

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
ALL FUND TYPES AND ACCOUNT GROUPS**

Balance Sheet, December 31, 1996

	GOVERNMENTAL FUNDS		
	GENERAL FUND	SERIES 1989 DEBT SERVICE FUND	BOND REFERENDUM CAPITAL PROJECTS FUND
ASSETS AND OTHER DEBITS			
Assets:			
Cash (note 2)	\$1,362,025	\$436,043	\$1,409,838
Receivables (note 3)	1,856,958	725,547	9,500
Interfund receivables (note 13)		15,130	
Inventory	22,104		
Fixed assets (note 4)			
Other debits:			
Amount available in debt service funds (note 12)			
Amount to be provided for retirement of general long-term obligations			
TOTAL ASSETS AND OTHER DEBITS	<u><u>\$3,241,087</u></u>	<u><u>\$1,176,720</u></u>	<u><u>\$1,419,338</u></u>
LIABILITIES, EQUITY, AND OTHER CREDITS			
Liabilities:			
Payables (note 9)	\$32,237	\$20	\$666,310
Interfund payables (note 13)	15,130		
Deductions from ad valorem tax payable - retirement systems	55,468	22,981	
Accrued for compensated absences (note 7)			
Deferred revenue			93,490
Bonds payable (note 10)			
Total Liabilities	<u>102,835</u>	<u>23,001</u>	<u>759,800</u>
Equity and Other Credits:			
Investment in general fixed assets			
Fund balances:			
Reserved (note 12)	22,104	1,153,719	
Unreserved - undesignated	3,116,148		659,538
Total Equity and Other Credits	<u>3,138,252</u>	<u>1,153,719</u>	<u>659,538</u>
TOTAL LIABILITIES, EQUITY, AND OTHER CREDITS	<u><u>\$3,241,087</u></u>	<u><u>\$1,176,720</u></u>	<u><u>\$1,419,338</u></u>

The accompanying notes are an integral part of this statement.

Statement A

ACCOUNT GROUPS		
GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	TOTAL (MEMORANDUM ONLY)
		\$3,207,906
		2,592,005
		15,130
		22,104
\$26,727,942		26,727,942
	\$1,153,719	1,153,719
	5,313,729	5,313,729
<u>\$26,727,942</u>	<u>\$6,467,448</u>	<u>\$39,032,535</u>
		\$698,567
		15,130
		78,449
	\$62,448	62,448
		93,490
	6,405,000	6,405,000
<u>NONE</u>	<u>6,467,448</u>	<u>7,353,084</u>
\$26,727,942		26,727,942
		1,175,823
		3,775,686
<u>26,727,942</u>	<u>NONE</u>	<u>31,679,451</u>
<u>\$26,727,942</u>	<u>\$6,467,448</u>	<u>\$39,032,535</u>

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
GOVERNMENTAL FUNDS**

**Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 1996**

	GENERAL FUND	SERIES 1989 DEBT SERVICE FUND	BOND REFERENDUM CAPITAL PROJECTS FUND	TOTAL (MEMORANDUM ONLY)
REVENUES				
Ad valorem taxes	\$1,794,507	\$747,283		\$2,541,790
Intergovernmental revenue:				
State revenue sharing	163,000			163,000
State grants and contracts	86,078		\$4,167,129	4,253,207
Use of money and property:				
Interest earnings	79,854	21,269	51,621	152,744
Royalties	40			40
Other income	4,920			4,920
Total revenues	<u>2,128,399</u>	<u>768,552</u>	<u>4,218,750</u>	<u>7,115,701</u>
EXPENDITURES				
Public works:				
General administrative	117,351			117,351
Employee related benefits	106,593			106,593
Travel	2,907			2,907
Professional services	21,512			21,512
Contractual services	162,152			162,152
Materials and supplies	2,744			2,744
Equipment purchases	102,255			102,255
Deductions from ad valorem taxes for retirement systems	55,469	22,981		78,450
Levee maintenance	296,657			296,657
Pumping stations	545,958			545,958
Capital outlay			4,973,970	4,973,970
Debt service:				
Principal		310,000		310,000
Interest and other costs		358,564		358,564
Other	1,537			1,537
Total expenditures	<u>1,415,135</u>	<u>691,545</u>	<u>4,973,970</u>	<u>7,080,650</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	713,264	77,007	(755,220)	35,051
FUND BALANCES AT BEGINNING OF YEAR	2,419,132	1,076,712	1,414,758	4,910,602
INCREASE IN INVENTORY	5,856	NONE	NONE	5,856
FUND BALANCES AT END OF YEAR	<u>\$3,138,252</u>	<u>\$1,153,719</u>	<u>\$659,538</u>	<u>\$4,951,509</u>

The accompanying notes are an integral part of this statement.

LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANASchedule of Per Diem Paid Board Members
For the Year Ended December 31, 1996

	<u>NUMBER</u>	<u>AMOUNT</u>
Michael Fradella	13	\$975
George E. Lopez, President	13	975
Ronald Neal	14	<u>1,050</u>
Total		<u><u>\$3,000</u></u>

LEGISLATIVE AUDITOR

LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
Audit Report, December 31, 1996

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental information schedule listed in *the table of contents is presented for the purpose of additional analysis and is not a required part of the general purpose financial statements of Lake Borgne Basin Levee District.* Such information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is stated fairly in all material respects in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

JES:LWM:dl

[LBBLD]



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

DANIEL G. KYLE, PH.D., CPA, CFE
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March 17, 1997

Independent Auditor's Report on
the Financial Statements

**BOARD OF LEVEE COMMISSIONERS OF THE
LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA**
Violet, Louisiana

We have audited the accompanying general purpose financial statements of the Lake Borgne Basin Levee District, a component unit of the State of Louisiana, as of and for the year ended December 31, 1996, as listed in the foregoing table of contents. These financial statements are the responsibility of management of the Lake Borgne Basin Levee District. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Lake Borgne Basin Levee District as of December 31, 1996, and the results of operations for the year then ended, in conformity with generally accepted accounting principles.

As discussed in note 14, the levee district has been named in two lawsuits. For one of the lawsuits, the probability of an unfavorable outcome cannot be reasonably determined by the levee district's legal counsel. Accordingly, no provision for any liability has been made in the general purpose financial statements for losses relating to this lawsuit.

We have also issued separate reports dated March 17, 1997, on internal control structure and compliance with laws and regulations as required by *Government Auditing Standards*, issued by the Comptroller General of the United States.

Statement C

SERIES 1989 DEBT SERVICE FUND			BOND REFERENDUM CAPITAL PROJECTS FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$691,477	\$747,283	\$55,806			
20,080	21,269	1,189	\$4,210,000	\$4,167,129	(\$42,871)
			54,514	51,621	(2,893)
<u>711,557</u>	<u>768,552</u>	<u>56,995</u>	<u>4,264,514</u>	<u>4,218,750</u>	<u>(45,764)</u>
21,270	22,981	(1,711)			
			4,424,022	4,973,970	(549,948)
310,000	310,000				
358,552	358,564	(12)			
<u>689,822</u>	<u>691,545</u>	<u>(1,723)</u>	<u>4,424,022</u>	<u>4,973,970</u>	<u>(549,948)</u>
21,735	77,007	55,272	(159,508)	(755,220)	(595,712)
1,076,712	1,076,712	NONE	1,414,758	1,414,758	NONE
NONE	NONE	NONE	NONE	NONE	NONE
<u>\$1,098,447</u>	<u>\$1,153,719</u>	<u>\$55,272</u>	<u>\$1,255,250</u>	<u>\$659,538</u>	<u>(\$595,712)</u>

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA**

General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended December 31, 1996
With Supplemental Information Schedule

CONTENTS

	Statement	Page No.
Independent Auditor's Report on the Financial Statements		2
General Purpose Financial Statements:		
Balance Sheet - All Fund Types and Account Groups	A	4
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	6
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (GAAP Basis) and Actual - Governmental Funds	C	7
Notes to the Financial Statements		9
	Schedule	Page No.
Supplemental Information Schedule - Schedule of Per Diem Paid Board Members	1	21
	Exhibit	
Other Reports Required by <i>Government Auditing Standards</i> :		
Report on Internal Control Structure Based Solely on an Audit of the General Purpose Financial Statements	A	
Report on Compliance With Laws and Regulations	B	

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA**

Notes to the Financial Statements
As of and for the Year Ended December 31, 1996

INTRODUCTION

The Lake Borgne Basin Levee District was created by Louisiana Revised Statute (R.S.) 38:291(G). The Lake Borgne Basin Levee District is comprised of all the territory contained within the Parish of St. Bernard. The levee district primarily provides flood protection for those areas contained in the district. The levee district is responsible for 60 miles of levees, 8 pumping stations, and 53 miles of drainage canals. The governing board administers the operations and responsibilities of the levee district in accordance with the provisions of Louisiana statutes. The Board of Commissioners of the Lake Borgne Basin Levee District consist of 3 members appointed by the governor. The board has 32 employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The levee district is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the commissioners and public service is rendered within the state's boundaries. The accompanying statements present information only as to the transactions of the Lake Borgne Basin Levee District, a component unit of the State of Louisiana. Annually, the State of Louisiana issues general purpose financial statements, which include the activity contained in the accompanying financial statements.

C. FUND ACCOUNTING

The levee district uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
Violet, Louisiana**

**General Purpose Financial Statements
and Independent Auditor's Reports
As of and for the Year Ended December 31, 1996
With Supplemental Information Schedule**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

May 7, 1997

LEGISLATIVE AUDIT ADVISORY COUNCIL

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Representative David Vitter

LEGISLATIVE AUDITOR

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

DIRECTOR OF FINANCIAL AND COMPLIANCE AUDIT

Albert J. Robinson, Jr., CPA

LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

The annual requirements to amortize the outstanding bond issues at December 31, 1996, including interest of \$2,489,684, are as follows:

<u>Fiscal year</u>	<u>1989 General Obligation Bonds</u>	<u>1993 General Obligation Refunding Bonds</u>	<u>Series 1989 Debt Service Fund Total</u>
1997	\$306,519	\$361,332	\$667,851
1998	307,237	363,319	670,556
1999	311,100	360,004	671,104
2000		674,570	674,570
2001		676,290	676,290
2002-2006		3,439,479	3,439,479
2007-2009		2,094,834	2,094,834
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$924,856</u>	<u>\$7,969,828</u>	<u>\$8,894,684</u>

11. OUTSTANDING DEFEASED DEBT

On September 1, 1993, the levee district defeased \$4,930,000 of its General Obligation Bonds, Series 1989, by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the trust accounts and the liability for the defeased bonds are not included in the levee district's financial statements.

The defeased bonds mature February 1, 2000, to February 1, 2009, in varying amounts and will be called for redemption on February 1, 1999, at the principal amount thereof and accrued interest to the date fixed for redemption.

12. RESERVED FUND BALANCES

The reserved fund balances at December 31, 1996, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Reserved for:			
Inventory	\$22,104		\$22,104
Debt service		\$1,153,719	1,153,719
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$22,104</u>	<u>\$1,153,719</u>	<u>\$1,175,823</u>

LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

13. INTERFUND RECEIVABLES/PAYABLES

The interfund receivables/payables at December 31, 1996, are as follows:

	Interfund	
	<u>Receivables</u>	<u>Payables</u>
Debt Service Funds - Series 1989	\$15,130	
General Fund		\$15,130
Total	<u>\$15,130</u>	<u>\$15,130</u>

The interfund receivables and payables resulted from the General Obligation Bonds, Series 1989 Fund ad valorem taxes being deposited to the General Fund.

14. LITIGATION AND CLAIMS

The levee district is a defendant or codefendant in two lawsuits in which the plaintiffs allege property damage and personal injury. One of these lawsuits is covered by insurance. For the other lawsuit, the probability of an unfavorable outcome and the potential liability to the levee district cannot be reasonably determined by the levee district's legal counsel.

15. LEVEE DISTRICT TAXES

Article 6, Section 39 of the Louisiana Constitution of 1974 provides that for the purpose of constructing and maintaining levees, levee drainage, flood protection, hurricane flood protection, and all other purposes incidental thereto, the levee district may levy annually a tax not to exceed five mills. If the levee district needs to raise additional funds in excess of the amount collected constitutionally, the taxes in excess of five mills must be approved by a majority vote of the electors. By the special election held in the Parish of St. Bernard on October 6, 1990, voters renewed the special five-mill ad valorem tax on all property in the parish for a period of 10 years, beginning with the year 1991 and ending with the year 2000, to construct and maintain necessary levees, levee drainage, flood protection, and hurricane flood protection, and all other purposes incidental thereto. By the special election held in the Parish of St. Bernard on July 16, 1988, the voters elected to permit the Lake Borgne Basin Levee District to incur debt and issue general obligation bonds for \$6,900,000 solely for the purpose of constructing flood protection and drainage projects within the levee district. The general obligation bonds debt service are to be financed from ad valorem taxes. By the special election held in the Parish of St. Bernard on October 1, 1994, the voters authorized the Lake Borgne Basin Levee District to levy a special 10-year three-mill property tax. The purpose of this three-mill property tax is for construction and maintenance of necessary levees, levee drainage, flood protection, hurricane flood protection, and all other purposes incidental thereto. The following is a summary of authorized and levied ad valorem taxes:

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
GOVERNMENTAL FUNDS**

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget
(GAAP Basis) and Actual
For the Year Ended December 31, 1996**

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Ad valorem taxes	\$1,519,281	\$1,794,507	\$275,226
Intergovernmental revenue:			
State revenue sharing	163,000	163,000	
State grants and contracts	92,270	86,078	(6,192)
Use of money and property - interest earnings	83,749	79,854	(3,895)
Other	10,602	4,960	(5,642)
Total revenues	<u>1,868,902</u>	<u>2,128,399</u>	<u>259,497</u>
EXPENDITURES			
General administrative	120,109	117,351	2,758
Employee related benefits	97,737	106,593	(8,856)
Travel	3,152	2,907	245
Professional services	26,269	21,512	4,757
Contractual services	193,338	162,152	31,186
Materials and supplies	2,865	2,744	121
Equipment purchases	95,000	102,255	(7,255)
Deductions from ad valorem taxes for retirement systems	44,321	55,469	(11,148)
Levee maintenance	301,451	296,657	4,794
Pumping stations	515,556	545,958	(30,402)
Capital outlay - public works - flood protection			
Debt service:			
Principal			
Interest and other costs			
Other	1,275	1,537	(262)
Total expenditures	<u>1,401,073</u>	<u>1,415,135</u>	<u>(14,062)</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	467,829	713,264	245,435
FUND BALANCES AT BEGINNING OF YEAR	2,419,132	2,419,132	NONE
INCREASE IN INVENTORY	2,734	5,856	3,122
FUND BALANCES AT END OF YEAR	<u>\$2,889,695</u>	<u>\$3,138,252</u>	<u>\$248,557</u>

The accompanying notes are an integral part of this statement.

LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

G. INVENTORY

Inventory is valued at cost, which approximates market, using the first-in, first-out (FIFO) method. The cost of the General Fund inventory is recorded as an expenditure when purchased rather than when consumed.

H. FIXED ASSETS

Fixed assets are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures are not capitalized. Interest costs incurred during construction are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if historical cost is not available. Approximately 21 percent of the fixed assets are valued at estimated cost. The valuation of land, buildings, and improvements other than buildings acquired after 1986 is based on historical cost where acquisition was by purchase or construction and fair market value where acquisition was by donation. Approximately 9 percent of the fixed assets are donated and are valued at their fair market value on the date of donation.

I. DEFERRED REVENUE

These are amounts collected in the current accounting period for which asset recognition criteria have been met, but for which revenue criteria have not been met.

J. 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 current hourly rate of pay. Upon retirement, unused annual leave in excess of 300 hours and unused sick leave are used to compute retirement benefits.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure when leave is actually taken. The cost of leave privileges applicable to general government operations not requiring current resources is recorded in the general long-term obligations account group.

LEGISLATIVE AUDITOR

BOARD OF LEVEE COMMISSIONERS OF THE
LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA

Internal Control Report

March 17, 1997

Page 2

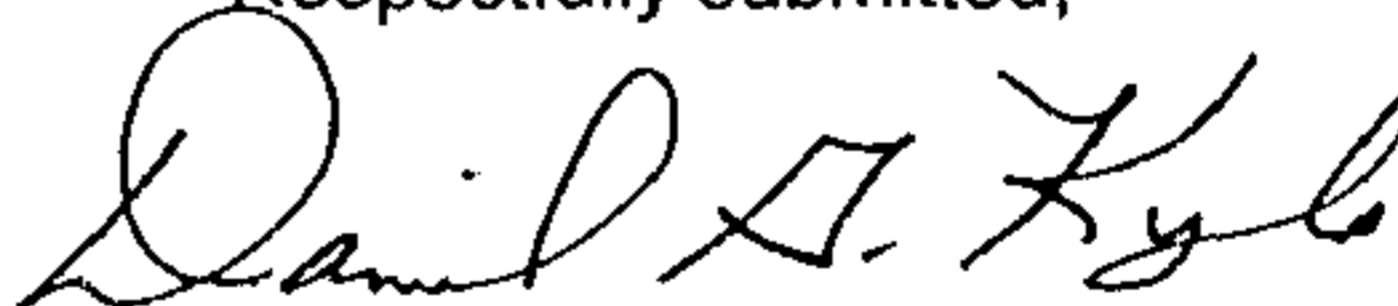
In our consideration of the internal control structure, we noted that the levee district's limited number of employees precludes segregation of duties and other features of an adequate system of internal accounting control, although to employ such controls may not be cost beneficial, which we consider 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 judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

A material weakness is a reportable 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 or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control 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 defined above. However, we believe that the reportable condition described above is a material weakness. This condition was considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of the Lake Borgne Basin Levee District for the year ended December 31, 1996.

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

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

JES:LWM:dl

(LB8L0)

EXHIBIT A

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Lake Borgne Basin Levee District
State of Louisiana
Violet, Louisiana

May 7, 1997



Financial and Compliance Audit Division

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



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

March 17, 1997

Independent Auditor's Report on Internal Control Structure Based
Solely on an Audit of the General Purpose Financial Statements

**BOARD OF LEVEE COMMISSIONERS OF THE
LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA**
Violet, Louisiana

We have audited the general purpose financial statements of the Lake Borgne Basin Levee District, a component unit of the State of Louisiana, as of December 31, 1996, and for the year then ended, and have issued our report thereon dated March 17, 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.

Management of the Lake Borgne Basin Levee 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 general purpose 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 financial statements of the Lake Borgne Basin Levee District 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 to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

EXHIBIT A

LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Concluded)

	<u>Authorized Millage</u>	<u>Levied Millage</u>
Parishwide taxes - constitutional	5.00	3.38
Special:		
October 6, 1990	5.00	4.27
July 16, 1988	6.50	4.40
October 1, 1994	3.00	2.97

The following are the principal taxpayers for the levee district:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>1996 Assessed Valuation</u>	<u>Percentage of Total Assessment Valuation</u>
Mobil Oil	Oil and gas	\$37,722,185	23%
Murphy Oil	Oil and gas	17,925,899	11%
Entergy Louisiana, Incorporated	Utility	6,151,155	4%
Bell South Telecommunications	Utility	5,959,213	4%
Domino Sugar Corporation	Sugar	5,779,711	4%
Total Minatome Corporation	Oil and gas	3,945,912	2%
Southern Natural Gas Company	Utility	3,858,080	2%
First National Bank of Commerce	Banking	2,602,817	2%
Universal Health Services	Health care	2,392,240	1%
Warren Petroleum Company	Oil and gas	2,329,482	1%
Total		<u>\$88,666,694</u>	<u>54%</u>

LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

delinquent on December 31. The taxes are generally collected in December of the current year and January and February of the ensuing year.

Interest income on demand deposits and certificates of deposits are recorded when earned and the income is available.

All other revenues are recorded when the levee district is entitled to the funds.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for accumulated annual and sick leave, which are recognized when paid, and principal and interest on general long-term debt, which are not recognized until due.

E. BUDGET PRACTICES

The levee district prepares its budget in accordance with R.S. 38:318. The managing director of the levee district submits proposed operating budgets for the General Fund, Debt Service Fund, and the Bond Referendum Capital Projects Fund to the Board of Levee Commissioners of the Lake Borgne Basin Levee District and to the general public for inspection. The budgets are prepared on the modified accrual basis of accounting. For the period under audit, the proposed budgets were advertised in the official journal September 29, 1995, October 6, 1995, and October 13, 1995. At the board meeting, October 17, 1995, the 1996 budget was formally adopted by the levee district.

The levee district does not use encumbrance accounting, except in the Bond Referendum Capital Projects Fund. All appropriations lapse at year-end. The original budget was amended once during the year.

F. CASH

Cash includes petty cash, demand deposits, and cash with paying agent. Under state law, the Lake Borgne Basin Levee District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. Furthermore, the levee district may invest in certificates of deposit of state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
SUPPLEMENTAL INFORMATION SCHEDULE
As of and for the Year Ended December 31, 1996**

PER DIEM PAID BOARD MEMBERS

The schedule of per diem paid to the board members of the Lake Borgne Basin Levee District is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Per diem payments are authorized by Louisiana Revised Statute 38:308 and are included in the general administrative expenditures of the General Fund. Board members are paid \$75 per meeting for up to 36 meetings each year.

LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

K. LONG-TERM OBLIGATIONS

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

L. FUND EQUITY - RESERVES

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

M. TOTAL COLUMNS ON STATEMENTS

The 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 or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

2. CASH

At December 31, 1996, the levee district has cash (book balances) totaling \$3,207,906 as follows:

Petty cash	\$30
Interest-bearing demand deposits	3,207,356
Demand deposits - payroll	500
Cash with paying agent	<u>20</u>
Total	<u><u>\$3,207,906</u></u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) 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 levee district has \$3,293,776 in deposits (collected bank balances) with fiscal agent banks. These deposits are secured from risk by \$202,387 of federal deposit insurance and \$3,091,389 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the levee district that the fiscal agent has failed to pay deposited funds upon demand.

3. RECEIVABLES

The following is a summary of receivables at December 31, 1996:

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Ad valorem taxes	\$1,748,292	\$725,547		\$2,473,839
State revenue sharing	108,666			108,666
Louisiana Department of Transportation and Development			\$9,500	9,500
Total	<u>\$1,856,958</u>	<u>\$725,547</u>	<u>\$9,500</u>	<u>\$2,592,005</u>

Any immaterial accounts not collected in the subsequent accounting period will be written off to the related revenue account.

4. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance January 1, 1996	Additions	Deletions	Balance December 31, 1996
Land	\$462,688			\$462,688
Buildings	1,130,251			1,130,251
Improvements other than buildings	18,152,489			18,152,489
Equipment	750,062	\$102,255	\$45,700	806,617
Construction in progress	1,350,848	4,825,049		6,175,897
Total	<u>\$21,846,338</u>	<u>\$4,927,304</u>	<u>\$45,700</u>	<u>\$26,727,942</u>

5. RETIREMENT SYSTEM

Substantially all employees of the levee district are members of the Louisiana State Employees Retirement System (System), a cost-sharing, multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

All full-time levee district employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5 percent 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 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 (504) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5 percent of gross salary, and the levee district is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 1997, increased to 12.4 percent, of annual covered payroll from the 12 percent required in the fiscal year ended June 30, 1996. The levee district contributions to the System for the years ended December 31, 1996, 1995, and 1994 were \$107,794, \$96,730, and \$84,814, respectively, equal to the required contribution for each year.

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

The levee district provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the levee district's employees become eligible for these benefits if they reach normal retirement age while working for the levee district. These benefits for retirees and similar benefits for active employees are provided through the State Employees Group Benefits Program whose monthly premiums are paid jointly by the employee and by the levee district. The levee district recognizes the cost of providing these benefits as an expenditure when paid during the year. For the year ended December 31, 1996, the cost of retiree benefits for four retirees totaled \$4,203.

7. COMPENSATED ABSENCES

At December 31, 1996, employees of the levee district have accumulated and vested \$62,448 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. This amount is recorded in the general long-term obligations account group (note 10).

8. LEASE AND RENTAL COMMITMENTS

The levee district does not have any operating or capital leases.

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

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



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

March 17, 1997

Independent Auditor's Report on Compliance With Laws and
Regulations Material to the General Purpose Financial Statements

BOARD OF LEVEE COMMISSIONERS OF THE
LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
Violet, Louisiana

We have audited the general purpose financial statements of the Lake Borgne Basin Levee District, a component unit of the State of Louisiana, as of December 31, 1996, and for the year then ended, and have issued our report thereon dated March 17, 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 Lake Borgne Basin Levee District is the responsibility of the levee district's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the levee district's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose 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 therein under *Government Auditing Standards*.

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

Respectfully submitted,

A handwritten signature in black ink that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

JES:LWM:dI
[LBBLD]

EXHIBIT B

LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the levee district are classified as governmental funds. Governmental funds account for the levee district's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds of the levee district include:

1. The General Fund is the general operating fund of the levee district and accounts for all financial resources, except those required to be accounted for in other funds.
2. The Series 1989 Debt Service Fund accumulates ad valorem tax revenues to finance debt service payments of the February 1, 1989, General Obligation Bond Issue and the subsequent August 1, 1993, General Obligation Refunding Bond Issue.
3. The Bond Referendum Capital Projects Fund accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by the governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes and the related state revenue sharing (which is based on population and homesteads in the parish) are recorded in the year the taxes are assessed. As provided by R.S. 47:1997(b), ad valorem taxes are assessed for the calendar year, become due on November 15 of each year, and become