

# STATE OF LOUISIANA LEGISLATIVE AUDITOR

Lake Borgne Basin Levee District  
State of Louisiana  
Violet, Louisiana

June 9, 1999



*Financial and Compliance Audit Division*

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*Daniel G. Kyfe, Ph.D., CPA, CFE  
Legislative Auditor*

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

**General Purpose Financial Statements**  
**and Independent Auditor's Reports**  
**As of and for the Year Ended December 31, 1999**  
**With Required Supplementary Information and**  
**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 Basin Storage and New Orleans offices of the Legislative Auditor and at the office of the parish clerk of court.*

June 9, 1999

**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, 1999  
With Required Supplementary Information and  
Supplemental Information Schedule**

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April 27, 1999

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, 1998, 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 the standards applicable to financial audits contained in the Comptroller 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, 1998, 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 April 27, 1999, 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.

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 the Lake Borgne Basin Levee District. Such

LEGISLATIVE AUDITOR

LAKE BOEGNE BASIN LEVEE DISTRICT  
STATE OF LOUISIANA  
Audit Report, December 31, 1999

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.

The Year 2000 supplementary information on page 31 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Lake Boegne Basin Levee District is or will become Year 2000 compliant, that the Lake Boegne Basin Levee District's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Lake Boegne Basin Levee District does business are or will become Year 2000 compliant.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE  
Legislative Auditor

JES:LWM:RCL:ee

11/19/99

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

Balance Sheet, December 31, 1998

	GOVERNMENTAL FUNDS		
	GENERAL FUND	DEBT SERVICE FUND	BOND INTERMEDIARY CAPITAL PROJECTS FUND
<b>ASSETS AND OTHER DEBITS</b>			
Assets:			
Cash (note 2)	\$2,397,879	\$725,547	\$495,239
Receivables (note 3)	1,660,884	375,132	
Intert fund receivable (note 13)	12,247		
Inventory (note 1-6)	23,879		
Fixed assets (note 4)			
Other debits:			
Amount available in debt service funds			
Amount to be provided for retirement of general long-term obligations			
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>\$4,112,889</b>	<b>\$1,201,689</b>	<b>\$495,239</b>
<b>LIABILITIES, EQUITY, AND OTHER CREDITS</b>			
Liabilities:			
Payables (note 5)	395,952		
Intert fund payable (note 13)		312,247	
Deductions from ad valorem tax payable - retirement systems	55,267	21,488	
Accrual for compensated absences (note 7)			
Grants payable (note 18)			
<b>Total Liabilities</b>	<b>451,219</b>	<b>333,735</b>	<b>None</b>
Equity and Other Credits:			
Investment in general fund assets			
Fund balances:			
Reserved (note 12)	20,873	1,257,890	
Unassigned - unexpended	3,870,791		\$495,239
<b>Total Equity and Other Credits</b>	<b>3,891,664</b>	<b>1,257,890</b>	<b>495,239</b>
<b>TOTAL LIABILITIES, EQUITY, AND OTHER CREDITS</b>	<b>\$4,112,883</b>	<b>\$1,291,625</b>	<b>\$495,239</b>

The accompanying notes are an integral part of this statement.

ACCOUNT GROUPS		TOTAL
GENERAL	GENERAL	
FIXED	LONG TERM	PROPERTY AND
ASSETS	OBLIGATIONS	EQUIPMENT
		\$1,823,888
		2,292,698
		10,347
		26,673
\$27,705,413		27,785,413
	\$1,257,858	1,257,858
	4,523,582	4,523,582
\$27,705,413	\$5,781,440	\$33,486,853
		848,692
		10,347
		46,743
	\$71,008	71,008
	\$,719,800	\$,719,800
NET	\$,789,808	\$,800,808
\$27,705,413		27,786,413
		1,278,829
		4,341,830
27,705,413	1,278,829	29,005,212
\$27,705,413	\$5,781,440	\$33,486,853



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, 1998

	GENERAL FUND	SEWER SERVICE FUND	BOND- REFURBISHMENT CAPITAL PROJECTS FUND	TOTAL MINORCUM (95.7)
<b>REVENUES</b>				
As allocated	\$1,821,227	\$88,023		\$1,909,250
Intergovernmental revenue:				
State without sharing	91,889			91,889
State grants and contracts	22,175			22,175
to Shared Fund accounts			\$28,828	28,828
Local money and property - intergovernmental	148,889	28,884	18,833	214,187
Other	8,577			8,577
Subscriptions	2,281,888	728,287	388,882	3,409,057
<b>EXPENDITURES</b>				
Public water:				
General administrative	114,889			114,889
Professional services	24,887			24,887
Materials	90,892			90,892
Equipment purchases	288,888			288,888
Lease maintenance	282,888			282,888
Funding station	1,720,178			1,720,178
Capital outlay - public water - Sewer production			528,888	528,888
Construction financial station loans for retirement system	82,888	21,887		104,775
Debt service:				
Principal		90,888		90,888
Interest amortization costs		24,283		24,283
Total expenditures	2,728,882	828,132	528,716	3,105,730
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>				
	148,882	28,888	18,882	196,652
<b>FUND BALANCES AT BEGINNING OF YEAR</b>	3,854,148	1,222,888	988,171	6,065,207
<b>DECREASE INVENTORY</b>	(8,882)	(788)	(188)	(10,858)
<b>FUND BALANCES AT END OF YEAR</b>	\$3,845,266	\$1,221,100	\$987,983	\$6,054,349

The accompanying notes are an integral part of this statement.

**LAKE BORGHE 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, 1988**

	GENERAL FUND		
	BUDGET	ACTUAL	UNFINISHED FAVORABLE (ADVERSE)
<b>REVENUES</b>			
Ad valorem taxes	\$1,821,000	\$1,823,287	\$2,287
Intergovernmental revenue			
State system funding	60,000	60,000	
State grants and contracts		81,116	81,116
St. Bernard Parish contracts			
Use of money and property - interest earnings	141,000	98,088	42,912
Other	20,000	9,570	10,430
Total revenues	<u>\$2,142,000</u>	<u>\$2,281,961</u>	<u>\$139,886</u>
<b>EXPENDITURES</b>			
Public works			
General and administrative	184,000	184,000	0
Professional services	11,000	34,863	(23,863)
Insurance	70,000	70,000	0
Equipment purchases	560,000	283,243	276,757
Lease maintenance	570,000	555,096	14,904
Mowing stations	1,286,000	1,120,778	165,222
Bayou Coure job lease	70,000		70,000
Capital outlay - public works - flood protection			
Deductions from ad valorem taxes for retirement system	60,000	60,000	0
Other services			
Interest			
Interest and other fees			
Total expenditures	<u>\$2,161,000</u>	<u>\$2,196,977</u>	<u>\$55,000</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$81,000</u>	<u>184,984</u>	<u>103,886</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<u>0,750,000</u>	<u>0,850,140</u>	<u>100,140</u>
<b>DECREASE IN INVENTORY</b>	<u>0</u>	<u>(0,544)</u>	<u>(0,544)</u>
<b>FUND BALANCE AT END OF YEAR</b>	<u>\$0,750,000</u>	<u>\$0,999,736</u>	<u>\$249,736</u>

The accompanying notes are an integral part of this statement.

BEST SERVICE FUND			GENE REVENUE FUND		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
890,000	890,000	\$0.00			
20,000	20,000	0.00	675,000	665,000	10,000
<u>710,000</u>	<u>710,000</u>	<u>0.00</u>	<u>175,000</u>	<u>244,500</u>	<u>69,500</u>
21,000	21,000	(0.00)	680,000	686,000	60,000
260,000	260,000				
<u>891,000</u>	<u>891,000</u>	<u>(0.00)</u>			
<u>990,000</u>	<u>990,000</u>	<u>(0.00)</u>	<u>855,000</u>	<u>831,500</u>	<u>23,500</u>
30,000	30,000	0.00	(111,000)	10,000	121,000
1,300,000	1,307,000	7,000	101,000	98,000	3,000
<u>1,630</u>	<u>1,630</u>	<u>0.00</u>	<u>1,630</u>	<u>1,630</u>	<u>0.00</u>
<u>11,210,000</u>	<u>11,217,000</u>	<u>7,000</u>	<u>11,210,000</u>	<u>11,201,000</u>	<u>9,000</u>

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

Notes to the Financial Statements  
As of and for the Year Ended December 31, 1998

**INTRODUCTION**

The Lake Borgne Basin Levee District was created by Louisiana Revised Statute (R.S.) 38:291(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 board has 34 full-time and 7 part-time employees.

**I. 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 2106 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 for 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 households in the parish) are recorded in the year the taxes are assessed. As provided by R.S. 47:1907(b), 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)

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 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. 33:318. 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 year ended December 31, 1996, the proposed budgets were advertised in the official journal October 24, 1997, October 31, 1997, and November 7, 1997. At the board meeting, November 18, 1997, the 1998 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 and demand deposits. 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**  
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 10% of the fixed assets are valued at estimated cost. The valuation of land, buildings, and improvements other than buildings acquired after 1989 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 660, 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 BASH 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 COMBINED 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, 1998, the levee district has cash (bank balances) totaling \$3,523,858 as follows:

Petty cash	\$30
Interest-bearing demand deposits	3,523,525
Demand deposits - payroll	<u>503</u>
Total	<u>\$3,523,858</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, 1998, the levee district has \$3,563,113 in deposits (collected bank balances) with fiscal agent banks. These deposits are secured from risk by \$201,000 of federal deposit insurance and \$3,362,113 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GNSS Category 3).

**3. RECEIVABLES**

The following is a summary of receivables at December 31, 1998:



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

	<u>General Fund</u>	<u>Ded Service Funds</u>	<u>Total</u>
All valuation taxes	\$1,071,481	\$570,162	\$2,141,643
State revenue sharing Louisiana Department of Natural Resources	138,671		138,671
Other	1,380		1,380
	1,181		1,181
<b>Total</b>	<u>\$1,693,634</u>	<u>\$570,162</u>	<u>\$2,263,796</u>

**4. CHANGES IN GENERAL FIXED ASSETS**

A summary of changes in general fixed assets follows:

	<u>Balance January 1, 1995</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 1995</u>
Land	\$402,000			\$402,000
Buildings	1,170,291			1,170,291
Improvements other than buildings	24,822,295			24,822,295
Equipment	<u>983,757</u>	<u>\$263,243</u>	<u>\$28,793</u>	<u>1,218,207</u>
<b>Total</b>	<u>\$27,188,343</u>	<u>\$263,243</u>	<u>\$28,793</u>	<u>\$27,422,793</u>

**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 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

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

**Notes to the Financial Statements (Continued)**

report. That report 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 70804-0213, or by calling (225) 622-0808 or (800) 255-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the levee district is required to contribute an actuarially determined rate as required by R.S. 11:100. The contribution rate for the fiscal year ended June 30, 1998, decreased to 12.4% of annual covered payroll from the 13% required in fiscal year ended June 30, 1995. The levee district contributions to the System for the years ended December 31, 1995, 1997, and 1998 were \$130,643, \$130,578, and \$107,794, 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, 1998, the cost of retiree benefits for four retirees totaled \$6,006.

**7. COMPENSATED ABSENCES**

At December 31, 1998, employees of the levee district have accumulated and vested \$71,936 of employer leave benefits, which was computed in accordance with GASB Codification Section 200. 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.

**9. PAYABLES**

The following is a summary of payables in the General Fund at December 31, 1998:

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

Accounts payable	\$8,881
Salaries payable	37,886
Accrued employee benefits payable	<u>13,786</u>
Total	<u>\$58,553</u>

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

The following is a summary of the long-term obligation transactions for the year ended December 31, 1989:

	Balance January 1, 1989	Additions	Deletions	Balance December 31, 1989
General obligation bonds - Series 1989	\$215,000		\$215,000	\$0/0,000
General obligation refunding bonds	5,410,000		65,000	5,410,000
Total general obligation bonds payable	<u>5,625,000</u>	NONE	<u>300,000</u>	<u>5,710,000</u>
Compensated absences	71,488	\$588	NONE	72,076
Total	<u>\$5,696,488</u>	<u>\$588</u>	<u>\$300,000</u>	<u>\$5,781,076</u>

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 \$8,800,000, was issued for the purpose of constructing flood protection and drainage projects that were specially authorized at a special election held on July 18, 1989. Bonds payable on the Series 1989 bond issue at the beginning of year was \$876,000. A payment of \$375,000 reduced the amount to \$500,900 at December 31, 1989. The bonds bear interest rates of 7.40% and are due in a final installment of \$300,000 on February 1, 1999. The bond issue dated August 1, 1993, for \$5,820,000, was issued for the purpose of advance refunding \$4,930,000 of outstanding General Obligations Bonds, Series 1989. These refunding bonds bear interest rates of 4.00% to 5.55% and are due in annual installments of \$60,000 to \$60,000 through February 1, 2009. The 1989 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, 1989, including interest of \$1,846,378, are as follows:

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

Fiscal Year	General Obligation Bonds	General Obligation Refunding Bonds	Total
1999	\$211,100	\$280,804	\$491,904
2000		\$74,870	\$74,870
2001		\$78,290	\$78,290
2002		\$81,944	\$81,944
2003		\$83,805	\$83,805
2004		\$89,407	\$89,407
2005-2008		3,470,836	3,470,836
Total	<u>\$211,100</u>	<u>\$7,280,856</u>	<u>\$7,491,956</u>

**14. OUTSTANDING DEFEASSED 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, 2006, 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.

**15. RESERVED FUND BALANCES**

The reserved fund balances at December 31, 1998, are as follows:

	General Fund	Debt Service Funds	Total
Reserved for: Inventory	\$20,873		\$20,873
Debt service		\$1,287,858	1,287,858
Total	<u>\$20,873</u>	<u>\$1,287,858</u>	<u>\$1,308,731</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, 1999, are as follows:

	Interfund	
	Receivable	Payable
General Fund	\$12,247	
Debt Service Funds - Series 1989		\$12,247
Total	<u>\$12,247</u>	<u>\$12,247</u>

The interfund receivables and payables resulted from excessive ad valorem taxes being deposited to the Debt Service Fund.

**14. LITIGATION AND CLAIMS**

The levee district is a defendant or codefendant in two lawsuits in which the plaintiffs allege personal injury. One of these lawsuits will not result in a liability to the levee district. 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 1874 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 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 \$5,000,000 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, 1984, 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:

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

Notes to the Financial Statements (Continued)

	Authorized Millage	Levied Millage
Parishwide taxes - constitutional	5.00	3.30
Special:		
October 5, 1998	5.00	4.27
July 18, 1999	6.00	3.80
October 1, 1999	3.00	2.97

The following are the principal taxpayers for the levee district:

Taxpayer	Type of Business	1999 Assessed Valuation	Percentage of Total Assessment Valuation
Charbonnet Refining	Oil and gas	\$47,514,371	20%
Murphy-Oil	Oil and gas	15,892,886	10%
Shell	Oil and gas	7,800,278	4%
Energy Louisiana, Incorporated	Utility	6,806,600	4%
Dominion Sugar Corporation	Sugar	6,443,290	4%
Bell South Telecommunications	Utility	6,188,608	3%
Southern Natural Gas Company	Utility	5,439,400	3%
Total Wireline Corporation	Oil and gas	3,888,995	2%
Historic National Bank of Commerce	Banking	3,694,044	2%
First National Bank of Commerce	Banking	3,071,662	2%
<b>Total</b>		<b>\$802,877,648</b>	<b>51%</b>

**SUPPLEMENTARY INFORMATION REQUIRED BY THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD**

The following pages contain supplementary information as required by Technical Bulletin 85-1, issued by the Governmental Accounting Standards Board (GASB) in October 1985. The provisions of the GASB technical bulletin, effective for financial statements dated after October 31, 1985, require disclosures in the notes to the financial statements about the governmental entity's readiness in addressing Year 2000 issues for its computer systems and other electronic equipment. In March 1989, GASB issued Technical Bulletin 89-1, which allowed the disclosure of Year 2000 issues in required supplementary information.

**LAKE BOEGNE BASIN LEVEE DISTRICT  
STATE OF LOUISIANA  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended December 31, 1999**

**YEAR 2000 ISSUES**

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the Lake Boegne Basin Levee District's operations as early as fiscal year 1999.

The levee district has addressed the Year 2000 (Y2K) compliance issue relating to its computer systems and other electronic equipment. During calendar year 1998, the levee district replaced and upgraded its computer and other electronic equipment at a cost of \$21,058. Assurance was received from a consultant that accounting hardware and software is Y2K compliant.

In addition, the levee district's administration has contacted a majority of the manufacturers of pumps, engines, generators, switches, et cetera, to determine whether or not pumping stations and/or other equipment will experience any problems relative to the Year 2000 issue. The responses received to date indicate that all major equipment is Y2K compliant. While the levee district is still awaiting some responses on smaller equipment, administrators do not anticipate any problems. However, because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determined until the Year 2000 and thereafter. Consequently, management cannot guarantee that the levee district's remediation efforts will be successful in whole or in part, or that parties with whom the levee district does business will be Year 2000 ready.



**LAKE BORGNE BASIN LEVEE DISTRICT  
STATE OF LOUISIANA  
SUPPLEMENTAL INFORMATION SCHEDULE  
As of and for the Year Ended December 31, 1999**

**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 (R.S. ) 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. The board president, Mr. George E. Lopez, is paid a biweekly salary of \$250 in lieu of per diem during his term in office, as authorized by R.S. 38:308.

LAKE BORDO (BRAIN LIVER) DISTRICT  
STATE OF LOUISIANASchedule of Per Diem Paid Board Members  
For the Year Ended December 31, 1999

	NUMBER	AMOUNT	
		PER DIEM	SALARY
Michael Facella, Vice President	12	\$875	
George B. Lopez, President			\$8,580
Lloyd J. Seute	12	\$875	
Total		\$1,950	\$8,580

**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  
BAYOU BOULE, LOUISIANA 70004-5100

DARRELL G. EYRE, PRES., CPA, CFE  
LEGISLATIVE AUDITOR

4400 NORTH TERRACE BLVD.  
SUITE 1000, SUITE 1400  
TELEPHONE: (504) 589-6600  
FACSIMILE: (504) 589-6600

April 27, 1990

**Report on Compliance and on Internal Control Over Financial  
Reporting Based 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 and for the year ended December 31, 1989, and have issued our report thereon dated April 27, 1990. 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 the 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

April 27, 1999

Page 3

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

JES:LHM:RCL:es

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