

INTERNAL CONTROL  
AND  
COMPLIANCE SECTION

**Zahn, Kenney & Bresette**  
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
BASED ON AN AUDIT OF COMPONENT UNIT  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
North Lafourche Conservation, Levee  
and Drainage District  
Raceland, Louisiana


We have audited the component unit financial statements of the North Lafourche Conservation, Levee and Drainage District (District), a component unit of the State of Louisiana, as of and for the year ended December 31, 1996, and have issued our report thereon dated February 7, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of the District, its management and the Legislative Auditor. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

  
Zahn, Kenney & Bresette  
Certified Public Accountants

February 7, 1997  
Metairie, Louisiana

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
STRUCTURE BASED ON AN AUDIT OF COMPONENT UNIT  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
North Lafourche Conservation, Levee  
and Drainage District  
Raceland, Louisiana

We have audited the component unit financial statements of the North Lafourche Conservation, Levee and Drainage District (District), a component unit of the State of Louisiana, as of and for the year ended December 31, 1996 and have issued our report thereon dated February 7, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

In planning and performing our audit of the component unit financial statements of the District as of and for the year ended December 31, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing an opinion on the component unit financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

NORTH LAFOURCHE CONSERVATION, LEVEE AND  
DRAINAGE DISTRICT

PARISH OF LAFOURCHE  
STATE OF LOUISIANA

SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS

FOR THE YEAR ENDED DECEMBER 31, 1996

CARROLL CLEMENT	\$ 825
NELSON CONSTANT	975
DAN DUPLANTIS	750
PHILLIP PLAISANCE	450
RIDLEY CHAUVIN	900
AL ROBICHAUX	1,050
FRANKLIN KRAEMER	375
MICHAEL DELATTE	525
DENNIS MARTINEZ	375
STEVE ST. ROMAIN	<u>1,125</u>
TOTAL	\$ <u>7,350</u>

The Board members are paid \$75 for each Committee and Board meeting attended.

SUPPLEMENTAL INFORMATION  
SECTION

In our consideration of the internal control structure, we noted that the size of the District's operations precludes an adequate segregation of duties and other features of an adequate internal control structure. Although to employ such controls may not be cost beneficial, we consider this to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the component unit financial statements.

A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and/or irregularities in amounts that would be material in relation to the component unit financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as described above. However, we believe that the reportable condition described above is a material weakness.

This report is intended for the information and use of the District, its management and the Legislative Auditor. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

*Zahn, Kenney & Bresette*

Zahn, Kenney & Bresette  
Certified Public Accountants

February 7, 1997  
Metairie, Louisiana



**NORTH LAFOURCHE CONSERVATION, LEVEE AND  
DRAINAGE DISTRICT**

PARISH OF LAFOURCHE  
STATE OF LOUISIANA

COMBINED BALANCE SHEET - ALL FUND TYPES  
AND ACCOUNT GROUPS

DECEMBER 31, 1996

ASSETS

	<u>Governmental Fund Type</u>	<u>Account Group</u>	<u>Total (Memorandum only)</u>
	<u>General Fund</u>	<u>General Fixed Assets</u>	
Cash and cash equivalents	\$ 792,278	\$	\$ 792,278
Deposits	75		75
Taxes receivable - delinquent	41,624		41,624
Due from Lafourche Parish Sheriff	208,202		208,202
Fixed assets	<u>                    </u>	<u>25,784</u>	<u>25,784</u>
Total Assets	<u>\$ 1,042,179</u>	<u>\$ 25,784</u>	<u>\$ 1,067,963</u>

LIABILITIES AND FUND EQUITY

Liabilities:			
Accounts payable	\$ <u>19,236</u>	\$	\$ <u>19,236</u>
Total Liabilities	19,236		19,236
Fund Equity:			
Investment in General Fixed Assets		25,784	25,784
Fund balance - unreserved	<u>1,022,943</u>	<u>                    </u>	<u>1,022,943</u>
Total Fund Equity	<u>1,022,943</u>	<u>25,784</u>	<u>1,048,727</u>
Total Liabilities and Fund Equity	<u>\$ 1,042,179</u>	<u>\$ 25,784</u>	<u>\$ 1,067,963</u>

See notes to financial statements.

## NOTE 6--CASH AND CASH EQUIVALENTS

At December 31, 1996, the district has cash and cash equivalents totaling \$792,278 as follows:

Interest bearing demand deposits	\$ 44,733
Time deposits	<u>747,545</u>
Total	<u>\$ 792,278</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 1996, the District has \$ 797,594 in deposits. These deposits are secured from risk by \$ 200,000 of federal deposit insurance and \$ 826,087 of pledged securities held by the custodial banks in the name of the fiscal agent banks (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

## NOTE 7--LITIGATION

On January 16, 1996 the Louisiana Supreme Court affirmed the ruling of the 18th Judicial District Court in holding that the statute which established the geographic boundaries of the District was unconstitutional due to overlapping other districts. In 1995 there was new legislation passed by the Louisiana State Legislature to restructure the District's geographic boundaries to correct this matter.

A reconventional demand, which has been certified as a class action, has been filed seeking refund of tax money received by the District pursuant to its levy of ad valorem taxes and damages for alleged civil rights violations for collection of this tax money. Because this action is in its early stages, it is not possible to determine the likely outcome.



## NOTE 4--CHANGES IN FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance <u>1/01/96</u>	<u>Additions</u>	Balance <u>12/31/96</u>
Furniture, Fixtures and Equipment	\$ 7,089	\$ 1,358	\$ 8,447
Vehicles	<u>-</u>	<u>17,337</u>	<u>17,337</u>
Total	<u>\$ 7,089</u>	<u>\$18,695</u>	<u>\$25,784</u>
Investments in General Fixed Assets	<u>\$ 7,089</u>	<u>\$18,695</u>	<u>\$25,784</u>

There were no asset sales or retirements during 1996.

## NOTE 5--CASH BASIS BUDGET

The District prepares its budget on the cash basis and presents its financial statements on the modified accrual basis. This requires the following adjustments to convert its actual results to the cash basis for the presentation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Cash Basis (Page 5):

	Modified Accrual Basis	<u>Net Difference Between 12/31/95 and 12/31/96 in</u>		Cash Basis
		<u>Receivables</u>	<u>Payables</u>	
<u>REVENUES</u>				
Ad valorem tax	\$ 256,485	\$ 223,047	\$ -	\$ 479,532
Interest income	27,169	-	-	27,169
Intergovernmental	<u>-</u>	<u>4,632</u>	<u>-</u>	<u>4,632</u>
Total Revenues	283,654	227,679	-	511,333
<u>EXPENDITURES</u>				
Audit	1,080	-	-	1,080
Contract labor	150	-	-	150
Engineering	15,974	-	(11,274)	4,700
Insurance	3,546	-	(240)	3,306
Interest	119	-	-	119
Legal	15,059	-	(2,679)	12,380
License and taxes	2,921	-	-	2,921
Miscellaneous	13,436	-	1,356	14,792
Office expense	3,943	-	-	3,943
Per diem	7,350	-	-	7,350
Legal publication	584	-	(104)	480
Rent	3,600	-	-	3,600
Salary, staff	35,239	-	-	35,239
Telephone	2,513	-	(109)	2,404
Travel	1,586	-	(61)	1,525
Utilities	566	-	-	566
Capital outlay	<u>18,695</u>	<u>-</u>	<u>14,947</u>	<u>33,642</u>
Total expenditures	<u>\$ 126,360</u>	<u>\$ -</u>	<u>\$ 1,837</u>	<u>\$ 128,197</u>

**NORTH LAFOURCHE CONSERVATION, LEVEE AND  
DRAINAGE DISTRICT**

PARISH OF LAFOURCHE  
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

GOVERNMENTAL FUND TYPE - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 1996

**REVENUES**

Ad valorem taxes	\$	256,485
Use of money and property - interest earnings		<u>27,169</u>
Total Revenues		283,654

**EXPENDITURES**

General Government		107,665
Capital Outlay		<u>18,695</u>
Total Expenditures		<u>126,360</u>

EXCESS OF REVENUES OVER EXPENDITURES		157,294
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**FUND BALANCE**

Beginning of year	\$	908,769
Adjustment for over-stated intergovern- mental receivable at December 31, 1995		<u>(43,120)</u>
Balance at beginning of year, as restated		<u>865,649</u>
End of year	\$	<u>1,022,943</u>

See notes to financial statements.

We have also issued reports dated February 7, 1997 on the District's internal control structure and its compliance with laws and regulations, in accordance with Government Auditing Standards issued by the Comptroller General of the United States.

*Zahn, Kenney & Bresette*

Zahn, Kenney & Bresette  
Certified Public Accountants

Metairie, Louisiana  
February 7, 1997

**Zahn, Kenney & Bresette**  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
North Lafourche Conservation,  
Levee and Drainage District  
Raceland, Louisiana

We have audited the component unit financial statements of North Lafourche Conservation, Levee and Drainage District, a component unit of the State of Louisiana, as of and for the year ended December 31, 1996. These financial statements are the responsibility of the North Lafourche Conservation, Levee and Drainage District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the North Lafourche Conservation, Levee and Drainage District as of December 31, 1996 and the results of its operations for the year ended, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the component unit financial statements taken as a whole. The information listed as Supplemental Information in the table of contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements. Such information has been subjected to the auditing procedures applied in the audit and, in our opinion, the information is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

NORTH LAFOURCHE CONSERVATION, LEVEE AND  
DRAINAGE DISTRICT  
PARISH OF LAFOURCHE  
STATE OF LOUISIANA

Component Unit Financial Statements  
As of and for the Year Ended December 31, 1996

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**NORTH LAFOURCHE CONSERVATION,  
LEVEE AND DRAINAGE DISTRICT  
PARISH OF LAFOURCHE  
STATE OF LOUISIANA**

**COMPONENT UNIT FINANCIAL REPORT,  
INTERNAL CONTROL AND  
COMPLIANCE REPORTS**

**AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 1996**

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

Release Date 4-2-97



**NORTH LAFOURCHE CONSERVATION, LEVEE AND  
DRAINAGE DISTRICT**

PARISH OF LAFOURCHE  
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1996

The North Lafourche Conservation, Levee and Drainage District (District) was created by Revised Statute 38:291 (T) as a political subdivision of the State of Louisiana (the State) having the authority to incur debt, issue bonds and levy taxes. The District is under the direction of nine commissioners appointed by the Governor.

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

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

**B. Reporting Entity**

GASB Codification Section 2100 has defined the governmental reporting entity to be the State. The District is considered a component unit of the State because the State exercises oversight responsibility in that the governor appoints the commissioners and public service is rendered within the state's boundaries. The accompanying financial statements present information only as to the transactions of the programs of the District, a component unit of the State.

**C. Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The General Fund is classified as a governmental fund and is the general operating fund of the District and accounts for all financial resources. Revenues are accounted for in this fund based upon the purpose for which they are to be spent and the means by which the spending activities are controlled. General operating expenditures are paid from this fund.

## NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The General Fund is 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 operating statement of this fund presents increases and decreases in net current assets. The modified accrual basis of accounting is used by the General Fund. The General Fund uses the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes, which are levied and due before the end of the year, are considered measurable and available and are therefore included in revenue for the year for which levied. All other revenues are recorded when received.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

E. Budget Practices

The District adopted and submitted its annual budget on September 21, 1995 in accordance with LSA-R.S. 39:1302-1314. The adopted budget was prepared and reported on a cash basis of accounting. Formal budget integration is employed as a management control device during the year. Budgeted amounts included in the accompanying financial statements represent the final amended budget.

F. Cash and Investments

Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits. Under state law, the district may deposit funds within a fiscal agent bank organized under the laws of the State, the laws of any other state in the Union, or the laws of the United States. Furthermore, the District may invest in time certificates of deposit of state banks organized under the laws of the State, in national banks having their principal offices in Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federally or state-chartered credit unions.

Under state law, the District may invest in United States bonds or treasury notes. The District had no investments at December 31, 1996.

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****G. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded, is not utilized by the District.

**H. Fixed Assets**

Fixed assets of governmental funds are recorded as expenditures at the time purchased and the related assets are capitalized (reported) in the general fixed assets account group. All purchased fixed assets are valued at historical cost. No depreciation has been provided on general fixed assets.

The account groups are not funds. They are concerned only with the measurement of financial position, not with measurement of the results of operations.

**I. Total Columns on Balance Sheet**

The total column on the balance sheet is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

**NOTE 2--AD VALOREM TAXES**

Ad Valorem taxes are levied each December 1 on the assessed value listed as of the prior January 1 for all real property, merchandise, and moveable property located in the Parish. Assessed values are established by the Lafourche Parish Assessor's Office and the State Tax Commission at the percentages of actual value as specified by Louisiana law.

A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the list of January 1, 1996. Taxes are due and payable December 31 with interest being charged on payments after January 1. Taxes can be paid through the tax sale date, which is the last Wednesday in June. Properties for which the taxes have not been paid are sold for the amount of the taxes. The tax rate for the year ended December 31, 1996 was \$4.92 per \$1,000 of assessed valuation of property for the purpose of maintaining and operating the facilities and programs.

**NOTE 3--DUE FROM LAFOURCHE PARISH SHERIFF**

The amounts due from Lafourche Parish Sheriff at December 31, 1996 consisted of December 1996 ad valorem tax collections to be remitted to the District in January 1997.

**NORTH LAFOURCHE CONSERVATION, LEVEE AND  
DRAINAGE DISTRICT**

PARISH OF LAFOURCHE  
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CASH BASIS

GOVERNMENTAL FUND TYPE - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 1996

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>			
Ad valorem taxes	\$ 476,876	\$ 479,532	\$ 2,656
Use of money and property - interest earnings	27,000	27,169	169
Miscellaneous	500	-	(500)
Intergovernmental	<u>4,632</u>	<u>4,632</u>	<u>-</u>
Total Revenues	509,008	511,333	2,325
<b>EXPENDITURES</b>			
Audit	1,080	1,080	-
Contract Labor	150	150	-
Engineering	5,000	4,700	300
Insurance General	15,000	3,306	11,694
Interest Expense	100	119	(19)
Legal	15,000	12,380	2,620
License and Taxes	1,800	2,921	(1,121)
Miscellaneous Expense	15,000	14,792	208
Office Expense	2,000	3,943	(1,943)
Per Diem	7,200	7,350	(150)
Publications	500	480	20
Rent	3,600	3,600	-
Salary, Staff	35,000	35,239	(239)
Telephone	2,400	2,404	(4)
Travel / Mileage	1,000	1,525	(525)
Utilities	500	566	(66)
Capital Outlay	<u>34,947</u>	<u>33,642</u>	<u>1,305</u>
Total Expenditures	140,277	128,197	12,080
<b>Excess of Revenue Over Expenditures</b>	368,731	383,136	14,405
<b>FUND BALANCE</b>			
Beginning of year, as adjusted	<u>865,649</u>	<u>865,649</u>	<u>-</u>
End of year	<u>\$ 1,234,380</u>	<u>\$ 1,248,785</u>	<u>\$ 14,405</u>

See notes to financial statements.