

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Lake Borgne Basin Levee District  
State of Louisiana  
Violet, Louisiana

April 22, 1998



*Financial and Compliance Audit Division*

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*Daniel G. Kyle, Ph.D.*  
*Legislative*

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**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, 1997  
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 and New Orleans offices of the Legislative Auditor and at the office of the parish clerk of court.

April 22, 1998



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

**General Purpose Financial Statements  
and Independent Auditor's Reports  
As of and for the Year Ended December 31, 1997  
With Supplemental Information Schedule**

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OFFICE OF  
LEGISLATIVE AUDITOR  
STATE OF LOUISIANA  
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March 11, 1988

Independent Auditor's Report  
On 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, 1987, 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, 1987, and the results of operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 11, 1988, on our consideration of the Lake Borgne Basin Levee District's internal control over financial reporting and our test of its compliance with laws and regulations.

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.





LEGISLATIVE AUDITOR

LAKE BORGNE BASIN LEVEE DISTRICT  
STATE OF LOUISIANA  
Audit Report, December 31, 1997

Our audit was made for the purpose of forming an opinion on the general purpose financial statements. 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 fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

JCS-LWM:dj

PA:R

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

**Balance Sheet, December 31, 1997**

	<u>GOVERNMENTAL FUNDS</u>		
	GENERAL FUND	DEBT SERVICE FUND	(690) ACQUISITION CAPITAL PROJECTS FUND
			FUND
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
Cash and cash equivalents (note 2)	\$2,642,284	\$118,287	\$335,587
Receivables (note 3)	1,665,829	134,818	331,337
Interfund receivables (note 10)	788		
Inventory (note 10C)	27,818		
Fixed assets (note 4)			
<b>Other debits:</b>			
Amount available to debt service funds			
Amount to be provided for retirement of general long-term obligations			
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<u>\$4,364,719</u>	<u>\$253,105</u>	<u>\$666,924</u>
<b>LIABILITIES, EQUITY, AND OTHER CREDITS</b>			
<b>Liabilities:</b>			
Payables (note 6)	\$44,577	830	\$486,871
Interfund payables (note 10)		788	
Deductions from ad valorem tax payable - retirement systems	57,845	23,668	
Accrued for compensated absences (note 7)			
Bonds payable (note 10)			
<b>Total Liabilities</b>	<u>102,422</u>	<u>24,478</u>	<u>486,871</u>
<b>Equity and Other Credits:</b>			
Investment in general fixed assets			
Fund balances:			
Reserved (note 12)	57,518	1,227,948	
Unreserved - unassigned	1,838,528		188,277
<b>Total Equity and Other Credits</b>	<u>1,896,046</u>	<u>1,231,948</u>	<u>188,277</u>
<b>TOTAL LIABILITIES, EQUITY, AND OTHER CREDITS</b>	<u>\$1,998,468</u>	<u>\$1,256,426</u>	<u>\$675,148</u>

The accompanying notes are an integral part of this statement.

ACCOUNT GROUPS		TOTAL
GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	(MEMORANDUM ONLY)
		\$2,884,128
		3,182,888
		+88
		27,570
\$27,498,902		27,498,902
	\$4,227,627	4,227,627
	4,813,413	4,813,413
\$27,498,902	\$4,141,340	\$32,640,242
		\$528,228
		+88
		87,812
	\$71,348	71,348
	8,073,000	8,073,000
NOPEB	8,144,348	8,144,348
\$27,498,902		27,498,902
		1,264,880
27,498,902	NOPEB	4,273,008
\$27,498,902	\$4,141,340	\$32,640,242

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**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, 1997**

	GENERAL FUND	DEBT SERVICE FUND	BOND REFUNDING/ CAPITAL PROJECTS FUND	TOTAL (MEMORANDUM ONLY)
<b>REVENUES</b>				
As encumbrances	61,766,700	314,000		62,080,700
Intergovernmental transfer				
State-revenue sharing	180,000			180,000
State-grants and contracts	27,000		31,916,670	32,183,670
St. Bernard Parish contracts			960,190	960,190
Use of money authorized				
Interest earnings	128,200	20,000	20,800	179,000
Royalties	300			300
Other income	6,916			6,916
Total revenues	62,082,916	334,000	32,133,660	94,550,576
<b>EXPENDITURES</b>				
Public works:				
General administration	127,228			127,228
Employee-related benefits	100,000			100,000
Taxes	1,700			1,700
Professional services	21,100			21,100
Contractual services	181,288			181,288
Materials and supplies	3,048			3,048
Equipment purchase	65,000			65,000
Deductions from all retirement plans				
- for retirement systems	37,848	20,000		57,848
Local maintenance	266,431			266,431
Pumping station maintenance	594,300			594,300
Capital outlay			2,191,100	2,191,100
Debt service:				
Principal		338,000		338,000
Interest and other costs		166,000		166,000
Other	207			207
Total expenditures	1,470,862	504,000	2,191,100	4,166,162
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	60,612,054	17,000	30,942,560	91,631,614
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	5,194,000	1,463,716	666,000	6,323,716
<b>DECREASE IN INVENTORY</b>	3,411	5,000	NONE	8,411
<b>FUND BALANCES AT END OF YEAR</b>	55,806,143	18,468,716	666,000	64,940,859

The accompanying notes are an integral part of this statement.

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

**Statement of Revenues, Expenditures,  
and Changes in Fund Balance - Budget  
(GAAP Basis) and Actual  
For the Year Ended December 31, 1987**

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE UNFAVORABLE
<b>REVENUES</b>			
All other revenues	\$1,019,150	\$1,799,750	\$780,600
Intergovernmental revenue			
State revenue sharing	160,000	160,000	0
State grants and contracts		27,200	27,200
St. Bernard Parish contracts			
Use of money and property - interest earnings	68,568	128,208	69,640
Other	1,200	8,200	7,000
Total revenues	<u>1,247,718</u>	<u>2,123,358</u>	<u>875,640</u>
<b>EXPENDITURES</b>			
General administrative	150,750	127,208	23,542
Employee related benefits	199,800	190,862	9,938
Taxes	2,000	1,798	202
Professional services	27,878	21,182	6,696
Contractual services	268,207	189,268	79,939
Materials and supplies	1,804	2,048	(244)
Equipment purchases	119,000	39,282	79,718
Subsidies from all other revenues for retirement systems	67,888	67,848	40
Lease-maintenance	248,180	258,421	(10,241)
Pumping stations maintenance	800,978	591,088	209,890
Capital outlay - public works - flood-protection			
Debt service			
Principal			
Interest and other costs			
Other	2,787	787	2,000
Total expenditures	<u>2,091,934</u>	<u>1,419,887</u>	<u>672,047</u>
<b>EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES</b>	155,784	703,471	547,687
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	1,982,467	3,158,254	1,175,787
<b>INCREASE IN INVENTORY</b>	1,000	8,471	7,471
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$2,184,251</u>	<u>\$3,870,196</u>	<u>\$1,688,005</u>

The accompanying notes are an integral part of this statement.

DEBT SERVICE FUND			BOND REFERENCE CAPITAL PROJECTS FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
2023.111	2743,889	280,334			
			11,024,044	11,110,873	866,829
26.111	31,687	(2,000)	30,488	28,801	16,887
6.111		10,000			
111.111	787,583	11,000	1,085,072	1,117,583	332,452
21.212	21,000	(2,447)			
			1,308,144	1,344,186	352,660
200,000	200,000				
202,854	200,000	(2,854)			
888,579	884,024	(4,555)	1,328,172	1,344,186	166,014
28,887	71,326	42,439	(211,706)	(275,281)	(63,575)
1,100,000	1,100,779	(77,787)	500,000	500,000	107,288
160,681	160,681	160,681	160,681	160,681	6,048
81,217,779	81,227,048	9,269	840,575	808,277	32,298

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

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1997

**INTRODUCTION**

The Lake Borgne Basin Levee District was created by Louisiana Revised Statute (R.S.) 33:291(C). 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 80 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 three members appointed by the governor. The levee district has 35 full-time and 9 part-time 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**  
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 Refersendum 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.

**10. 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 households in the parish) are recorded in the year the taxes are assessed. As provided by R.S. 47:1907(c), ad valorem taxes are assessed for the calendar year, become due on November 15 of each year, and become

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

extinguish 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 is 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. 58:316. 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 27, 1995, October 4, 1996, and October 11, 1996. At the board meeting, October 15, 1996, the 1997 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 not amended during the year.

**F. CASH AND CASH EQUIVALENTS**

Cash includes petty cash, demand deposits, and cash with paying agent. Cash equivalents include amounts in time deposits. Under state law, the 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 BORNE 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 90% 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 7% of the fixed assets are donated and are valued at their fair market value on the date of donation.

**I. 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 060, 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 obligation account group.

**J. 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.

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

**K. FUND EQUITY - RESERVES**

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

**L. 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 AND CASH EQUIVALENTS**

At December 31, 1997, the levee district has cash and cash equivalents (book balances) totaling \$2,994,128 as follows:

Petty cash	\$30
Interest-bearing demand deposits	1,060,578
Certificates of deposit	1,000,000
Demand deposits - payroll	500
Cash with paying agent	<u>20</u>
<b>Total</b>	<b><u>\$2,994,128</u></b>

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, 1997, the levee district has \$2,905,897 in deposits (collected bank balances) with fiscal agent banks. These deposits are secured from risk by \$301,015 (Category 1) of federal deposit insurance and \$2,604,882 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GAAP Category 3).

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

**3. RECEIVABLES**

The following is a summary of receivables at December 31, 1997:

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Ad valorem taxes	\$1,734,798	\$734,895		\$2,469,694
State revenue sharing	166,679			166,679
Louisiana Department of Transportation and Development			\$248,670	248,670
St. Bernard Parish			288,681	288,681
Other	3,228			3,228
<b>Total</b>	<b>\$1,904,705</b>	<b>\$734,895</b>	<b>\$537,351</b>	<b>\$3,176,951</b>

**4. CHANGES IN GENERAL FIXED ASSETS**

A summary of changes in general fixed assets follows:

	Balance January 1, 1997	Acquisitions	Deletions	Balance December 31, 1997
Land	\$493,688			\$493,688
Buildings	1,179,231	149,000		1,328,231
Improvements other than buildings	19,752,489	6,798,767		26,551,256
Equipment	699,617	193,611	\$6,591	906,637
Construction in progress	6,125,667		6,175,667	
<b>Total</b>	<b>\$28,072,692</b>	<b>\$8,141,378</b>	<b>\$6,182,258</b>	<b>\$30,031,812</b>

**5. PENSION PLAN**

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.

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% 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

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

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) 822-2608 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the levee district is required to contribute at an actuarially determined rate as required P.S. 11:1002. The contribution rate for the fiscal year ended June 30, 1998, increased to 10% of annual covered payroll from the 12.4% required in fiscal year ended June 30, 1997. The levee district's contributions to the System for the years ended December 31, 1997, 1998, and 1999 were \$110,878, \$137,794, and \$88,730, 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, 1997, the cost of retiree benefits for four retirees totaled \$5,010.

**7. COMPENSATED ABSENCES**

At December 31, 1997, employees of the levee district have accumulated and vested \$71,340 of employee leave benefits, which was computed in accordance with GASB Codification Section 650. 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.

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

**9. PAYABLES**

The following is a summary of payables at December 31, 1997:

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Accounts payable	\$4,218			\$4,218
Salaries payable	31,441			31,441
Contracts payable			\$480,631	480,631
Bond interest payable		30		30
Accrued employee benefits payable	5,917			5,917
<b>Total</b>	<b>\$44,577</b>	<b>30</b>	<b>\$480,631</b>	<b>\$525,238</b>

**10. CHANGES IN GENERAL LONG-TERM  
OBLIGATIONS**

The following is a summary of the long-term obligation transactions for the year ended December 31, 1997:

	Balance January 1, 1997	Additions	Deletions	Balance December 31, 1997
General obligation bonds - Series 1989	\$850,000		\$280,000	\$570,000
General obligation refunding bonds	5,975,080		80,000	5,895,080
<b>Total general obligation bonds payable</b>	<b>6,425,080</b>	<b>NONE</b>	<b>360,000</b>	<b>6,065,080</b>
Compensated absences	83,448	38,880	80,000	42,328
<b>Total</b>	<b>\$6,508,528</b>	<b>\$38,880</b>	<b>\$320,000</b>	<b>\$6,247,408</b>

The levee district has one outstanding general obligation bond issue dated February 1, 1989, and one outstanding general obligation refunding bond issue dated August 1, 1993. The bond issue dated February 1, 1989, for \$8,900,000, was issued for the purpose of constructing flood protection and drainage projects that were specially authorized at a special election held on July 16, 1988. Bonds payable on the Series 1989 bond issue at the beginning of the year were \$830,000. A payment of \$260,000 reduced the amount to \$570,000 at December 31, 1997. The bonds bear interest rates of 7.35% to 7.40% and are due in two future annual installments of \$275,000 and \$300,000 through February 1, 1999. The bond issue dated August 1, 1993, for \$5,820,000, was issued for the purpose of advance refunding \$4,030,000 of outstanding General Obligations Bonds, Series 1988. These refunding bonds bear interest rates of 3.75% to 5.50% and are due in annual installments of \$65,000 to \$660,000 through



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

February 1, 2006. The 1988 and 1993 Series bonds are secured by and payable from a 5.10 mill ad valorem tax levy.

The annual requirements to amortize the outstanding bond issues at December 31, 1997, including interest of \$2,158,834, are as follows:

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>General Obligation Refunding Bonds</u>	<u>Total</u>
1988	\$307,237	\$363,219	\$670,456
1989	311,100	360,064	671,164
2000		674,370	674,370
2001		676,260	676,260
2002		681,144	681,144
2003-2007		3,453,661	3,453,661
2008-2009		<u>1,389,506</u>	<u>1,389,506</u>
Total	<u>\$618,337</u>	<u>\$7,668,467</u>	<u>\$8,286,804</u>

**11. OUTSTANDING DEFEASED DEBT**

On September 1, 1993, the levee district defeased \$4,930,000 of its General Obligation Bonds, Series 1988, 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, 2005, 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.

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

**12. RESERVED FUND BALANCES**

The reserved fund balances at December 31, 1997, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Reserved for Inventory	\$27,816		\$27,816
Debt service		\$1,227,048	1,227,048
<b>Total</b>	<b><u>\$27,816</u></b>	<b><u>\$1,227,048</u></b>	<b><u>\$1,254,864</u></b>

**13. INTERFUND RECEIVABLES/PAYABLES**

The interfund receivables/payables at December 31, 1997, are as follows:

	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Debt Service Funds - Series 1989	\$158	
General Fund		\$158
<b>Total</b>	<b><u>\$158</u></b>	<b><u>\$158</u></b>

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 38 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

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

majority vote of the electors. By the special election held in the Parish of St. Bernard on October 5, 1990, voters renewed the special five-mill ad valorem tax on all property in the parish for a period of ten 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 10, 1988, the voters elected to permit the Lake Borgne Basin Levee District to incur debt and issue general obligation bonds for \$8,900,000 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 ten 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.

	<u>Authorized Millage</u>	<u>Levied Millage</u>
Parishwide taxes - constitutional	5.00	3.38
Special:		
October 5, 1990	5.00	4.27
July 10, 1988	6.50	4.40
October 1, 1994	3.00	2.67

The following are the principal taxpayers for the levee district:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>1997 Assessed Valuation</u>	<u>Percentage of Total Assessment Valuation</u>
Shell Oil	Oil and gas	108,036,887	23%
Murphy Oil	Oil and gas	98,218,841	20%
Dominex Sugar Corporation	Sugar	7,613,190	1%
Entergy Louisiana, Incorporated	Utility	6,907,330	1%
Bell South Telecommunications	Utility	6,216,787	1%
Warren Petroleum Company	Oil and gas	5,257,614	1%
Southern Natural Gas Company	Utility	4,958,660	1%
Total Minerals Corporation	Oil and gas	4,023,179	1%
Hibernia National Bank of Commerce	Banking	3,278,250	1%
First National Bank of Commerce	Banking	2,879,115	1%
<b>Total</b>		<u><u>474,404,853</u></u>	<u><u>100%</u></u>

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**LAKE BORGNE BASIN LEVEE DISTRICT**  
**STATE OF LOUISIANA**  
**SUPPLEMENTAL INFORMATION SCHEDULE**  
As of and for the Year Ended December 31, 1997

**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 38:508 and are included in the general administrative expenditures of the General Fund. Board members are paid \$75 per meeting for up to 30 meetings each year. The board president, George E. Lopez, is paid a bi-weekly salary of \$250 in lieu of per diem during his term in office.

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

**Schedule of Per Diem Paid Board Members  
For the Year Ended December 31, 1997**

	<u>NUMBER</u>	<u>AMOUNT</u>	
		<u>PER DIEM</u>	<u>SALARY</u>
Michael Fracella, Vice President	13	\$975	
George E. Lopez, President	10	750	\$6,500
Ronald P. Neal	6	375	
Lloyd J. Seube			
Total		<u>\$2,100</u>	<u>\$6,500</u>

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**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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





OFFICE OF  
**LEGISLATIVE AUDITOR**  
STATE OF LOUISIANA  
BATON ROUGE, LOUISIANA 70804-0097

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March 11, 1998

Report on Compliance and on Internal Control Over Financial  
Reporting Resulting from an Audit of the General Purpose Financial Statements

**BOARD OF LEVEE COMMISSIONERS OF THE  
LAKE BORGNE BASIN LEVEE DISTRICT  
STATE OF LOUISIANA  
Vivier, 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 and for the year ended December 31, 1997, and have issued our report thereon dated March 11, 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 the Lake Borgne Basin Levee District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lake Borgne Basin Levee District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We noted that the levee district's limited number of employees precludes segregation of duties and other features of an adequate system of internal control over financial reporting, although to employ such controls may not be cost beneficial. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the levee district's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. We consider this matter to be a reportable condition.



LEGISLATIVE AUDITOR

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

Compliance and Internal Control Report

March 11, 1999

Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We believe that the reportable condition described previously is a material weakness.

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

JBB:MM:dl

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