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A PROFESSIONAL CORPORATION

P.O. BOX 965

LAROSE, LA 70373

Board of Levee Commissioners of the
South Lafourche Levee District
State of Louisiana
Galliano, Louisiana

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of the **BOARD OF LEVEE COMMISSIONERS OF THE SOUTH LAFOURCHE LEVEE DISTRICT**, component unit of the State of Louisiana, as of and for the year ended June 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the **BOARD OF LEVEE COMMISSIONERS OF THE SOUTH LAFOURCHE LEVEE DISTRICT's** management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the **BOARD OF LEVEE COMMISSIONERS OF THE SOUTH LAFOURCHE LEVEE DISTRICT** as of June 30, 1998 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the **BOARD OF LEVEE COMMISSIONERS OF THE SOUTH LAFOURCHE LEVEE DISTRICT**. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated September 14, 1998 on our consideration of Board of Levee Commissioners of the South Lafourche Levee District internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



Aldon G. Wahl, Jr.
Certified Public Accountant

September 14, 1998

BOARD OF COMMISSIONERS OF THE SOUTH LAFOUCHE LEVEE DISTRICT
 STATE OF LOUISIANA
 COMBINED BALANCE SHEET-GOVERNMENTAL FUND TYPES AND ACCOUNT GROUPS
 FOR THE YEAR ENDED JUNE 30, 1998
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1997

	Governmental Fund Types			Account Groups		Totals	
	General Fund	Capital Projects Fund	Debt Service Fund	General Fixed Assets	General Long-Term Debt	(Memorandum Only)	
ASSETS AND OTHER DEBITS							
Cash in State Treasury	\$ 214,502	\$ -	\$ 161,795	\$ -	\$ -	\$ 376,297	\$ 501,662
Cash in Bank	69,624	156,087	-	-	-	225,711	345,469
Investments	810,000	-	-	-	-	810,000	660,000
Accrued Interest	4,955	-	-	-	-	4,955	5,336
Accounts Receivable	3,132	-	42,095	-	-	3,132	131,026
Due from Other Funds	-	-	-	-	-	42,095	38,705
Deposits	3,415	-	-	-	-	3,415	3,415
Fixed Assets	-	-	-	19,282,731	-	19,282,731	19,288,867
Amount Available in Debt Service Fund	-	-	-	-	34,935	34,935	38,705
Amount to be Provided for Retirement of General Long Term Obligations	-	-	-	-	-	-	-
Total Assets and Other Debits	\$ 1,105,628	\$ 156,087	\$ 203,890	\$ 19,282,731	\$ 1,182,668	\$ 21,931,004	\$ 22,281,256
LIABILITIES AND FUND EQUITY							
Liabilities							
Accounts Payable	\$ 16,185	\$ 9,371	\$ 250	\$ -	\$ -	\$ 25,806	\$ 23,894
Contracts Payable	-	-	-	-	-	-	55,239
Retainage Payable	-	6,150	-	-	-	6,150	161,239
Due to Other Funds	42,095	-	-	-	-	42,095	38,705
Compensated Absences Payable	-	-	-	-	47,668	47,668	41,776
General Obligation Bonds Payable	-	-	-	-	1,135,000	1,135,000	1,265,000
Matured Bonds and Interest Payable	-	-	-	-	168,705	168,705	162,095
Total Liabilities	58,280	15,521	168,955	-	1,182,668	1,425,424	1,747,948
Fund Equity							
Investment in General Fixed Assets	-	-	-	19,282,731	-	19,282,731	19,288,867
Fund Balances							
Reserved for Debt Service	-	-	34,935	-	-	34,935	38,705
Reserved Unperformed Contracts	-	-	-	-	-	-	27,749
Unreserved Undesignated	1,047,348	140,566	-	-	-	1,187,914	1,177,987
Total Fund Equity	1,047,348	140,566	34,935	19,282,731	-	20,505,580	20,533,308
Total Liabilities and Fund Equity	\$ 1,105,628	\$ 156,087	\$ 203,890	\$ 19,282,731	\$ 1,182,668	\$ 21,931,004	\$ 22,281,256

See accompanying notes to financial statements

BOARD OF LEVEE COMMISSIONERS OF THE SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENT FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1998
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 1997

	General Fund			Capital Projects Fund			Debt Service Fund			Totals (Memorandum Only)	
	1998	1997	Change	1998	1997	Change	1998	1997	Change	1997	
REVENUES											
Taxes	\$ 532,350	\$ -	\$ 532,350	-	-	-	414,740	461,795	464,722		
Intergovernmental Revenues	286,658	25,203	311,861	-	-	-	71,439	83,106	1,774,375		
Other Revenues	48,539	2,132	50,671	-	-	-	4,596	3,867	70,065		
Total Revenues	867,547	27,335	894,882	-	-	-	14,767	17,408	2,309,162		
EXPENDITURES											
Current:											
General Government	414,740	-	414,740	-	-	-	414,740	461,795	120,000		
General Administration	71,439	-	71,439	-	-	-	71,439	83,106	84,190		
Employee Related Benefits	4,596	-	4,596	-	-	-	4,596	3,867	2,533,404		
Travel	14,767	-	14,767	-	-	-	14,767	17,408	3,378,162		
Contractual Services	1,145	-	1,145	-	-	-	1,145	5,995	(1,069,000)		
Equipment Purchases	-	-	-	-	-	-	-	-	-		
Deductions from Ad Valorem Taxes for:											
Retirement System	16,172	-	16,172	-	-	-	16,172	14,274	-		
Levee Maintenance	95,023	-	95,023	-	-	-	95,023	52,966	-		
Other	7,114	-	7,114	-	-	-	7,114	1,157	-		
Debt Service	-	-	-	-	-	-	-	-	-		
Bond Redeemed	-	-	-	-	-	-	-	-	-		
Interest	-	-	-	-	-	-	-	-	-		
Paying Agent	-	-	-	-	-	-	-	-	-		
Capital Outlay	-	84,068	84,068	84,068	-	130,000	130,000	120,000	-		
Total Expenditures	624,996	84,068	709,064	84,068	207,410	291,478	916,474	3,378,162	2,533,404		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	242,551	(56,733)	299,284	(56,733)	(207,410)	(150,676)	(21,592)	(1,069,000)	(1,069,000)		
OTHER FINANCING SOURCES (USES)											
Transfers In	-	135,079	135,079	135,079	203,640	338,719	338,719	1,301,421	1,301,421		
Transfers Out	(338,719)	-	(338,719)	-	-	(338,719)	(338,719)	(1,301,421)	(1,301,421)		
Total Other Financing Sources (Uses)	-	135,079	135,079	135,079	203,640	338,719	338,719	1,301,421	1,301,421		
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(96,168)	78,346	174,514	78,346	38,705	212,819	(21,592)	(1,069,000)	(1,069,000)		
FUND BALANCES-BEGINNING OF YEAR	1,143,516	62,220	1,205,736	62,220	38,705	661,441	1,244,441	2,313,441	2,313,441		
FUND BALANCES-END OF YEAR	\$ 1,047,348	\$ 140,566	\$ 1,187,914	\$ 140,566	\$ 34,935	\$ 1,222,849	\$ 1,222,849	\$ 1,244,441	\$ 1,244,441		

See accompanying notes to financial statements.

BOARD OF LEVEE COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Taxes	\$ 515,000	\$ 532,350	\$ 17,350
Intergovernmental Revenues	248,800	286,658	37,858
Miscellaneous	<u>30,000</u>	<u>48,539</u>	<u>18,539</u>
Total Revenues	<u>793,800</u>	<u>867,547</u>	<u>73,747</u>
EXPENDITURES			
Current:			
General Government			
General Administration	423,194	414,740	8,454
Employee Related Benefits	77,011	71,439	5,572
Travel	5,407	4,596	811
Contractual Services	15,357	14,767	590
Equipment Purchases	1,145	1,145	-
Deductions from Ad Valorem Taxes for Assessor's Compensation & Retirement System	15,000	16,172	(1,172)
Levee Maintenance	125,235	95,023	30,212
Other	<u>7,072</u>	<u>7,114</u>	<u>(42)</u>
Total Expenditures	<u>669,421</u>	<u>624,996</u>	<u>44,425</u>
EXCESS OF REVENUES OVER EXPENDITURES	124,379	242,551	118,172
OTHER FINANCING SOURCES (USES)			
Operating Transfers Out	<u>(1,267,895)</u>	<u>(338,719)</u>	<u>929,176</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(1,143,516)	(96,168)	1,047,348
FUND BALANCE - BEGINNING OF YEAR	<u>1,143,516</u>	<u>1,143,516</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$1,047,348</u>	<u>\$1,047,348</u>

See accompanying notes to financial statements.

BOARD OF COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA
BUDGET (GAAP BASIS) AND ACTUAL
DEBT SERVICE AND CAPITAL PROJECTS FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1998

	Debt Service Fund			Capital Projects Fund		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ -	\$ 25,203	\$ 25,203
Interest on Investments	-	-	-	1,000	2,132	1,132
Total Revenues	-	-	-	1,000	27,335	26,335
EXPENDITURES						
Capital Outlay	-	-	-	1,123,205	84,068	1,039,137
Debt Service	130,000	130,000	-	-	-	-
Principal	77,410	77,410	-	-	-	-
Interest	500	-	500	-	-	-
Paying Agent Fees	-	-	-	-	-	-
Total Expenditures	207,910	207,410	500	1,123,205	84,068	1,039,137
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(207,910)	(207,410)	500	(1,122,205)	(56,733)	1,065,472
OTHER FINANCING SOURCES (USES)						
Operating Transfers In	207,910	203,640	(4,270)	1,059,985	135,079	(924,906)
Total Other Financing Sources (Uses)	207,910	203,640	(4,270)	1,059,985	135,079	(924,906)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	-	(3,770)	(3,770)	(62,220)	78,346	140,566
FUND BALANCES - BEGINNING OF YEAR	-	38,705	38,705	62,220	62,220	-
FUND BALANCES - END OF YEAR	\$ -	\$ 34,935	\$ 34,935	\$ -	\$ 140,566	\$ 140,566

See accompanying notes to financial statements.

**BOARD OF LEVEE COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA**

NOTES TO FINANCIAL STATEMENTS

INTRODUCTION

The **BOARD OF LEVEE COMMISSIONERS OF THE SOUTH LAFOURCHE LEVEE DISTRICT** was created by Louisiana Revised Statute 38:291. The Levee District embraces all of Lafourche Parish lying south of the intracoastal canal. The Levee District primarily provides flood protection for those areas in the District and is authorized to construct and maintain levees, levee drainage, pumps, pumping stations, drainage channels, sea wall, jetties, and breakwaters in the District to protect the lands from overflow and particularly from hurricane floodwaters and from inundation from the tidewaters of the Gulf of Mexico. The **BOARD OF LEVEE COMMISSIONERS OF THE SOUTH LAFOURCHE LEVEE DISTRICT** administers the operations and responsibilities of the Levee District in accordance with the provisions of Louisiana Statutes. Members of the Board are appointed by the Governor in accordance with the provisions of Louisiana Revised Statute 38:304.

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the **BOARD OF LEVEE COMMISSIONERS OF THE SOUTH LAFOURCHE LEVEE DISTRICT** have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

REPORTING ENTITY

Government Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

BOARD OF LEVEE COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

REPORTING ENTITY (Continued)

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the State to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the State.
2. Organizations for which the State does not appoint a voting majority but are fiscally dependent on the State.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the State of Louisiana, via the Governor, appoints all of the members of the Levee District's governing board and has the ability to impose its will on the Levee District, the Levee District was determined to be a component unit of the State of Louisiana. The accompanying financial statements present information only on the funds maintained by the Levee District and do not present information on the State of Louisiana, the general government services provided by that government unit, or the other governmental units that comprise the financial reporting entity.

FUND ACCOUNTING

The accounts of the South Lafourche Levee District are organized on the basis of funds and account groups, each of which is considered a fund of the State of Louisiana. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures. The District's revenues are accounted for in these individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The funds presented in the accompanying financial statements are described as follows:

BOARD OF LEVEE COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
FUND ACCOUNTING (Continued)

General Fund

The General Fund is the general operating fund of the Levee District. It is used to account for all financial resources except those required to be accounted for in other funds.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, levee improvement bonds totaling \$1,500,000, issued September 1, 1994.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. The fund is presently being used to account for the construction of the levee system and pumping stations in the district.

FIXED ASSETS AND LONG-TERM DEBT

The fixed assets used in the governmental fund type operations of the Levee District are accounted for in the general fixed assets account group, rather than in the governmental fund. Public domain or infrastructures are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

The two account groups are not "funds". They are concerned only with measurement of financial position, not with results of operation.

BOARD OF LEVEE COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF ACCOUNTING

Basis of Accounting refers to when revenues and expenditures 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 records are maintained on the modified accrual basis of accounting utilizing the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December, January and February of the fiscal year. Ad valorem taxes (which are based on population and homesteads in the parish) are recorded in the year the taxes are received. If taxes were recorded when assessed the amount recorded would not be materially different from the amount in the financial statements.

Substantially all other revenues are recorded when they become available and measurable.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred if measurable, except for principal and interest on long-term debt, which is recognized when resources have been accumulated in the debt service fund for payment early in the following year.

Other Financing Sources (Uses)

Transfers between funds which are not expected to be repaid are accounted for as other financing sources (uses). In those cases where repayment is expected, the advances are accounted for through the various "due from" and "due to" accounts.

Proceeds from the issuance of bonds are accounted for as other financing sources.

**BOARD OF LEVEE COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA**

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

BUDGET PRACTICES

The budget practices of the **BOARD OF LEVEE COMMISSIONERS OF THE SOUTH LAFOURCHE LEVEE DISTRICT** are prescribed by Louisiana Revised Statute 38:318. This statute requires the Levee District to submit its annual budget to the Joint Legislative Committee on the Budget, no later than 90 days prior to the end of each fiscal year for the succeeding fiscal year for review.

The Levee District prepares budgets for all its funds but does not budget the beginning fund balance for the Debt Service Fund. The budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). The budgets were amended once during the fiscal year.

Amendments to the budget must be approved by the Board of Commissioners.

Appropriations which are not expended lapse at year end.

ENCUMBRANCES

Encumbrance accounting is not utilized by the Levee District.

CASH AND INVESTMENTS

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes demand deposits in banks and the State Treasury. Investments consist primarily of time certificates of deposit.

R.S. 39:1223 and 33:2955 authorize the Levee District to invest in United States bonds, treasury notes, certificates or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana, or any other federally insured investment, or in mutual or trust fund institutions which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

The market value of the investments (certificates of deposit) is equal to their cost.

**BOARD OF LEVEE COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA**

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ANNUAL AND SICK LEAVE

Employees accumulate annual and sick leave at various rates based on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, an employee is compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is considered in computing the years of service for retirement benefit purposes. The liability for leave privileges not requiring current resources at June 30, 1998 is estimated to be \$41,783 which is recorded in the general long-term debt account group. The cost of current leave privileges is recognized as current year expenditures in the governmental funds when leave is taken.

COMPENSATORY LEAVE

Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned (K-Time). Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour for hour compensatory leave earned. Compensation paid will be based on the employee's hourly rate of pay at termination or transfer. The liability for accrued payable compensatory leave at June 30, 1998 is estimated to be \$ 5,885 which is recorded in the general long-term debt account group.

TOTAL COLUMNS ON STATEMENTS

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

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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 and expenses during the reporting period. Actual results could differ from those estimates.

BOARD OF LEVEE COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COMPARATIVE DATA

Comparative data for the prior year have been presented in the accompanying financial statements to provide an understanding of changes in the financial position and operations. However, presentation of comparative data by fund types have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B

JUDGMENTS, CLAIMS, AND SIMILAR CONTINGENCIES

The Levee District is a defendant in several lawsuits involving disputed land ownership and rights-of-way. In the opinion of legal counsel for the Levee District, resolution of these lawsuits will be favorable to the Levee District or the liability, if any, resulting from these lawsuits would not be material to the financial statements.

NOTE C

PENSION PLAN

Plan Description and Provisions:

All Levee District employees except certain classes of employees specifically excluded by Statute become members of the Louisiana State Employees' Retirement System as a condition of employment unless they elect to continue as a contributing member in any other retirement system for which they remain eligible for membership. The pension plan does issue a stand-alone report which can be requested from the Louisiana State Employees' Retirement System.

The State Employees' Retirement System is a cost-sharing multiple-employer public employee retirement system which is supervised by a Board of Trustees. The total payroll for the year was \$257,473 and the amount covered by this plan was \$206,277.

-Retirement Benefits

The age and years of creditable service required in order for a member to retire with full benefits are established by Statute and vary depending on the member's employer and job classification. The substantial majority of members may retire with full benefits at ages ranging from any age, upon completing thirty years of creditable service, to age sixty, upon completing ten years of creditable service.

BOARD OF LEVEE COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE C

PENSION PLAN (Continued)

Plan Description and Provisions: (Continued)

-Retirement Benefits (Continued)

The basic annual retirement benefit for substantially all members is equal to 2 1/2% of average compensation multiplied by the number of years of creditable service plus \$300. Participants who became members of the System on or after July 1, 1986, are not eligible for the \$300 addition to the annual retirement benefit formula. Average compensation is defined as the member's average annual earned compensation for the thirty-six consecutive months of employment during which the member's aggregate earned compensation was greatest. The maximum annual retirement benefit cannot exceed the lesser of 100% of average compensation or certain specified dollar amounts of actuarially determined monetary limits which vary depending upon the member's age at retirement. As an alternative to the above basic retirement benefit, a member may elect to receive his retirement benefits under any of four different options providing for a reduced retirement benefit payable throughout his life with certain benefits being paid to his designated beneficiary after his death.

-Deferred Benefits

A member leaving covered employment before attaining early retirement age but after completing certain minimum service requirements becomes eligible for a deferred benefit provided the member lives to the minimum service retirement age and does not withdraw his accumulated contributions. The minimum service requirements for deferred benefits vary depending upon the member's employer and service classification.

-Retirement Incentive Legislation

On July 6, 1985, legislation was enacted allowing System members who, on September 1, 1985, had earned sufficient service credit to be eligible for a normal retirement on or before August 31, 1995, but had not attained the normal retirement age, to be eligible for early retirement. This eligibility for an early retirement is available to service members for the ten year period ending August 31, 1995, and reduces the member's benefits to a level which is actuarially equivalent to the retirement benefit at the normal retirement using the normal retirement formula.

BOARD OF LEVEE COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE C

PENSION PLAN (Continued)

Plan Description and Provisions: (Continued)

-Disability Benefits

Substantially all members with ten or more years credited service who become disabled receive a maximum disability retirement benefit equivalent to the regular retirement formula without reduction by reason of age.

-Survivor's Benefits

Upon the death of a member who was in state service at the time of death, and who had a minimum of five years of service credit, at least two of which were earned immediately prior to death, or who had a minimum of twenty years of service credit, regardless of when earned, certain eligible surviving dependents receive monthly benefits based on the member's compensation and their relationship to them. The above minimum service credit requirement is ten years for a surviving spouse with no minor children.

-Supplemental Benefit Adjustments

Current Statutes allow the System's Board of Trustees to make annual supplemental cost-of-living adjustments each year only when the actuary for the system and The State Legislative Auditor certify that the System is systematically approaching actuarial soundness and if such cost-of-living adjustments are not enacted by the legislature. The cost-of-living adjustments may not exceed more than 3% in any year. These adjustments are computed on the base retirement or survivors' benefit. Benefit increases have occurred under the above Statutes in various years since 1970 and have been limited to the 3% amount. In addition, several other cost-of-living adjustments or supplemental benefit payments have occurred in the past as a result of legislation, some being paid from investment income of the System and others being paid from funds appropriated by the state legislature. At June 30, 1992, new legislation was passed whereby cost-of-living contributions must be funded by a newly devised employee experience account.

BOARD OF LEVEE COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE C

PENSION PLAN (Continued)

Plan Description and Provisions: (Continued)

-Description of Funding Policy:

The System's contribution requirements are not actuarially determined. Instead, the contribution requirements are currently established by Statute. Contributions consist of 7.5% member contribution and 13.0% employer contribution of total covered payroll. The Levee District's contribution requirement for the year ended June 30, 1998 was \$26,749 which represents 13.0% of covered payroll. The Levee District's contribution requirement for the year ended June 30, 1997 was \$ 27,775 which represents 12.4% of covered payroll. The Levee District's contribution requirement for the year ended June 30, 1996 was \$ 25,521 which represents 12.0% of covered payroll.

The amount reported below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to assist users in assessing the plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among government pension plans and employers. The System does not conduct separate measurements of assets and pension benefit obligations for individual employers. The pension benefit obligation at June 30, 1998 for the System as whole, determined through an actuarial valuation performed as of that date, was \$ **, of which \$ ** was non-vested and \$ ** was vested. The net assets available for benefits on that date (valued at market) were \$ **, resulting in an unfunded pension obligation of \$ **. The Levee District's contribution represented **% of total contribution required of all participating employers. Information regarding the system at June 30, 1998, was not available prior to the issuance of the levee district's financial statements. (** = unavailable when financial statements were prepared)

Trend Information:

Ten-year historical trend information presenting the System's progress accumulating sufficient assets to pay benefits when due is presented in the Louisiana State Employees' State Retirement System's June 30, 1998 financial report.

**BOARD OF LEVEE COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA**

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE D

PER DIEM PAID BOARD MEMBERS

Per diem payments are presented on Schedule I. The per diem payments are authorized by Louisiana Revised Statute 38:308.

NOTE E

CONTRIBUTIONS FROM OTHER LEVEE DISTRICTS

The Lafourche Basin Levee District and **BOARD OF LEVEE COMMISSIONERS OF THE SOUTH LAFOURCHE LEVEE DISTRICT** both had territory within Lafourche Parish. To partially relieve the Boards of Commissioners of the Lafourche Basin Levee District for providing protection for the lands in the southern portions of its district (in Lafourche Parish) from tidal overflow and from unusual weather conditions such as hurricanes, Louisiana Revised Statute 38:333 provides for annual transfers from the Board of Commissioners of the Lafourche Basin Levee District. The amount transferred annually from the Board of Commissioners of the Lafourche Basin Levee District is \$200,000 payable out of any revenues which the Board may have or has authority to obtain.

BOARD OF LEVEE COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

NOTE F
FIXED ASSETS

At June 30, 1998, the Levee District has stewardship responsibility for \$ 19,282,731 of general fixed assets valued at historical cost. A summary of changes in general fixed assets follows:

	Balance July 1, <u>1997</u>	<u>Additions</u>	Retire -ments	Completed Construction	Balance June 30, <u>1998</u>
Land	\$ 132,588	\$ -	\$ -	\$ -	\$ 132,588
Buildings	203,486	-	-	-	203,486
Equipment	522,468	1,145	-	-	523,613
Pump Station No. 1	3,223,185	-	-	-	3,223,185
Pump Station No. 8	700,953	-	-	-	700,953
Pump Station No. 2	3,692,087	-	-	-	3,692,087
Pump Station No. 6	5,060,286	-	-	-	5,060,286
Pump Station No. 4	2,844,216	-	-	-	2,844,216
Pump Station No. 7	-	2,902,317	-	-	2,902,317
Construction in Progress	<u>2,909,598</u>	<u>-</u>	<u>-</u>	<u>2,909,598</u>	<u>-</u>
	<u>\$19,288,867</u>	<u>\$ 2,903,462</u>	<u>\$ -</u>	<u>\$ 2,909,598</u>	<u>\$19,282,731</u>

**BOARD OF LEVEE COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA**

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE G

LONG-TERM OBLIGATIONS

The following is a summary of the levee improvement bond transactions for the Levee District for the year ended June 30, 1998:

1994 Issue

Date of Issue:	September 1, 1994
Original Issue	\$ 1,500,000
Outstanding June 30, 1997	\$ 1,265,000
Redeemed in 1997-98	130,000
Outstanding, June 30, 1998	\$ 1,135,000
Interest Rates	5.40% - 6.30%
Maturity Dates	1999 - 2005
Interest Outstanding, June 30, 1998	\$ 298,583

Secured by Ad Valorem taxes, contributions from other levee districts and other revenues.

The bonds will be callable for redemption by the Levee District at any time, in whole or in part, in the inverse order of their maturities, and if less than a full maturity, then by lot within such maturity, at a redemption price of par, together with accrued interest to the date fixed for redemption.

**BOARD OF LEVEE COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA**

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE G

LONG-TERM OBLIGATIONS (Continued)
1994 Issue (Continued)

The following is the remaining maturities of principal and interest:

<u>For The Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 1999	135,000	69,870	204,870
June 30, 2000	145,000	61,838	206,838
June 30, 2001	150,000	53,065	203,065
June 30, 2002	160,000	43,915	203,915
June 30, 2003	170,000	34,075	204,075
June 30, 2004	180,000	23,535	203,535
June 30, 2005	<u>195,000</u>	<u>12,285</u>	<u>207,285</u>
	<u>\$ 1,135,000</u>	<u>\$ 298,583</u>	<u>\$1,433,583</u>

CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	<u>June 30, 1997</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 1998</u>
Bonds Payable	\$ 1,265,000	-0-	\$ 130,000	\$ 1,135,000
Compensated Absences	<u>41,776</u>	<u>5,892*</u>		<u>47,668</u>
	<u>\$ 1,306,776</u>	<u>\$ 5,892</u>	<u>\$ 130,000</u>	<u>\$ 1,182,668</u>

*Net Change

BOARD OF LEVEE COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE H

CASH AND INVESTMENTS (Time Certificates of Deposit)

CASH AND CASH EQUIVALENTS

The carrying amounts for cash and investments are as follows for the year ended June 30, 1998:

Cash in Bank - Unrestricted	\$	225,711
Cash in Bank - Restricted		-
Cash in State Treasury		376,297
Investments		<u>810,000</u>
		<u>\$1,412,008</u>

At June 30, 1998, the carrying amount of the Levee District's cash and investments (time certificates of deposit) was \$1,412,008 and the bank balance was \$1,326,308. Cash and cash equivalents are stated at cost, which approximates market. The deposits at June 30, 1998 were secured as follows:

	<u>Cash</u>	<u>Cash Equivalents</u>		<u>Total</u>
		<u>of Deposit</u>	<u>Other</u>	
Carrying Amount on Balance Sheet	<u>\$602,008</u>	<u>\$ 810,000</u>	<u>\$</u>	<u>\$1,412,008</u>
Bank Balances:				
a. Insured (FDIC) or collateralized with securities held by the entity or its agent <u>in the entity's name</u>	<u>516,308</u>	<u>810,000</u>	<u></u>	<u>1,326,308</u>
b. Collateralized with securities held by pledging financial institution's trust department or agent <u>in the entity's name</u>	<u></u>	<u></u>	<u></u>	<u></u>
c. Uncollateralized, including any securities held for the entity but <u>not in the entity's name</u>	<u></u>	<u></u>	<u></u>	<u></u>
TOTAL Bank Balances	<u>\$516,308</u>	<u>\$ 810,000</u>	<u>\$</u>	<u>\$1,326,308</u>

There were no uncollateralized securities fitting the description in (c) above during the year.

BOARD OF LEVEE COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE I

CONTRACTURAL AGREEMENTS

During the year ending June 30, 1995, the Levee District entered into an intergovernmental agreement with the Greater Lafourche Port Commission (the Port Commission). Both the Levee District and the Port Commission determined that a pontoon excavator was needed in order to perform their respective functions. Therefore, an agreement was made whereby the Levee District would purchase a pontoon excavator in its name, as owner, and the Port Commission would contribute to the Levee District \$150,000 towards the cost of the excavator. The \$150,000 was included in Miscellaneous Income in the General Fund's Statement of Revenues, Expenditures, and changes in Fund Balance.

Each party has the use of the excavator for six months each year. However, the Levee District is responsible for hiring an operator and providing salary and benefits to this employee. The Port Commission is required to pay for one-half of this cost. Both parties will share equally in the maintenance and operating costs of the excavator, and each Party will be responsible for the cost of fuel, lube and other necessary expendable items while in its use.

The agreement commenced on December 30, 1994 and is scheduled to end on December 29, 1999. Either party shall have the right to sell the excavator, if the agreement is not extended or cancelled, provided that the excavator shall first be offered to the other party at the same price of any bonafide offer.

**BOARD OF LEVEE COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA**

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE J

DUE FROM/TO OTHER FUNDS

Individual fund type balances due from/to other funds at June 30, 1998 are as follows:

<u>FUND</u>	<u>DUE FROM OTHER FUNDS</u>	<u>DUE TO OTHER FUNDS</u>
<u>General Fund</u>	\$ -	\$ 42,095
<u>Debt Service Fund</u>	42,095	-
TOTAL	<u>\$ 42,095</u>	<u>\$ 42,095</u>

NOTE K

OTHER POST-EMPLOYMENT BENEFITS

The Levee District provides certain continuing health care and life insurance benefits for its retired employees. Substantially all levee district employees become eligible for those benefits if they reach normal retirement age while working for the levee district. Those benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid by the levee district for health care for active employees and paid jointly by the employee and the levee district for life insurance. After retirement the health care premiums are paid jointly by the levee district and the retiree. The levee district recognizes the cost of providing these benefits (levee district's portion of premiums) as an expenditure when paid during the year, which was \$ 40,003 for the year ended June 30, 1998. The levee district's cost of providing retiree health care and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the year ended June 30, 1998 the costs of retiree benefits totaled \$ 4,688. The Levee District's group plan at the end of the year included one retiree and ten active employees.

SUPPLEMENTARY INFORMATION

BOARD OF LEVEE COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA

SCHEDULE I
PER DIEM PAID BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 1998

	<u>NUMBER OF MEETINGS</u>	<u>AMOUNT</u>
Ronald Callais	14	1050
Ernest J. Gremillion	12	900
Leon Theriot	24	1800
Edles J. Williams	14	1050
Russell Bruce	10	750
Ernest Richoux, Jr.	7	525
Monty Vegas	11	825
Lula Auenson	14	1050
Joseph P. Leonard III	<u>13</u>	<u>975</u>
Total	<u>119</u>	<u>8,925</u>

A PROFESSIONAL CORPORATION

P.O. Box 965

LAROSE, LA 70373

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

**Board of Levee Commissioners of the
South Lafourche Levee District**
State of Louisiana
Galliano, Louisiana

We have audited the general purpose financial statements of **BOARD OF LEVEE COMMISSIONERS OF THE SOUTH LAFOURCHE LEVEE DISTRICT**, component unit of the State of Louisiana, as of and for the year ended June 30, 1998, and have issued our report thereon dated September 14, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

BOARD OF LEVEE COMMISSIONERS OF THE
SOUTH LAFOURCHE LEVEE DISTRICT

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **BOARD OF LEVEE COMMISSIONERS OF THE SOUTH LAFOURCHE LEVEE DISTRICT's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.



Aldon G. Wahl, Jr.
Certified Public Accountant

September 14, 1998

BOARD OF LEVEE COMMISSIONERS
SOUTH LAFOURCHE LEVEE DISTRICT
STATE OF LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 1998

NONE.