash used by operating activities	<u>(20,851,318)</u>

CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

State appropriations	500,000
Operating grants received	190,902
Receipts from taxpayers	33,873,593
Transfers out	(2,465,808)
Litigation payments	(93,543)
Net cash provided by non-capital financing activities	<u>32,005,144</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Capital grants	14,021,639
Receipts from insurers	2,547,090
Proceeds from issuance of notes payable	8,707,398
Purchase of Assets	(16,409,517)
Bond Principal	(6,100,000)
Bond Interest	(3,267,361)
Net cash used by capital and related financing	<u>(500,751)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest	2,296,156
Net cash provided by investing activities	<u>2,296,156</u>

Net increase in cash

12,949,231

Cash and cash equivalents, beginning

51,761,944

Cash and cash equivalents, ending\$ 64,711,175

Operating loss	\$ (17,764,459)
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Adjustments to reconcile operating loss to net cash used by operating activities:

Cash flows reported in other categories:	
Depreciation expense	6,776,223

Change in assets and liabilities:

(Increase) decrease in accounts receivable, net	(4,157,436)
(Increase) decrease in prepayments	(194,333)
(Increase) decrease in inventories	(1,725)
(Increase) decrease in other assets	81,513
(Increase) decrease in restricted assets	(212,875)
(Increase) decrease in buildings	662,537
(Increase) decrease in improvements other than buildings	(7,582,279)
(Increase) decrease in movable property	346,132
(Increase) decrease in infrastructure	375,711
(Increase) decrease in construction in progress	(3,964,704)
(Increase) decrease in accounts payable and accruals	4,878,328
(Increase) decrease in compensated absences and payables	70,131
Increase (decrease) in deferred revenues	2,121,163
Increase (decrease) in OPEB payable	1,231,818
Increase (decrease) in other liabilities	(3,517,063)
	<u>\$ (20,851,318)</u>

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of June 30, 2008

INTRODUCTION

The Orleans Levee District (the District) was established by Act 93 of the 1890 General Assembly (Legislature) of the State of Louisiana. The District 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 District is responsible for the maintenance of almost 115 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 District to dedicate, construct, operate, and maintain public parks, beaches, marinas, aviation fields, and other like facilities. The District owns and operates a general aviation airport, the New Orleans Lakefront Airport. The District 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, 453 open boat slips, and 26 covered boat slips. The District has approximately 143 full-time employees, including 32 police officers and 8 firefighters.

Until December 31, 2006, the District was governed by a Board of eight commissioners, six of whom are appointed by the governor. Two commissioners served 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.

Effective January 1, 2007 Act 1 of the First Extraordinary Session of 2006 provided that flood control activities of the District will be governed by the Southeast Louisiana Flood Protection Authority-East, a newly constituted governing Board, in accordance with changes in state law approved by the citizenry on September 30, 2006. Significant non-flood facilities and improvements owned by the Orleans Levee District are managed and controlled by the state, through the Division of Administration ("Non-Flood Division").

The Southeast Louisiana Flood Protection Authority-East is composed of eleven members, of whom there is at least, and not more than, one member from each parish within the territorial jurisdiction of the authority. The members shall be appointed by the governor from nominations submitted by the nominating committee:

(i) Five members shall either be an engineer or a professional in a related field such as geotechnical, hydrological, or environmental science. Of the five members, one member shall be a civil engineer, and one member shall be a geologist or a hydrologist.

(ii) Three members shall be a professional in a discipline other than that occurring in (i) with at least ten years of professional experience in that discipline. One of these members shall be a resident of a parish as provided for in (B) (1) (a) (vi) or (vii) of this Section.

(iii) Three members who shall be at-large.

While the new governance provision is a significant change in many respects, the financial statements of the District have for many years reported as enterprise funds many of the activities associated with the non-flood division. Three new organizations are visible in this year's financial report as in the 2007 report -- the "Real Estate Division" which manages the non-flood assets, and

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of June 30, 2008**

two smaller enterprise funds that have been moved from the General Fund to the non-flood organization for management purposes. Those funds are the Lake Vista Community Center ("LVCC") and New Basin Canal ("NBC").

The Real Estate Division fund is organizationally a non-flood control fund and is the administrative fund for the "Non-Flood Division"; however, it has responsibility not only for the Enterprise funds, but also roadways, a bridge and the police force – all government type activities. Thus The Real Estate division administrative fund is reported with the governmental funds.

The indebtedness of the District is reported in the governmental operations.

Act 475 of the regular 2007 session of Louisiana Legislature mandated that the geographic portion of the District that exists on the west bank of the Mississippi River would become a new Algiers Levee District, and that the new district would be governed by the Southeast Louisiana Flood Protection Authority - West.

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.

Expense Recognition

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

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of June 30, 2008**

BUDGETARY PRACTICES

The District prepares its budget in accordance with R.S. 38:318. The budget for the fiscal year ended June 30, 2008, was adopted on March 15, 2007, and subsequent amendments were adopted on February 21, June 19 and July 17, 2008. Formal budget integration is employed as a management control device during the year. All appropriations lapse at year-end. Budgets are prepared on a cash basis.

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash includes petty cash and demand deposits. Cash equivalents may include amounts in time deposits, money market mutual funds, commercial paper, and United States Treasury bills. Under state law, the Orleans Levee District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the District may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

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. See Note 2 for discussion of the investment, beginning this year, of the District's funds in the Louisiana Asset Management Pool.

At June 30, 2008, the District has cash and cash equivalents (book balances), totaling \$70,217,608, which consist of the following:

Cash:	FloodControl	NON FLOOD	TOTAL
Petty cash	\$ 2,750	\$ 100	\$ 2,850
LAMP Investment Pool	63,879,165	560,363	64,439,528
Demand deposits	18,974	249,723	268,697
Sub Total	63,900,889	810,186	64,711,075
Restricted Assets (Cash Note F)	5,506,533	-	5,506,533
Total cash and cash equivalents and restricted assets	<u>\$ 69,407,422</u>	<u>\$ 810,186</u>	<u>\$ 70,217,608</u>

The following is a breakdown by banking institution of the balances per bank shown above:

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Banking Institution

	<u>Totals</u>	<u>Flood Control</u>	<u>Real Estate</u>
Whitney National Bank \$	5,835	\$ 5,835	\$ -
Capital One	3,124,327	385,750	2,738,577
LAMP	333,218	333,218	-
Bank of new york	5,173,315	5,173,315	-
 Total	 \$ 8,636,695	 \$ 5,898,118	 \$ 2,738,577

Note: The total bank balances will not necessarily equal the deposits in bank account per the Statement of Net Assets (Schedule A). Deposits in bank accounts are stated at cost, which approximates market. Under state law, these deposits are 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 at all times equals the amount on deposit with the fiscal agent. Because the securities are held by the pledging fiscal agent in the District's name, the District does not have any custodial credit risk.

2. INVESTMENTS

At June 30, 2008, the District had invested \$64,439,528 with the Louisiana Asset management Pool ("LAMP") an investment pool composed of assets of local government entities and investing only in securities authorized by LA-RS 33:2955.

In accordance with GASB Codification Section 150.165 the investment in LAMP is not categorized in the three risk categories provided by the GASB Codification Section 150.164 because the investment is in the pool of funds and thereby not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc; a non-profit corporation organized under the laws of the State of Louisiana, and is governed by a board of directors comprised of representatives from various local governments and statewide professional organizations. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2-a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments.

The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. The fair market value of investments is determined on weekly basis to monitor any variances between amortized cost and market value. For purpose of determining participants' shares, investments are valued at amortized cost. GASB Statement No. 31 requires that investments that fall within the definitions of said statement be recorded at fair value. However, Statement No. 31 also states that investments in an external investment pool can be reported at amortized cost if the external investment pool operates in a manner consistent with the Security Exchange Commission's (SEC's) Rule 2a7. LAMP is an external investment pool that operates in a manner consistent with SEC Rule 2a7.

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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	5-20
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.

Through the end of 2005, the Orleans Levee District and the Corps of Engineers together invested \$411 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 3 critical outfall canals, 2) barrier levees on the outskirts of the city.

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. The Orleans Levee District has recorded its cost of construction for those projects identified in its bond documents and will continue to recognize its portion of the cost of infrastructure.

Those costs incurred by the District for the Lake Pontchartrain and Vicinity flood protection plan are included in the financial statements and amount to \$51,931,706.

Other Infrastructure Assets

In addition to the \$51,931,706 noted above, the financial statements reflect investments in roadways, bridges, parks and recreation, and buildings. Total cost of infrastructure assets at June 30, 2008 totaled to \$129,551,718. The components of this total are as follows:

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Bridges/roadways	\$ 73,221,793
Parks/recreation	2,575,125
Buildings	1,823,094
Subtotal - other infrastructure assets	<u>77,620,012</u>
Flood protection systems	<u>51,931,706</u>
 Total - infrastructure assets	 <u><u>\$ 129,551,718</u></u>

Accumulated depreciation on infrastructure assets amounted to \$35,889,746 at year end

Changes in capital assets For Fiscal 2008 are shown below.

Capital assets, not being depreciated:

Land	\$ 36,329,482	\$ -	\$ (2,945,494)	\$ 33,383,989
Construction in progress	13,497,539	15,517,213	(11,552,510)	17,462,242
Total capital assets, not being depreciated	<u>49,827,021</u>	<u>15,517,213</u>	<u>(14,498,004)</u>	<u>50,846,230</u>
Capital assets, being depreciated:				
Buildings	17,041,531	-	(2,250,649)	14,790,882
Improvements other than buildings	87,125,322	9,712,090	-	96,837,412
Equipment	10,491,217	1,079,168	(1,111,265)	10,459,120
Infrastructure	127,602,751	3,529,362	(1,580,395)	129,551,718
Total capital assets, being depreciated	<u>242,260,821</u>	<u>14,320,619</u>	<u>(4,942,309)</u>	<u>251,639,131</u>
Less accumulated depreciation for:				
Buildings	11,408,647	592,713	(1,564,923)	10,436,436
Improvements other than buildings	62,544,977	2,130,072	-	64,675,049
Equipment	7,892,499	1,159,120	(845,346)	8,206,272
Infrastructure	33,078,994	3,301,157	(732,481)	35,647,670
Total accumulated depreciation	<u>114,925,116</u>	<u>7,183,063</u>	<u>(3,142,751)</u>	<u>118,965,428</u>
 Total capital assets, being depreciated, net	 127,335,705	 7,137,557	 (1,799,558)	 132,673,703
 Capital assets, net	 <u>\$ 177,162,726</u>	 <u>\$ 22,654,770</u>	 <u>\$ (16,297,562)</u>	 <u>\$ 183,519,934</u>

Almost \$16 million in construction occurred in fiscal 2008, funded primarily with FEMA and FAA grant dollars. Significant spending has occurred at Lakefront Airport and to repair roadways along lakeshore drive. Reimbursement turnaround has improved from last year, but recovery is still slowed by funding constraints. Construction work in progress at year-end was \$17.5 million, compared with \$ 13.5 million a year ago.

E. INVENTORIES

The District maintains a perpetual inventory system for general government materials and supplies. 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.

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F. RESTRICTED ASSETS

Restricted assets at June 30, 2008, shown on Statement A, amounted to \$5,506,533. Restricted assets consist of \$5,173,315 of cash with fiscal agents, and \$333,218 in cash set aside for legal settlement payments.

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 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 \$659,889 and \$86,256, 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 hours 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, if they were hired prior to July 1, 2006 and 8% after July 1, 2006. The contribution rate for the fiscal years ending June 30, 2008 was 20.4% and 19.1% for fiscal years ending June 30, 2007 and June 30, 2006. The District contribution to the System for the years ending June 30, 2008, 2007, and 2006 were \$991,929, \$971,251, and \$1,257,813, 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 District. These benefits for retirees and similar benefits for active employees are provided through an

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insurance company whose premiums are paid jointly by the employee and the District. Benefits paid in 2008 for the 102 retirees totaled \$501,288.

Postemployment Healthcare Plan

Plan Description. The District's defined benefit healthcare plan, currently provided by United Health care, provides medical benefits to active and eligible retired District employees and their beneficiaries. The Southeast Louisiana Flood Protection Authority (SLFPAE) board may amend the plan as it sees fit, and can likewise define the cost to employees and retirees.

Funding Policy. Members receiving benefits contribute \$228.01 per month for retiree-only coverage, \$476.52 per month for retiree and spouse, \$724.88 for retiree and family and \$228.01 for surviving spouse.

The District's annual required contribution, the employer (ARC), is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The current ARC rate is 19.4 percent of annual covered payroll. The District's governing body will in the upcoming year review the costs and benefits program and determine a funding plan. The ARC has not been funded for fiscal 2008. Because the District did not fund its ARC in 2008, the assumed investment rate of return used in the valuation is 4%.

Annual OPEB Cost. For 2008, the District's annual OPEB cost (expense) of \$1,684,886 for healthcare costs was equal to the ARC. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and the two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Net Annual OPEB Cost Contributed</u>	<u>OPEB Obligation</u>
6/30/08	\$1,684,886	0	\$1,684,886
6/30/07	not avail	0	not avail
6/30/06	not avail	0	not avail

Funded Status and Funding Progress. The funded status of the plan as of December 31, 20X1, was as follows:

Actuarial accrued liability (AAL)	\$20,016,153
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$20,016,153
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 8,677,061
UAAL as a percentage of covered payroll	231%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan

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assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2008, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included 4% percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. Both rates include a 4.5 percent inflation assumption. The actuarial value of XPHP assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a three-year period. The District's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2008, was thirty years.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress for XPHP

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
07/1/2007	\$0	\$20,016,153	\$20,016,153	100%	\$8,677,061	231%
07/1/2006	0	Not avail	Not avail			
07/1/2005	0	Not avail	Not Avail			

Post Employment Life Insurance Benefits

Retirees have the option to keep Optional Life/Supplemental Insurance. Supplemental Life-Retiree amount of coverage is based on either 150% (Option 1) or 250% (Option 2) of the retiree's annual salary (prior to retirement), to a maximum coverage of \$70,000. Premium is based on the amount of coverage and the retiree's age. OLD pays 50% of the premium. Retiree must have a monthly salary of \$1,000 or more to choose OPT. 1 or 2. Approval is determined by the insurance carrier (Guardian Life Insurance). This benefit must be selected for continuation at the time of retirement. Retiree can not choose this option after retirement.

Under the provisions of OLD Group Life Insurance program with Guardian Life Insurance Company, premium rates are adjusted every five years to reflect an increase in cost as retirees move from one age group to another. Because of the increase in the older age groups, Guardian views the retirees as a higher risk. To compensate for the risk factor, premiums are increased to cover the anticipated additional cost.

Life Insurance coverage is reduced by 50% at the age of 70.

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Retirees can not maintain spouse or dependent life insurance. Retirees can not maintain Basic Life coverage of \$5,000 or accidental death and dismemberment (AD&D) insurance.

J. LEASES – N/A

1. OPERATING LEASES

The total payments for operating leases during fiscal year 2008 was less than 30,000. A schedule of payments for operating leases follows:

<u>Nature of lease</u>	<u>FY 2008</u>
Copier machines	\$10,428
Telecomm & copiers, Non Flood	<u>14,822</u>
Total	<u><u>\$25,250</u></u>

2. CAPITAL LEASES-N/A

3. LESSOR DIRECT FINANCING LEASES-N/A

4. LESSOR OPERATING LEASES

The Orleans Levee District leases boat slips, boathouses, and building space to certain parties under operating leases. At June 30, 2008, the total cost of the land, buildings and improvements leased to others is \$113 million with \$62.5 million of related accumulated depreciation. Future minimum rental payments to be received under these operating leases are as follows:

Fiscal year ending June 30:	
2009	<u>\$ 1,784,286</u>
2010	<u>944,659</u>
2011	912,431
2012	844,233
2013	824,615
2014-2018	3,797,810
2019-2023	3,275,499
2024-2028	2,646,052
Remainder of term	<u>6,367,217</u>
Total	<u><u>\$ 21,396,802</u></u>

Current year rents amount to \$3.0 million. The amount derived from contingent rent increases was negligible. The amounts reported represent rents due on non-cancelable leases currently in effect.

K. LONG-TERM OBLIGATIONS

The following page presents a summary of the long-term obligations and transactions for the year ended June 30, 2008:

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	June 30, 2007	Additions	Retirements	June 30, 2008	One Year
Governmental activities:					
Levee Improvement:					
Fixed Rate Refunding Bonds, Series 1986	\$ 33,285,000	\$ -	\$ (3,180,000)	\$ 30,105,000	\$ 3,415,000
Variable Rate Refunding Bonds, Series 1996	3,750,000	-	(375,000)	3,375,000	395,000
Total Special levee Improvement Bonds Payable	37,035,000	-	(3,555,000)	33,480,000	3,810,000
Public Improvement:					
Fixed Rate Refunding Bonds, Series 1986	21,330,000	-	(1,780,000)	19,550,000	1,905,000
Variable Rate Refunding Bonds, Series 1996	1,640,000	-	(140,000)	1,500,000	150,000
Total Public Improvement Bonds Payable	22,970,000	-	(1,920,000)	21,050,000	2,055,000
Less:					
Unamortized discounts	(166,503)	-	20,813	(145,690)	-
Unamortized loss on refunding	(26,596)	-	5,484	(21,112)	-
Net Public Improvement Bonds Payable	22,776,901	-	(1,893,703)	20,883,198	2,055,000
Long Term Borrowing From State of Louisiana	8,640,165	8,707,398	-	17,347,563	-
Community Disaster Loans	9,560,820	502,969	-	10,063,789	-
Total Bonds and Notes Payable	78,012,886	9,210,367	(5,448,703)	81,774,550	5,865,000
Compensated absences	798,888	45,665	-	844,553	148,698
Judgments	24,630,673	1,244,807	-	25,875,480	-
Post employment Benefit Liability	-	1,046,154	-	1,046,154	-
Governmental activity long-term liabilities	\$ 103,442,447	\$ 11,546,993	\$ (5,448,703)	\$ 109,540,737	\$ 6,013,698
Business Type Activities					
Compensated absences	101,659	24,467	-	126,126	39,870
Post Employment Benefit Liability	-	185,664	-	185,664	-
Total Long Term Obligations	\$ 103,544,106	\$ 11,757,124	\$ (5,448,703)	\$ 109,852,527	\$ 6,053,568

A detailed summary of bonded debt, by issue, of all debt outstanding at June 30, 2008, including outstanding interest of \$ 12,593,759, is shown on schedule 3-C. Schedule 4-D is an amortization schedule of the outstanding debt. Under terms of financing under the Go Zone Act, the State of Louisiana will pay the debt service associated with the District's debt through May, 2009. The amounts shown above as due within one year will not, therefore require cash outlays by the District,

Community Disaster Loans

The CDL Act of 2006, authorized up to \$1 billion in direct loans to local governments and organizations providing government services that were adversely affected by a disaster

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affecting its ability to provide essential municipal services. During the period July through September, 2006, the District executed a series of promissory notes under the CDL Program with the Federal Emergency Management Agency, to obtain funds necessary to replace working capital used in the aftermath of Hurricane Katrina. The loans had to be used solely for operating expenses and could not be used for construction or debt service. Monies borrowed under these agreements were used to replace funds that paid salaries and benefits for District personnel over the 11-month period following the storm.

Amounts of the notes and respective interest rates are:

	<u>Date</u>	<u>Amount</u>	<u>Rate</u>
1. 1603LA57	06/21/2011	\$3,346,000	3.12%
2. 1603LA57A	08/27/2011	671,734	2.93%
3. 1603LA74A	09/10/2011	230,752	2.87%
4. 1603LA74B	08/27/2011	<u>5,312,334</u>	2.93%
Total		<u>\$ 9,560,820</u>	

No repayment is required for 5 years from the date of issuance, but interest accrues from the disbursement date. Interest accrued during the fiscal year ending June 30, 2008 amounted to \$286,548, and the total amount outstanding, including interest at June 30, 2008 was \$ 10,063,789.

As collateral for these notes the District has provided a subordinated pledge of its revenues from its various real estate and mineral holdings located in Orleans and Plaquemines parishes, Louisiana. The pledge is on net revenue after payment of all operating expenses and debt service, and is further subordinated to any future debt instruments secured on a first lien basis.

Loans from the State of Louisiana

On July 19, 1996 The District entered into a cooperative endeavor agreement with the State of Louisiana constituting a loan agreement between the two parties wherein the State agreed to lend to the District \$26,125,670.50 for the sole purpose of paying the debt service on the then outstanding 1986 and 1996 Series, Special Levee and Public Improvement bonds described in the paragraphs above. The agreement provides assurance that financial disruptions brought on by Hurricanes Katrina and Rita would not cause a failure in the ability of the District to meet its obligations to bondholders.

The terms of the loan include a maturity date 20 years from the delivery of the bonds that the State may issue to fund the assistance. In the first 5-years, neither principal nor interest are payable. Thereafter the loan will bear interest at a fixed rate of 4.64% and shall be repaid in level installments over the remaining 15 years of the agreement's term. The District has the right to request one additional extension of its obligation to begin payments, not to exceed 5 years. Such an extension can be made at the sole judgment of the Office of Community Development approved in writing by the Commissioner of Administration. The funds are to be used solely for payment of debt service on the identified bonds. The loan is payable from available revenue and subordinated to the existing obligations of the borrower.

At 4.64% interest, assuming all funds are borrowed, the annual installment due for debt service beginning in 2012 is \$2,456,131.77 through 2026. The amount outstanding as of June 30, 2008 is \$17,347,564.

L. 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

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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, 1378 of 1999, and 130 of 2005, 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.

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, 2005, 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 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 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. The class members in *Haspel & Davis* have agreed to accept \$10,076,559.47 to settle the case.

During fiscal 2007, plaintiffs in the class brought action in federal court alleging a violation of their civil rights by the District's failure to return revenues attributable to their properties. On October 10, 2006 the circuit court rendered a judgment in favor of plaintiffs in the amount of \$17,442,322.96, plus interest and attorneys fees. On July 23, 2007 the Fifth Circuit Court of Appeals issued a unanimous opinion overturning the actions of the District court and the seizure actions. On August 3, 2007, plaintiffs filed a petition for panel rehearing. To this date, the Fifth Circuit Court of Appeals has taken no action on that request.

Judgments and contingencies outstanding, when and if they become in fact adverse judgments, will be paid when funds become available, and when funds are appropriated therefore.

At June 30, 2008, the District is a defendant or co-defendant in a number of lawsuits not including those relating to Katrina.

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.

Numerous class action lawsuits have been filed in connection with Hurricane Katrina, which is being handled under the District's general and excess liability insurer.

As reflected in Statement A, estimated liabilities relating to judgments and legal contingencies totaled \$25.9 million for the year ended June 30, 2008. The amount recorded for the current fiscal year, for payments of legal claims and changes in estimated liability, was \$1,336,850 and is included on Statement A.

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of June 30, 2008**

M. RELATED PARTY TRANSACTIONS – N/A

N. ACCOUNTING CHANGES – N/A

O. IN-KIND CONTRIBUTIONS

Before 2005, the United States Congress had approved projects totaling \$744,000,000 for the 300-year Lake Pontchartrain and Vicinity Hurricane Protection Plan. The estimated amount per the USACE for Orleans Parish was \$410,880,000. The USACE had been contributing 70% and the Orleans Levee District is expected to expend 30%. The estimated expenditures at June 30, 2006, were \$265,300,000 for the USACE. Since Katrina, costs of rebuilding and improving flood protection system has been fully funded by the federal government.

P. OUTSTANDING DEFEASED DEBT – N/A

Q. COOPERATIVE ENDEAVORS – N/A

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 – N/A

T. SHORT-TERM DEBT – N/A

U. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at June 30, 2008, were as follows:

Activity	Customer Receivables	Receivables from			Total Receivables
		Taxes	Gov	Other	
Receivables, net of allowances, Govt	\$1,997,128	\$900,000	\$5,281,048	-	\$8,178,176
Business Type	3,508,626		3,001,887		6,510,513
Receivables, net	<u>\$5,505,754</u>	<u>\$900,000</u>	<u>\$8,282,935</u>	<u>-</u>	<u>\$14,688,689</u>

All amounts are due or expected to be collected within one year.

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2008, were as follows:

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of June 30, 2008**

Activity	Accrued		(Contracts)	Total
	<u>Vendors</u>	<u>Interest</u>	<u>Other Govt)</u>	<u>Payables</u>
Government	\$858,442	\$296,629	\$2,684,173	\$3,839,244
Business Type	94,445	-	158,735	253,180
Total	<u>\$952,887</u>	<u>\$ 296,629</u>	<u>\$ 2,842,908</u>	<u>\$4,092,424</u>

All amounts are payable within one year. (see note immediately following).

W. SUBSEQUENT EVENTS

The Southeast Louisiana Flood Protection Authority – East has received a letter from the Southeast Louisiana Flood Protection Authority – West (Authority – West) taking a position that Act 475, which created the Algiers Levee District should be interpreted in ways that entitles that new district to certain assets in addition to the land and other real assets located in the geographic area defining the new district. The Authority - West also asserts that certain funds withheld by the District in accordance with Act 475 should be returned.

The Authority does not yet have sufficient information to determine the validity of the assertion, nor to estimate the potential impact on the assets of the District.

X. SEGMENT INFORMATION

Not applicable

Y. DUE TO/DUE FROM AND TRANSFERS

1. List by fund type the amounts due from other funds detailed by individual fund at fiscal year end: (Types of funds include general fund, statutory dedicated funds, discrete component unit funds, etc).

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of June 30, 2008**

General Fund Due Tos and Froms Non Flood Division

Due from Real Estate Admin Fund	\$ 6,987,250
Due from South Shore Harbor	3,742,293
Due from LVCC	669
Due to Non Flood Gen'l Improve Fund	(303,227)
Due to Orleans Marina	(795,132)
Due to Lakefront Airport	(2,867,211)

**Net Flood Control Due From (to) Real Estate
Division**

\$ 6,764,642

Real Estate (Non-Flood Division)

Administrative fund

Due from General Improvement Fund	\$ 4,334,591
Due From Airport	4,163,727
Due from South Shore Harbor	678,459
Subtotal Due from	<u>9,176,777</u>
Due To lake Vista Comm Center	(77,194)
Due to Orleans Marina	(396,755)
Due to New Basic Canal	(1,108,351)
Subtotal Due to	<u>(1,582,300)</u>

Lake Vista Comm Center Due from Admin	77,194
Orleans Marian Due From Admin	396,755
New Basin Canal Due from Admin	1,108,351
Subtotal Due from	<u>1,582,300</u>

Genl Improvement fund due to Admin	(4,334,591)
Airport Due to Admin	(4,163,727)
South Shore Harbor due to Admin	(678,459)
Subtotal Due to	<u>(9,176,777)</u>

**Net due to/from, non-flood funds, within
the divisions**

\$ -

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of June 30, 2008**

Real Estate /on Flood Division's due (tos) froms the flood Control division

	\$	(6,987,250)
Admin fund due to Flood Division General Fund		2,867,211
Airport fund due from Flood Control Fund		795,132
Orleans Marina due from Flood Division		(3,742,293)
South Shore Harbor Due to Flood Divisions		(669)
LVCC Due to Flood Division		303,227
Gen Improv Fund due from Flood Control		
Net amount due to Flood Control	<u>\$</u>	<u>(6,764,642)</u>

Although the Real Estate Administrative fund and the General Improvement Fund are shown among the government funds because they have public safety, recreation and roadway responsibilities, State Law dictates that they be managed apart from the Flood Divisions. This Report in most respects follows the dictated of GASB 34 in separating government and business type activities; but in certain cases, such as this, flood control and real estate functions are shown.

OPERATING TRANSFERS AMONG THE FUNDS OF THE DISTRICT

Debt Service Fund from the			
Special levee Improvement Fund	\$	5,531,340	\$ -
Debt Service Fund from the			
General Fund		3,176,058	-
Non Flood / Enterprise Funds from Flood Control.		1,800,000	-
General Improvement Fund from SLIP FUND		188,191	
		<u>10,695,589</u>	<u>-</u>
From Special Levee Improvement Projects Fund			
To the Debt Service Funds	-		5,531,340
From the General Fund to the Debt			
Service Fund	-		3,176,058
To Non Flood Division, Enterprise Funds	-		1,800,000
SLIP Fund To General Improvement Fund			188,191
		<u>-</u>	<u>10,695,589</u>
Total	<u>\$</u>	<u>10,695,589</u>	<u>\$ 10,695,589</u>

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Liabilities payable from restricted assets at June 30, 2008, include bonds and interest payable (\$5,173,315), judgments & contingencies payable (\$333,218).

AA. NET ASSETS RESTRICTED BY ENABLING LEGISLATION (GASB STATEMENT 46)

Not Applicable

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of June 30, 2008

BB. IMPAIRMENT OF CAPITAL ASSETS

Not Applicable

CC. EMPLOYEE TERMINATION BENEFITS

Not Applicable

DD. PRIOR-YEAR RESTATEMENT OF NET ASSTS

Not Applicable

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of June 30, 2008

Schedule 1

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF STATE FUNDING
For the Year Ended June 30, 2008

Description of Funding	Amount
1. Cooperative Agreement / Loan Agreement relating to Go Zone Bond financing and assistance to subdivisions with debt service. Also reported on Schedule 3-C	\$17,347,565
2.	
3.	
4.	
5.	
6.	
7.	
8.	
Total	\$17,347,565

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of June 30, 2008

Schedule 2-B

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF NOTES PAYABLE
June 30, 2008

Issue	Date of Issue	Original Issue	Principal Outstanding 06/30/07	Redeemed (Issued)	Principal Outstanding 06/30/08	Interest Rates	Interest Outstanding 06/30/07
<u>1603LA57</u>	<u>6/21/06</u>	<u>\$3,346,000</u>	<u>\$3,346,000</u>	<u>\$ -</u>	<u>\$3,346,000</u>	<u>3.12%</u>	<u>\$183,407</u>
<u>1603LA57A</u>	<u>8/27/06</u>	<u>671,734</u>	<u>\$671,734</u>	<u>\$ -</u>	<u>71,734</u>	<u>2.93%</u>	<u>34,470</u>
<u>1603LA74A</u>	<u>9/10/06</u>	<u>230,752</u>	<u>\$230,752</u>	<u>\$ -</u>	<u>230,752</u>	<u>2.87%</u>	<u>11,635</u>
<u>1603LA74B</u>	<u>8/27/06</u>	<u>5,312,334</u>	<u>\$5,312,334</u>	<u>\$ -</u>	<u>5,312,334</u>	<u>2.93%</u>	<u>273,457</u>
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
Total		<u>\$ 9,560,820</u>	<u>\$9,560,820</u>	<u>\$ -</u>	<u>\$ 9,560,820</u>		<u>\$ 502,969</u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of June 30, 2008**

Schedule 2-C

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF BONDS PAYABLE
June 30, 2008**

Issue	Date of Issue	Original Issue	Principal Outstanding 06/30/07	Issued (Redeemed)	Principal Outstanding 06/30/08	Interest Rates	Interest Outstanding 06/30/08
Public Improvement Fixed Rate Bonds - Series 1986	08/29/86	36,225,000	21,330,000	(1,780,000)	19,550,000	5.95%	5,065,235
Public Improvement Variable Rate Refunding Bonds - Series 1996	10/29/96	2,795,000	1,640,000	(140,000)	1,500,000	2.54%	258,742
Levee Improvement Fixed Rate Bonds - Series 1986	08/28/86	64,920,000	33,285,000	(3,180,000)	30,105,000	5.95%	6,788,505
Levee Improvement Variable Rate Refunding Bonds - Series 1996	10/29/96	6,775,000	3,750,000	(375,000)	3,375,000	2.54%	481,277
Total		\$ 110,715,000	\$ 60,005,000	\$ (5,475,000)	\$ 54,530,000		\$12,593,759

Interest rates will be reset for the two 1996 issues on November 1, 2010 (to an estimated 5.5%).

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of June 30, 2008

Schedule 3-B

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF CAPITAL LEASE AMORTIZATION
For the Year Ended June 30, 2008

<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
Notes to the Financial Statements
As of June 30, 2008

Schedule 3-C

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF NOTES PAYABLE AMORTIZATION
For the Year Ended June 30, 2008

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2009	-	-
2010	-	-
2011	-	-
2012	\$ 2,721,517	\$ 1,106,840
2013	2,816,707	1,011,649
2014-2018	11,177,277	3,569,560
2019-2023	6,224,429	1,929,986
2024-2028	4,471,430	421,219
2029-2032	-	-
Total	\$ <u>27,411,360</u>	\$ <u>8,039,254</u>

ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of June 30, 2008

Schedule 3-D

STATE OF LOUISIANA
Orleans Levee District
SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended June 30, 2008

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 5,865,000	\$ 2,913,107
2010	6,310,000	2,570,168
2011	6,765,000	2,247,993
2012	7,240,000	1,889,648
2013	7,775,000	1,446,000
2014	8,335,000	969,981
2015	8,945,000	459,354
2016	3,295,000	97,508
2017	-	-
Total	<u>\$ 54,530,000</u>	<u>\$ 12,593,759</u>

**ORLEANS LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements
As of June 30, 2008**

Schedule 15

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

To assist OSRAP in determining the reason for the change in financial position for the State, please complete the schedule below. If the change is greater than \$1 million, explain the reason for the change.

	<u>FY 2008</u>	<u>FY 2007</u>	<u>Difference</u>	<u>Percentage Change</u>
1) Revenues	<u>\$ 50,708,532</u>	<u>\$ 44,389,488</u>	<u>\$ 6,319,044</u>	<u>14.24%</u>
Expenses	<u>\$ 31,479,170</u>	<u>\$ 27,972,016</u>	<u>\$ 3,507,154</u>	<u>12.54%</u>
2) Capital assets	<u>\$183,519,936</u>	<u>\$ 173,357,333</u>	<u>\$ 10,162,603</u>	<u>5.86%</u>
Long-term debt	<u>\$109,048,000</u>	<u>\$ 102,645,000</u>	<u>\$ 6,403,000</u>	<u>6.24%</u>
Net assets	<u>\$151,987,444</u>	<u>\$ 132,702,300</u>	<u>\$ 19,285,144</u>	<u>14.53%</u>

Increase in revenue reflects \$1.9 million increase in of federal grants and a \$1.4 million increase in insurance proceeds – most of which are capital grants with no “expense” offset. Another factor was a \$3 million increase in ad valorem tax income. Expenses rose by \$3.7 million reflecting primarily personnel costs.

Long term debt rose \$6.4 million 6.2 % as a result of OPEB liability and borrowings under the State’s program of assisting subdivision by paying 3-years of debt service under the GO Zone Act (See Schedules 2 and 3-B).

	<u>FY 2008 Original Budget</u>	<u>FY 2008 Final Budget</u>	<u>Difference</u>	<u>Percentage Change</u>
3) Revenues	<u>\$ 13,835,458</u>	<u>\$17,357,620</u>	<u>\$ 3,522,162</u>	<u>25.46%</u>
Expenses	<u>\$ 13,735,193</u>	<u>\$16,697,298</u>	<u>\$ 2,962,105</u>	<u>21.57%</u>

The \$3.5million and 25% increase in budgeted revenue reflects a change in the budget to include the debt service payment by the State of Louisiana, as well as the debt service itself. Operating expenses also reflected the \$3.2 million debt service cost.

	<u>FY 2008 Final Budget</u>	<u>FY 2008 Actual</u>	<u>Difference</u>	<u>Percentage Change</u>
Revenues	<u>\$ 17,357,620</u>	<u>\$ 19,286,914</u>	<u>\$ 1,929,294</u>	<u>11.11%</u>
Expenses	<u>\$ 16,697,298</u>	<u>\$ 16,517,279</u>	<u>\$ (180,019)</u>	<u>-1.08%</u>

Revenues were greater than budget due to an unexpected receipt shortly after year end of royalty payments that had been interrupted by litigation.

ORLEANS LEVEE DISTRICT

Single Audit Reports

June 30, 2008

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REBOWE & COMPANY

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Southeast Louisiana Flood
Protection Authority-East
New Orleans, Louisiana

We have audited the basic financial statements of the Orleans Levee District (the District), a component unit of the State of Louisiana, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 18, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not

identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information of the District, the District's management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Rebowe & Company

November 18, 2008

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Southeast Louisiana Flood
Protection Authority-East
New Orleans, Louisiana

Compliance

We have audited the compliance of the Orleans Levee District (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the

purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of deficiencies, that results in a more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The District's response to the findings identified in our prior year audit is described in the accompanying schedule of prior audit findings. We did not audit The District's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, business-type activities, and major funds of the District, a component unit of the State of Louisiana, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 18, 2008. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information of the District, the District's management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Reboue & Company

November 18, 2008

**ORLEANS LEVEE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008**

Federal Grantor/Program Title	CFDA Number	Grant Number	Federal Expenditures
<u>Federal Aviation Administration:</u>			
Direct Awards:			
Airport Improvement Program:	21.106	3-22-038-019-2007 3-22-038-020-2007 3-22-038-021-2007	\$ 4,283,937
<u>U.S. Department of Homeland Security:</u>			
Pass-through Awards:			
Disaster Grants - Public Assistance	97.036	FEMA-1603-DR-LA	10,188,837

Total Federal Expenditures			<u>\$ 14,472,774</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

ORLEANS LEVEE DISTRICT
NOTES TO EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

(1) GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the federal awards of Orleans Levee District (the District). The District's reporting entity is defined in note 1 to the financial statements for the year ended June 30, 2008. All federal awards received from federal agencies are included on the schedule.

(2) BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1 to the District's financial statements for the year ended June 30, 2008.

(3) RELATIONSHIP TO FINANCIAL STATEMENTS

Federal awards are included in the basic financial statements of the District as follows:

Operating Grants and Contributions	\$ 190,902
Capital Grants and Contributions	<u>14,730,409</u>
Total expenditures of federal awards	<u>\$14,921,311</u>

(4) LOANS PAYABLE TO FEDERAL AGENCY

The District received a Special Community Disaster Loan (the "Loan") from the federal government in September 2007 in the amount of \$9,560,820. The loan payable at June 30, 2008 was \$9,560,820 with accrued interest of \$802,969. The terms of the Loan call for interest to accrue annually at 2.69% on \$3,346,000 of the loan, 2.93% on \$5,984,068 of the loan, and 2.87% on \$230,752 of the loan, annually and to be repaid with the principal when the loan becomes due in 2011.

ORLEANS LEVEE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Orleans Levee District
2. Two (2) reportable conditions in internal control relating to the audit of the financial statements are reported in the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* as items 08-01 and 08-02.
3. No instances of noncompliance material to the financial statements of the Orleans Levee District were reported in the *Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and the Schedule of Expenditures of Federal Awards*.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the *Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and the Schedule of Expenditures of Federal Awards*.
5. The auditor's report on compliance for the major federal award programs for the Orleans Levee District expresses an unqualified opinion.
6. There were no findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. A management letter was not issued for the year ended June 30, 2008.
8. The programs tested as major programs are:

United States Department of Homeland Security – Special Community Disaster Loan:	97.030
Federal Aviation Administration – Airport Improvement Program	21.106
9. The dollar threshold used to distinguish between Type A and Type B programs was \$645,380.
10. The auditee did not qualify as a low-risk auditee under Section 530 of OMB Circular A-133.

ORLEANS LEVEE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2008

B. FINDINGS – FINANCIAL STATEMENT AUDIT

INTERNAL CONTROLS

08-01: Interdivisional Communication

The District experienced problems in communicating adjustments relating to interfund and interdivisional activity. The interdivisional activity includes the Flood Division's services to the Non Flood Division in the form of stores inventory, vehicle maintenance, personnel, and asset transfer. As a result, the reconciliation of interfund transactions would not properly reconcile.

Criteria:

The reconciliation of interfund activity should net to zero.

Effect:

Revenue/Expense allocations and transfers between divisions could potentially not be recorded timely.

Cause:

Inadequate communication of adjustments to and from divisions

Recommendation:

We recommend that the District incorporate a system of controls which would provide for a more consistent process of communication. We also recommend that the District employ a set of procedures related to the transfers between divisions to ensure that they are properly accounted for. This can be done through monthly reconciliations and analysis of accounts at the management level.

Response:

See Management's Corrective Action Plan for their response.

08-02: Business Office Procedures

Within the District many responsibilities can not be properly delegated and can overwhelm the few individuals employed. Many schedules used in the normal course of business are often updated only after the District's year end. This condition applies not only to the need for proper delegation of tasks but also segregation of duties to ensure that proper controls are in place. It was noted that during the year, the Non Flood Division attempted to resolve the need for additional personnel through direct hiring, short term staffing through employment firms, and requesting position transfers from the Flood Division, however, this action proved to be unsuccessful.

**ORLEANS LEVEE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2008**

Criteria:

The reconciliation of interfund activity should net to zero.

Effect:

Revenue/Expense allocations and transfers between divisions could potentially not be recorded timely.

Cause:

Inadequate communication of adjustments to and from divisions

Recommendation

We recommend that the District's divisions collaboratively examine their respective internal organizational structure in order to internally alleviate the need for additional resources even if for a brief period.

Response:

See Management's Corrective Action Plan for their response.

ORLEANS LEVEE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2008

SECTION I FINDINGS RELATED TO FINANCIAL STATEMENT AUDIT

N/A

SECTION II OBSERVATIONS REPORTED IN THE MANAGEMENT LETTER

N/A

**ORLEANS LEVEE DISTRICT
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2008**

INTERNAL CONTROL

08-01 – Interdivisional Communication

Recommendation:

We recommend that the District incorporate a system of controls which would provide for a more consistent process of communication. We also recommend that the District employ a set of procedures related to the transfers between divisions to ensure that they are properly accounted for. This can be done through monthly reconciliations and analysis of accounts at the management level.

Corrective Action:

The Authority has directed that due to/from accounts be reconciled on a monthly basis. This reconciliation will be reviewed and approved by the Regional Director. This directive was issued in January 2009.

Implementation Date:

Immediately

Contact:

Robert A. Turner, Regional Director – SLFPA-East

08-02 Business Office Procedures

We recommend that the District's divisions collaboratively examine their respective internal organizational structure in order to internally alleviate the need for additional resources even if for a brief period.

Corrective Action:

The Authority has discussed the need for additional personnel for the Non-Flood division with the Division of Administration. The Governor's hiring freeze makes the task of adding personnel difficult at this time. The Authority is engaged in a strategic planning process; one of the objectives of this plan will be a detailed discussion of staffing requirements with the Flood and Non-Flood divisions in order to make certain each is appropriately staffed.

Implementation Date:

Immediately

Contact:

Robert A. Turner, Regional Director – SLFPA-East