

2017

PONTCHARTRAIN LEVEE DISTRICT, LOUISIANA

FINANCIAL REPORT

JUNE 30, 2004

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

Release Date 9.1.04



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INDEPENDENT AUDITORS' REPORT

Board of Levee Commissioners of
Pontchartrain Levee District
State of Louisiana
Lutcher, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pontchartrain Levee District, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the District's financial statements as listed in the table of contents. These financial statements are the responsibility of the Pontchartrain Levee District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Pontchartrain Levee District as of June 30, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 17, 2004 on our consideration of the Pontchartrain Levee District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the other required supplementary information on pages 3 through 8 and 31, respectively, are not a required part of the basic financial statements but are 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 express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Pontchartrain Levee District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Annual Financial Statement Reporting Packet, presented as supplementary information on pages 32 through 52, is not a required part of the basic financial statements, but is supplementary information required by Louisiana's Office of Statewide Reporting and Accounting Policy. This information has been subjected to the auditing procedures applied in the audit of the accompanying financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the accompanying financial statements taken as a whole.

Prothman & Nettleton

Donaldsonville, Louisiana

August 17, 2004

PONTCHARTRAIN LEVEE DISTRICT
MANAGEMENT' S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

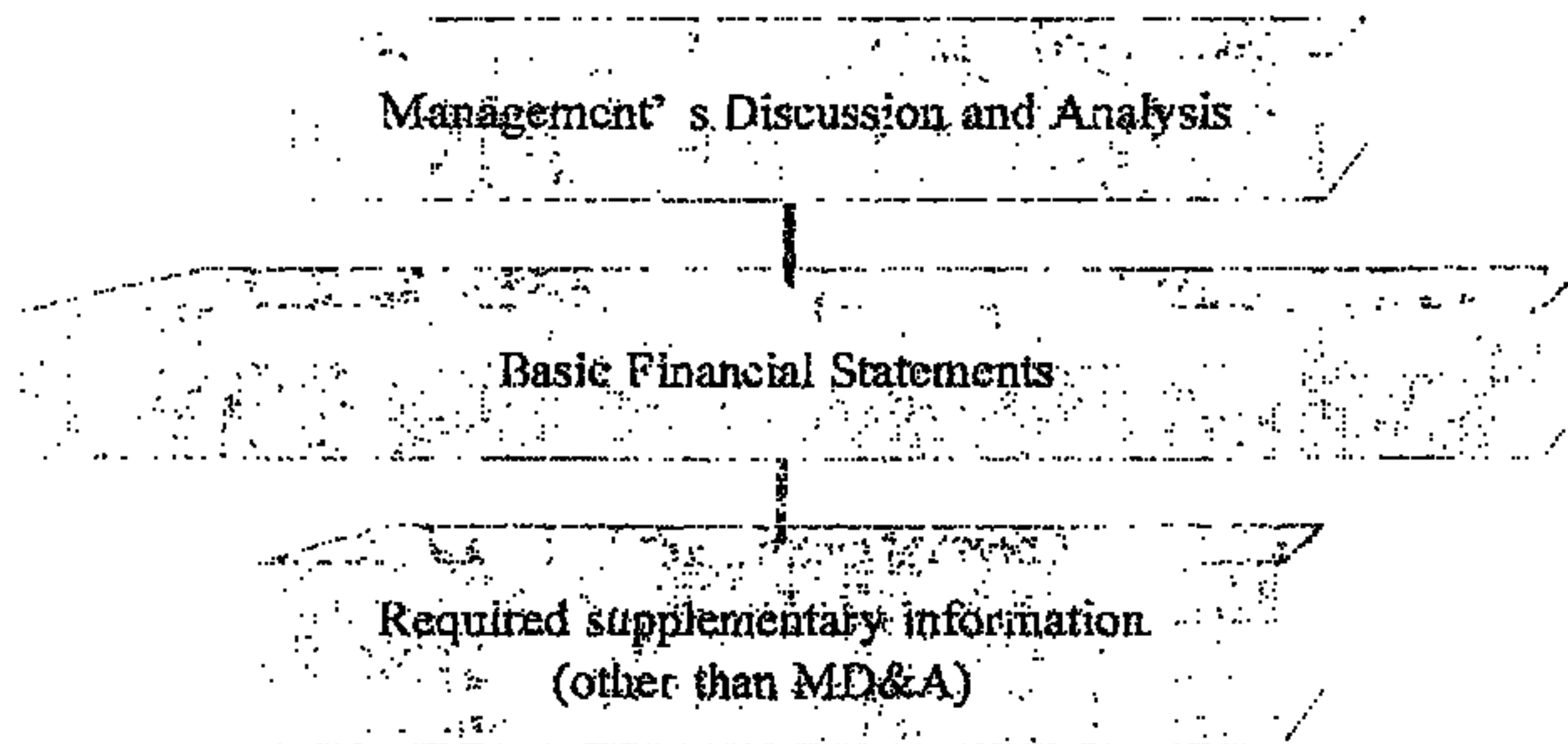
The Management's Discussion and Analysis of the Pontchartrain Levee District's financial performance presents a narrative overview and analysis of Pontchartrain Levee District's financial activities for the year ended June 30, 2004. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information.

FINANCIAL HIGHLIGHTS

- ★ The Pontchartrain Levee District's assets exceeded its liabilities at the close of fiscal year 2004 by \$35,437,781 which represents a 1.76% increase from last fiscal year. The net assets increased by \$613,015 or 1.76% from the prior fiscal year.
- ★ The Pontchartrain Levee District's revenue increased \$903,217 (or 17.1%).

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



PONTCHARTRAIN LEVEE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

Basic Financial Statements

The basic financial statements present information for the Pontchartrain Levee District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; and the Statement of Activities

The Statement of Net Assets (page 9) presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Pontchartrain Levee District is improving or deteriorating.

The Statement of Activities (page 10) presents information showing how Pontchartrain Levee District's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

PONTCHARTRAIN LEVEE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
as of June 30, 2004

	Total	
	2004	2003
Current and other assets	\$ 34,051,117	\$ 33,395,180
Capital assets	1,653,580	1,676,239
Total assets	35,704,697	35,071,419
Other liabilities	140,676	116,765
Compensated Absences Payable	126,240	129,888
Total liabilities	266,916	246,653
Net assets:		
Invested in capital assets, net of debt	1,653,580	1,676,239
Unrestricted	33,784,201	33,148,527
Total net assets	\$ 35,437,781	\$ 34,824,766

Net assets of Pontchartrain Levee District's increased by \$613,015, or 1.76%, from June 30, 2003 to June 30, 2004.

PONTCHARTRAIN LEVEE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

Statement of Revenues, Expenses, and Changes in Fund Net Assets
for the years ended June 30, 2004

	Total	
	2004	2003
Operating Revenues	\$ -	\$ -
Operating Expenses		
Levee Maintenance	5,577,483	4,667,967
Total Operating Expense	5,577,483	4,667,967
Operating (loss)	(5,577,483)	(4,667,967)
Non-operating revenues		
Taxes	4,527,797	4,181,782
Grants	-	75,038
State Appropriations	1,342,981	303,035
Investment Income	262,562	581,614
Miscellaneous	57,158	145,809
Total non-operating revenues	6,190,498	5,287,278
Net increase in net assets	\$ 613,015	\$ 619,311

The Pontchartrain Levee District's total revenues increased by \$ 903,220 or 17.1%.

PONTCHARTRAIN LEVEE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

CAPITAL ASSET

Capital Assets

At the end of 2004, the Pontchartrain Levee District had \$1,653,580 invested in a broad range of capital assets, including land, building, and equipment. (See Table below).

This amount represents a net decrease (including additions and deductions) of \$22,659, or 1.4%, over last year.

**Capital Assets at Year-end
(Net of Depreciation)**

	2004	2003
Land	\$ 764,942	\$ 764,942
Buildings	218,494	232,856
Equipment	670,144	678,441
Totals \$	1,653,580	\$ 1,676,239

Depreciation expense for 2004 was \$235,266.

This year's major additions included:

- Purchase of six vehicles totaling \$115,458.
- Purchase of a generator totaling \$29,500.
- Purchase of two tractors totaling \$70,048.

This year's major disposals included:

- The disposal of three tractors in the amount of \$58,643.
- The disposal of five vehicles in the amount of \$80,897.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

Revenues were approximately \$132,158 under budget and expenditures were \$695,797 less than budget.

PONTCHARTRAIN LEVEE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Pontchartrain Levee District's elected and appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- Property tax millages will be the same as prior years.
- Expenditures are expected to remain consistent with current years.

The Pontchartrain Levee District expects that next year's results to be consistent with the current year.

CONTACTING THE PONTCHARTRAIN LEVEE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Pontchartrain Levee District's finances and to show the Pontchartrain Levee District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Clinton Rouyea at (225) 869-9721.

**PONTCHARTRAIN LEVEE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004**

ASSETS

CURRENT ASSETS:

Cash	\$ 14,911,634
Certificates of deposit	17,918,000
Receivables	1,204,030
Inventories	17,453
Total current assets	<u>34,051,117</u>

NONCURRENT ASSETS:

Capital assets, net of accumulated depreciation	<u>1,653,580</u>
Total noncurrent assets	<u>1,653,580</u>
Total assets	<u>\$ 35,704,697</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 75,460
Salaries and wages payable	54,322
Accrued liabilities	10,894
Total current liabilities	<u>140,676</u>

NON-CURRENT LIABILITIES:

Compensated absences payable	126,240
Claims payable	500,000
Total long-term liabilities	<u>626,240</u>
Total liabilities	<u>766,916</u>

NET ASSETS

Invested in capital assets, net of related debt	1,653,580
Unrestricted	<u>33,284,201</u>
Total net assets	<u>34,937,781</u>
Total liabilities and net assets	<u>\$ 35,704,697</u>

The accompanying notes are an integral part of this financial statement.



**PONTCHARTRAIN LEVEE DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2004**

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Claims Expense	\$ 500,000	\$ -	\$ -	\$ -	\$ (500,000)
Levee Maintenance	5,577,483	-	1,027,213	-	(4,550,270)
	\$ 6,077,483	\$ -	\$ 1,027,213	\$ -	\$ (5,050,270)
 General revenues:					
Taxes					4,527,797
State appropriations					315,768
Investment income					262,562
Miscellaneous					57,158
Total general revenues, special items, and transfers					5,163,285
Change in net assets					113,015
Net assets - beginning					34,824,766
Net assets - ending					\$ 34,937,781

The accompanying notes are an integral part of this financial statement.



**PONTCHARTRAIN LEVEE DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2004**

	General	Special Construction Fund	West Shore Feasibility Study Fund	Total (Memorandum Only)
<u>ASSETS</u>				
Cash	\$ 2,727,792	\$ 11,793,472	\$ 390,370	\$ 14,911,634
Certificates of Deposit	7,736,000	10,182,000	-	17,918,000
Receivable, net	94,904	1,109,126	-	1,204,030
Inventories, at cost	17,453	-	-	17,453
TOTAL ASSETS	<u>\$ 10,576,149</u>	<u>\$ 23,084,598</u>	<u>\$ 390,370</u>	<u>\$ 34,051,117</u>
<u>LIABILITIES AND EQUITY</u>				
Liabilities:				
Accounts payable	\$ 44,592	\$ 30,868	\$ -	\$ 75,460
Salaries and wages payable	54,322	-	-	54,322
Accrued liabilities	10,894	-	-	10,894
Total liabilities	<u>109,808</u>	<u>30,868</u>	<u>-</u>	<u>140,676</u>
Fund Equity:				
Fund balance:				
Reserved for inventory	17,453	-	-	17,453
Reserved for emergencies	25,000	-	-	25,000
Reserved for flood flight/contingencies	50,000	-	-	50,000
Unreserved-undesignated	10,373,888	23,053,730	390,370	33,817,988
Total equity	<u>10,466,341</u>	<u>23,053,730</u>	<u>390,370</u>	<u>33,910,441</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 10,576,149</u>	<u>\$ 23,084,598</u>	<u>\$ 390,370</u>	<u>\$ 34,051,117</u>

The accompanying notes are an integral part of this statement.

**PONTCHARTRAIN LEVEE DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004**

Total Fund Balances at June 30, 2004 - Governmental Funds		\$ 33,910,441
Cost of capital assets at June 30, 2004	\$ 2,935,415	
Less: Accumulated Depreciation as of June 30, 2004:	<u>1,281,835</u>	1,653,580
Long-term liabilities at June 30, 2004:		
Claims payable	500,000	
Compensated absences payable	<u>126,240</u>	
		<u>626,240</u>
Net Assets at June 30, 2004		<u>\$ 34,937,781</u>

The notes to the basic financial statements are an integral part of this statement.



**PONTCHARTRAIN LEVEE DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2004**

	General	Special Construction Fund	West Shore Feasibility Study Fund	Total (Memorandum Only)
<u>REVENUES</u>				
Taxes	\$ 4,527,797	\$ -	\$ -	\$ 4,527,797
Intergovernmental revenues	315,768	1,027,213	-	1,342,981
Investment Income	98,510	162,762	1,290	262,562
Other	57,158	-	-	57,158
Total revenues	<u>4,999,233</u>	<u>1,189,975</u>	<u>\$ 1,290</u>	<u>6,190,498</u>
<u>EXPENDITURES</u>				
Executive	95,030	-	-	95,030
General administrative	626,245	-	-	626,245
Levee maintenance	2,071,536	2,200,769	1,000	4,273,305
Police department	333,336	-	-	333,336
Capital outlay	230,556	-	-	230,556
Total expenditures	<u>3,356,703</u>	<u>2,200,769</u>	<u>1,000</u>	<u>5,558,472</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,642,530</u>	<u>(1,010,794)</u>	<u>290</u>	<u>632,026</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating transfers in	-	1,200,000	-	1,200,000
Operating transfers out	(1,200,000)	-	-	(1,200,000)
Total other financing sources (uses)	<u>(1,200,000)</u>	<u>1,200,000</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES	442,530	189,206	290	632,026
<u>FUND BALANCE</u>				
BEGINNING OF YEAR	<u>10,023,811</u>	<u>22,864,524</u>	<u>390,080</u>	<u>33,278,415</u>
END OF YEAR	<u>\$ 10,466,341</u>	<u>\$ 23,053,730</u>	<u>\$ 390,370</u>	<u>\$ 33,910,441</u>

The accompanying notes are an integral part of this statement.

**PONTCHARTRAIN LEVEE DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

Total Net Changes in Fund Balance for year ended June 30, 2004	\$ 632,026
Add: Capital outlay which is considered expenditures	215,011
Less: Depreciation expense for year ended June 30, 2004	(235,266)
Difference on gain of sale of assets	(2,404)
Less: Excess of compensated absences earned over compensated absences used	3,648
Less: Claims payable	<u>500,000</u>
Total changes in Net Assets, for year ended June 30, 2004	<u>\$ 113,015</u>

The notes to the basic financial statements are an integral part of this statement.



PONTCHARTRAIN LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

INTRODUCTION

The Pontchartrain Levee District was created by Louisiana Revised Statute (LSA-R.S.) 38:291(L). The Levee District includes all or portions of the following parishes: East Baton Rouge, Iberville, Ascension, St. James, St. John the Baptist, and St. Charles. The Levee District primarily provides flood protection for those areas contained in the District. The governing board administers the operations and responsibilities of the Levee District in accordance with provisions of Louisiana statutes. The Board of Commissioners of the Pontchartrain Levee District consists of nine members appointed by the governor.

1. Summary of Significant Accounting Policies

This financial report has been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, issued in June 1999. Component units are required to initially adopt GASB Statement No. 34 for the same reporting period as the primary government. The following is a summary of the District Attorney's significant policies:

A. Basis of Presentation

In April 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

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 Pontchartrain 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 used funds 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.

PONTCHARTRAIN LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

i. Summary of Significant Accounting Policies (continued)

C. Fund Accounting (continued)

A fund is a separate accounting entity with a self-balancing set of accounts.

Funds of the Levee District that are presented in the financial statements 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. General Fund - 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. Capital Projects Fund - accounts for financial resources received and used for the acquisition, construction, or improvements of capital facilities not reported in the other governmental funds.

D. Basis of Accounting / Measurement Focus

The Governmental Wide Financial Statements (GWFS) were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB No. 33, *Accounting and Financial Reporting for Non-exchange transactions*.

Program Revenues

Program revenues included in the Statement of Activities derive directly from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Fund Financial Statements (FFS)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

PONTCHARTRAIN LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

D. Basis of Accounting / Measurement Focus (continued)

Governmental and Agency Funds are accounted for on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become measurable and available to pay current period liabilities. Commissions on fines and bond forfeitures are reported in the year they are collected by the tax collector. Grants and state appropriations are recorded when the District Attorney is entitled to the funds. Interest income on investments is recorded when earned. Substantially all other revenues are recorded when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Costs of accumulated unpaid vacation, sick leave and other employee benefit amounts are reported in the period due and payable rather than the period earned by employees, and general long-term obligations principal and interest payments are recognized only when due.

Transfers between funds that are not expected to be repaid are accounted for as other financing sources.

E. Budget Practices

The proposed General Fund budget for the fiscal year ended June 30, 2004, was completed and made available for public inspection at the Levee District's main office on February 17, 2003, and formally adopted on that date. The budget, which included proposed expenditures and the means of financing them for the General Fund, was published in the official journal on May 1, 2003. In addition to the budget, the official journal published a solicitation for comments and questions that could be addressed in the public meeting.

All appropriations lapse at year end. The Levee District does not recognize encumbrances. Budget amounts included in the accompanying financial statements include the original adopted budget amounts as amended. The budget practices of the Pontchartrain Levee District are subject to the provisions of LSA-R.S. 38:318.

F. Cash and Certificates of Deposit

Cash includes petty cash, money market accounts, and cash in the state treasury. Under state law, the Pontchartrain Levee District may deposit funds and invest in Certificates of Deposit 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.

G. Investments

The Pontchartrain Levee District may also invest in bonds, debentures and other indebtedness which are fully guaranteed by the United States, issued or guaranteed by federal agencies backed by full faith and credit of the United States and issued or guaranteed by United States government instrumentalities which are federally sponsored. Investments are stated at fair value determined by quoted market prices.

Investment income includes interest earned, realized gains and losses and unrealized gains and losses (changes in fair value).

PONTCHARTRAIN LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

H. Inventories

Inventories of fuel and mower parts are valued at the lower of cost or market and are recorded as expenditures at the time individual inventory items are purchased. The Levee District uses a periodic inventory system and values its inventory using the first-in, first-out (FIFO) valuation method. Reported inventories are equally offset by a fund balance reserve that indicates they do not constitute available spendable resources even though they are components of net current assets.

I. Capital Assets

All capital assets are capitalized at historical cost, or estimated historical costs for assets where actual cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5000 or more for capitalizing capital assets.

Capital assets are recorded in the GWFS, but are not reported in the FFS. All capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 5 to 7 years.

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 hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

The cost of current leave privileges, computed in accordance with GASB Codification Section C60, is recognized as a current year expenditure in the General Fund when the leave is actually taken.

K. Postemployment Health Care and Life Insurance Benefits

The Pontchartrain Levee District provides certain continuing health care and life insurance benefits for its retired employees. The Levee District recognized the cost of providing these retiree benefits as an expenditure when paid during the year.

PONTCHARTRAIN LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

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.

M. Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those results.

2. Cash and Certificates of Deposit

At June 30, 2004, the Levee District has cash and Certificates of Deposit (book balances) totaling \$32,829,634 as follows:

Petty Cash	\$ 50
Demand deposit accounts in banks	275,106
Regions and Bank One Treasury Money Trust Funds	11,165,123
Cash with state treasury	<u>3,471,355</u>
Total cash	<u>14,911,634</u>
Certificates of Deposit	<u>17,918,000</u>
Total cash and certificates of deposit	<u>\$ 32,829,634</u>

PONTCHARTRAIN LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

2. Cash and Certificates of Deposit (continued)

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 June 30, 2004, exclusive of the \$3,471,355 on deposit with the state treasury and the \$11,165,123 in the Regions and Bank One Treasury Money Market Trust Funds, the Levee District has \$18,196,826 in deposits (collected bank balances). Of these deposits, \$700,000 was covered by federal depository insurance, and \$24,196,256 was covered by collateral held by the pledging banks agent in the Districts name.

3. Receivables

The following is a summary of receivables at June 30, 2004:

	<u>General Fund</u>	<u>Special Construction Fund</u>	<u>West Shore Feasibility Study Fund</u>	<u>Total</u>
Ad valorem taxes	\$ 46,090	\$ -	\$ -	\$ 46,090
Use of money and property interest earnings	48,814	81,913	-	130,727
Due from DOTD-Capital	-	1,027,213	-	1,027,213
Total	<u>\$ 94,904</u>	<u>\$ 1,109,126</u>	<u>\$ -</u>	<u>\$ 1,204,030</u>

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

PONTCHARTRAIN LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

4. Capital Assets

Capital Assets and depreciation activity as of and for the year ended June 30, 2004 as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Cost of Capital Assets, June 30, 2003	\$ 764,942	\$ 474,325	\$ 1,620,677	\$ 2,859,944
Accumulated depreciation June 30, 2003	-	241,469	942,236	1,183,705
Capital assets, net of accumulated depreciation, at June 30, 2003	<u>764,942</u>	<u>232,856</u>	<u>678,441</u>	<u>1,676,239</u>
Cost of Capital Assets, June 30, 2003	764,942	474,325	1,620,677	2,859,944
Additions	-	-	215,011	215,011
Deletions	-	-	(139,540)	(139,540)
Cost of Capital Assets, June 30, 2004	<u>764,942</u>	<u>474,325</u>	<u>1,696,148</u>	<u>2,935,415</u>
Accumulated Depreciation, June 30, 2004	<u>-</u>	<u>255,831</u>	<u>1,026,004</u>	<u>1,281,835</u>
Capital assets, net of accumulated Depreciation, at June 30, 2004	<u>\$ 764,942</u>	<u>\$ 218,494</u>	<u>\$ 670,144</u>	<u>\$ 1,653,580</u>

5. Pension Plan

The Pontchartrain Levee District contributes to the Louisiana State Employees Retirement System (LASERS), a single employer defined benefit pension plan. LASERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. LASERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LASERS, 8401 United Plaza Blvd., Baton Rouge, LA 70809 or by calling (225) 922-0600.

Plan members are required to contribute 7.5% of their annual covered salary and Pontchartrain Levee District is required to contribute at an actuarially determined rate. The current rate is 15.8% of annual covered payroll. The contribution requirements of plan members are established by Louisiana Revised Statute 11:61. The contribution requirements of the Pontchartrain Levee District is established under Louisiana Revised Statute 11:101 - 11:104 annually by the Actuarial Forecasting Committee. The Levee District's contributions for the year ending June 30, 2004, 2003 and 2002 were \$203,241, \$174,639, and \$140,486, respectively, equal to the required contributions each year.

PONTCHARTRAIN LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

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 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 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 June 30, 2004, the cost of providing benefits for 49 retirees totaled \$180,360.

7. Compensated Absences

At June 30, 2004, employees of the Levee District have accumulated and vested \$126,240 of employee leave benefits, which was computed in accordance with GASB Codification Section C60.

The following is a summary of the long-term obligation transactions for the year ended June 30, 2004:

	Long Term Obligations Payable at July 1, 2003	Additions	Deletions	Long Term Obligations Payable at June 30, 2004
Compensated absences	\$ 129,888	\$ 10,048	\$ 13,696	\$ 126,240

8. Litigation and Claims

A judgment was rendered against the Pontchartrain Levee District in an expropriation proceeding concerning the construction of the Lake Pontchartrain and Vicinity Hurricane Protection Levee in St. Charles Parish, Louisiana. A liability has been recorded in the amount of \$500,000.

The Levee District is a defendant or co-defendant in several lawsuits. In the opinion of legal counsel for the Levee District, resolution of the cases involving negligence will not result in judgments against the Levee District in excess of amounts currently covered by insurance. Furthermore, the anticipated outcome of suits claiming compensation for property taken by the Levee District will be resolved either in the favor of the Levee District or will not involve amounts which are considered material to the financial statements.

PONTCHARTRAIN LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

9. Intergovernmental Revenues

The following is a summary of intergovernmental revenues at June 30, 2004:

	General Fund	Special Construction Fund	West Shore Feasibility Study Fund	Total
State revenue sharing	\$ 315,768	\$ -	\$ -	\$ 315,768
Dept of Trans & Dev	-	1,027,213	-	1,027,213
Total	<u>\$ 315,768</u>	<u>\$ 1,027,213</u>	<u>\$ -</u>	<u>\$ 1,342,981</u>

10. Construction Commitments

Lake Pontchartrain and Vicinity Hurricane Protection Project

The federal government has agreed to finance 70 percent of the cost of the Lake Pontchartrain and Vicinity Hurricane Protection Project, and the Pontchartrain Levee District will pay the remaining 30 percent of the cost. This agreement is in accordance with the Flood Control Act of 1965 as modified by the Water Resources Development Act of 1974. Local non-federal sources are required to pay at least 30 percent of the total project costs for the St. Charles portion of the Lake Pontchartrain and Vicinity Hurricane Protection Project.

The local and non-federal portion of the project is estimated to be \$26,921,000. The Pontchartrain Levee District has entered into an agreement with St. Charles Parish whereby the Pontchartrain Levee District will pay 80 percent of the non-federal portion of project costs, and St. Charles Parish will provide the remaining 20 percent.

St. Charles Parish's 20 percent commitment will be paid in 25 annual installments due and payable before the 15th day of June of each year, commencing on June 15, 1991. Due to the decrease in the estimated project cost, St. Charles Parish was not billed for the required annual installment. Therefore, no funds were received from St. Charles Parish in 2002 for its portion of the non-federal portion of the project.

Section 9 of Act 45 of the 1994 Capital Outlay Appropriations provided that all of the funds appropriated for ports and levee districts shall be administered under cooperative endeavor agreements. On February 9, 1996, the Pontchartrain Levee District entered into a cooperative endeavor agreement with the Louisiana Department of Transportation and Development (DOTD). These funds were used to provide the required local match for the cost of the Lake Pontchartrain and Vicinity Hurricane Protection Project. From inception through June 30, 2004, the Pontchartrain Levee District's total accumulated expenditures for this project were approximately \$18,194,000.

PONTCHARTRAIN LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

10. Construction Commitments (continued)

The total estimated remaining cost to be incurred by the Pontchartrain Levee District is \$8,727,000. These project costs are estimates and the amounts could change by material amounts within the next year.

West Shore Feasibility Study

The Pontchartrain Levee District has entered into an agreement with the U.S. Corps of Engineers whereby the Corps will conduct a "Feasibility Phase Study" to assess the extent of Federal interest in participating in a solution to the problem of hurricane protection and flood control in St. John the Baptist Parish. The Water Resources Act of 1996 requires local non-federal funding of 50% of the study cost.

The local non-federal portion of the study is estimated to be \$1,305,000. The Pontchartrain Levee District has entered into an agreement with St. John the Baptist Parish whereby the Pontchartrain Levee District will pay 77.5% of the non-federal portion of the study cost, and St. John the Baptist Parish will provide the remaining 22.5%.

From inception through June 30, 2004, the Pontchartrain Levee District's total accumulated expenditures for this project were \$1,002,000. The estimated remaining cost to be incurred by the Pontchartrain Levee District is \$303,000.

These study costs are estimates and the amounts could change by material amounts within the next year.

11. Levee District Taxes

Article 6, Section 39 of the 1974 Louisiana Constitution provides that for the purpose of constructing and maintaining levees, levee drainage, flood protection, hurricane flood protection, and for 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. The Levee District has levied a tax of 3.74 mills.

PONTCHARTRAIN LEVEE DISTRICT

NOTES TO FINANCIAL STATEMENTS

12. Infrastructure

The Pontchartrain Levee District does not own any infrastructure. The United States Corps of Engineers owns the levees and provides the major maintenance to the levees. The levees along the Mississippi River were built by the Corps of Engineers to control flooding from the river. The area that the Pontchartrain Levee District provides minor maintenance to is the industrial corridor along the river. As such the levees provide vital protection to the large petro-chemical industries located along the river from the annual spring rise in river levels. The following is a description of the infrastructure that the Pontchartrain Levee District provides minor maintenance to:

Mississippi River & Tributaries Levee

The Pontchartrain Levee District provides minor maintenance such as grass cutting along the east bank of the levee from East Baton Rouge Parish to St. Charles Parish which is approximately 115 miles long. The approximate cost of the levees as determined by the Corps of Engineers is \$484,064 per mile for the total cost of \$55,667,360.

SUPPLEMENTAL INFORMATION



PONTCHARTRAIN LEVEE DISTRICT

SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
For the Year Ended June 30, 2004

PER DIEM PAID BOARD MEMBERS

The schedule of per diem paid to the board members of the Pontchartrain 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.

	<u>Year Ended</u> <u>June 30, 2004</u>
Henry Baptiste	\$ 1,050
Jesse Bartley	2,700
LeVerne Brown	2,700
William Cunningham	825
Kernell Goudia	2,700
Webb Harelson	2,700
David Laborde	2,700
Blaine Sheets	1,050
Herbert Thurber	2,025
Steve Wilson	1,575
Total	<u>\$ 20,025</u>

OTHER REPORTS REQUIRED

BY

CERTIFIED PUBLIC ACCOUNTANTS





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

Board of Levee Commissioners of
Pontchartrain Levee District
State of Louisiana
Lutcher, Louisiana

We have audited the financial statements of the governmental activities, and each major fund of Pontchartrain Levee District, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, which collectively comprise the Pontchartrain Levee District's basic financial statements and have issued our report thereon dated August 17, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Pontchartrain Levee District's, a component unit of the State of Louisiana, 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 one 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 Pontchartrain Levee District's, a component unit of the State of Louisiana, internal control over financial reporting in order 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. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2004-1.

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

This report is intended solely for the information and use of the Board of Commissioners, management, others within the organization, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Donaldsonville, Louisiana

August 17, 2004

PONTCHARTRAIN LEVEE DISTRICT

Lutcher, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expressed an unqualified opinion of the financial statements of the Pontchartrain Levee District.
2. One reportable condition relating to the audit of the financial statements is reported at B-1 in this schedule. This condition is not a material weakness.
3. No instance of noncompliance material to the financial statements of the Pontchartrain Levee District were disclosed during the audit.

B. REPORTABLE CONDITION

2004-1 Lack of Segregation of Duties

Condition: The performance of accounting procedures is limited to two people.

Criteria: Internal controls should be in place that provide reasonable assurance that financial transactions are properly recorded and accounted for. Segregation of duties is an integral part of internal controls.

Effect: There is insufficient segregation of duties to have effective internal control.

Recommendation: No action is recommended.

Response: We concur in the finding and recommendation. Compensating controls exist in that the Board reviews all invoices before they are paid and the majority of revenue is received directly by the State Treasury. Additionally, it would not be cost-effective to increase the size of the staff to achieve effective segregation of duties.

PONTCHARTRAIN LEVEE DISTRICT
Lutcher, Louisiana

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2004

A. INTERNAL CONTROL AND COMPLIANCE

2003-1 Lack of Segregation of Duties

Condition: The performance of accounting procedures is limited to two people.

Recommendation: No action is recommended at this time. It would not be cost-effective to increase the size of the staff.

A similar finding was found in the current year.

REQUIRED SUPPLEMENTAL INFORMATION

GOVERNMENTAL ACCOUNTING STANDARDS BOARD



**PONTCHARTRAIN LEVEE DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2004**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
<u>REVENUES</u>				
Taxes	\$ 4,689,591	\$ 4,689,591	\$ 4,527,797	\$ (161,794)
Intergovernmental revenues	288,100	288,100	315,768	27,668
Investment Income	98,200	98,200	98,510	310
Other	55,500	55,500	57,158	1,658
Total revenues	<u>5,131,391</u>	<u>5,131,391</u>	<u>4,999,233</u>	<u>(132,158)</u>
<u>EXPENDITURES</u>				
Executive	97,300	97,300	95,030	2,270
General administrative	787,000	787,000	626,245	160,755
Levee maintenance	2,425,000	2,425,000	2,071,536	353,464
Police department	293,600	293,600	333,336	(39,736)
Capital outlay	449,600	449,600	230,556	219,044
Total expenditures	<u>4,052,500</u>	<u>4,052,500</u>	<u>3,356,703</u>	<u>695,797</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,078,891</u>	<u>1,078,891</u>	<u>1,642,530</u>	<u>563,639</u>
<u>OTHER FINANCING (USES)</u>				
Operating transfers out	(1,200,000)	(1,200,000)	(1,200,000)	-
Total other financing (uses)	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER(UNDER) EXPENDITURES AND OTHER USES	(121,109)	(121,109)	442,530	563,639
<u>FUND BALANCE</u>				
BEGINNING OF YEAR	<u>10,026,218</u>	<u>10,026,218</u>	<u>10,023,811</u>	<u>(2,407)</u>
END OF YEAR	<u>\$ 9,905,109</u>	<u>\$ 9,905,109</u>	<u>\$ 10,466,341</u>	<u>\$ 561,232</u>

The accompanying notes are an integral part of this statement.

REQUIRED SUPPLEMENTAL INFORMATION

DIVISION OF ADMINISTRATION: OFFICE OF STATEWIDE

REPORTING AND ACCOUNTING POLICY-REPORTING PACKAGE



STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

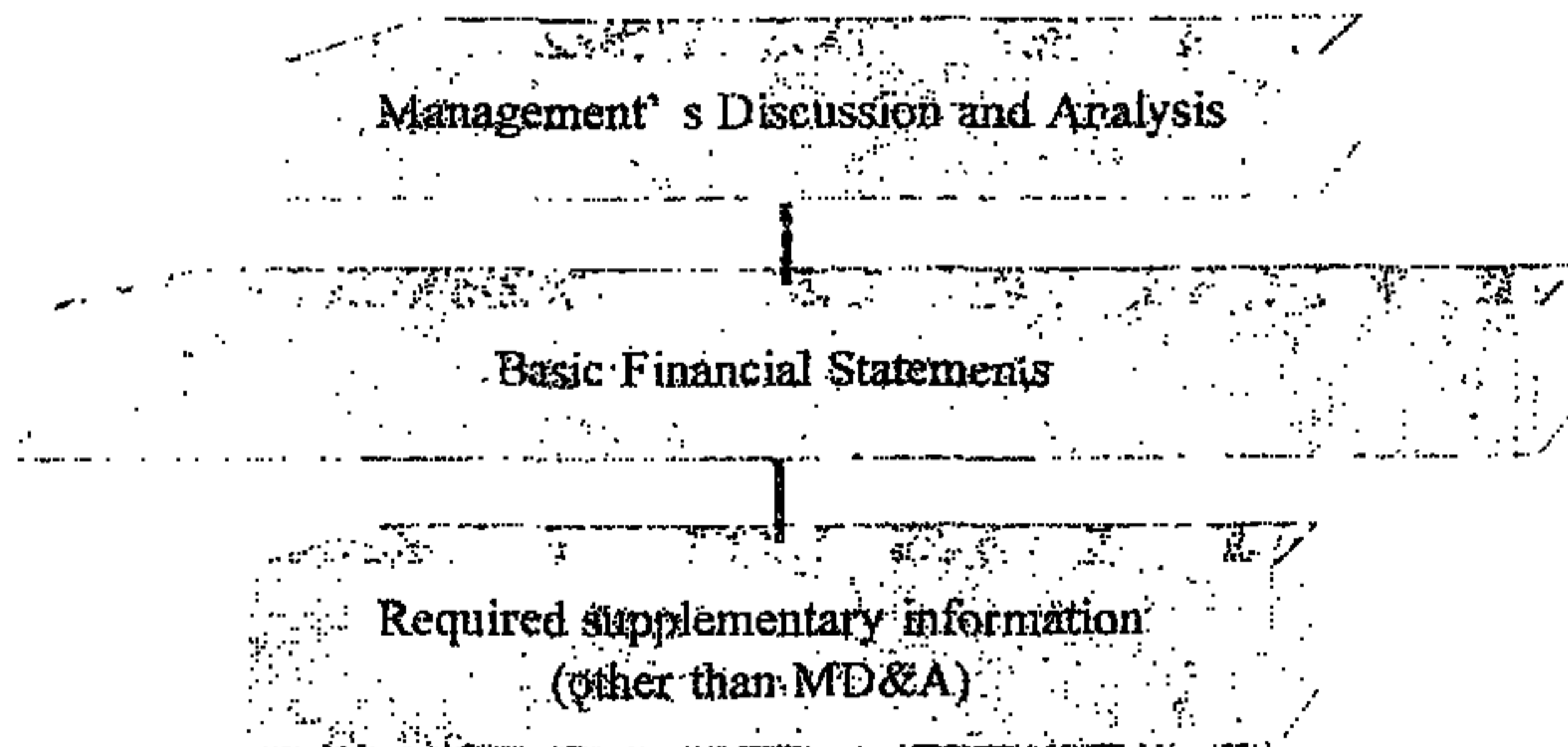
The Management's Discussion and Analysis of the Pontchartrain Levee District's (BTA) financial performance presents a narrative overview and analysis of Pontchartrain Levee District's (BTA) financial activities for the year ended June 30, 2004. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the Pontchartrain Levee District's (BTA) financial statements, which begin on page 39.

FINANCIAL HIGHLIGHTS

- ★ The Pontchartrain Levee District's (BTA) assets exceeded its liabilities at the close of fiscal year 2004 by \$35,437,781 which represents a 1.76% increase from last fiscal year. The net assets increased by \$613,015 or 1.76%.
- ★ The Pontchartrain Levee District's (BTA) revenue increased \$903,220 or 17.1%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

Basic Financial Statements

The basic financial statements present information for the Pontchartrain Levee District (BTA) as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Balance Sheet (page 39) presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of the Pontchartrain Levee District (BTA) is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (page 40) presents information showing how Pontchartrain Levee District's (BTA) assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Cash Flow Statement (pages 42-43) presents information showing how Pontchartrain Levee District's (BTA) cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income(loss) to net cash provided(used) by operating activities (indirect method) as required by GASB 34.

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
as of June 30, 2004

	Total	
	2004	2003
Current and other assets	\$ 34,051,117	\$ 33,395,180
Capital assets	1,653,580	1,676,239
Total assets	35,704,697	35,071,419
Other liabilities	140,676	116,765
Compensated Absences Payable	126,240	129,888
Total liabilities	266,916	246,653
Net assets:		
Invested in capital assets, net of debt	1,653,580	1,676,239
Unrestricted	33,784,201	33,148,527
Total net assets	\$ 35,437,781	\$ 34,824,766

Net assets of Pontchartrain Levee District's (BTA) increased by \$613,015, or 1.76%, from June 30, 2003 to June 30, 2004.

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

Statement of Revenues, Expenses, and Changes in Fund Net Assets
for the years ended June 30, 2004 and 2003

	Total	
	2004	2003
Operating Revenues	\$ -	\$ -
Operating Expenses		
Levee Maintenance	5,577,483	4,667,967
Total Operating Expense	5,577,483	4,667,967
Operating loss	(5,577,483)	(4,667,967)
Non-operating revenues(expenses)		
Taxes	4,527,797	4,181,782
Grants	-	75,038
State Appropriations	1,342,981	303,035
Investment Income	262,562	581,614
Miscellaneous	57,158	145,809
Total non-operating revenues (expenses)	6,190,498	5,287,278
Income before transfers	\$ 613,015	\$ 619,311

The Pontchartrain Levee District's total revenues increased by \$903,220 or 17.1%.

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

Statement of Cash Flows

	2004	2003
Cash and cash equivalents provided used by:		
Operating activities	\$ (5,324,361.00)	\$ (4,428,533.00)
Capital Financial Activities	(215,011)	(159,839)
Non-capital activities	4,869,959	4,704,955
Investing activities	12,067,326	1,685,059
Net increase in cash and cash equivalents	11,397,913	1,801,642
Cash and cash equivalents		
Beginning of year	3,513,721	1,712,079
End of year	\$ 14,911,634	\$ 3,513,721

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

CAPITAL ASSET

Capital Assets

At the end of 2004, the Pontchartrain Levee District (BTA) had \$1,653,580 invested in a broad range of capital assets, including land, building, and equipment.

(See Table below).

This amount represents a net decrease (including additions and deductions) of \$22,659, or 1.4%, over last year.

Capital Assets at Year-end
(Net of Depreciation, in thousands)

	2004	2003
Land	\$ 764,942	\$ 764,942
Buildings	218,494	232,856
Equipment	670,144	678,441
Totals \$	1,653,580	\$ 1,676,239

Depreciation expense for 2004 was \$253,266.

This year's major additions included:

- Purchase of six vehicles totaling \$115,458.
- Purchase of a generator totaling \$29,500.
- Purchase of two tractors totaling \$70,048.

This year's major disposals included:

- The disposal of three tractors in the amount of \$58,643.
- The disposal of five vehicles in the amount of \$80,897.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

Revenues were approximately \$132,158 under budget and expenditures were \$695,797 less than budget.

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Pontchartrain Levee District's (BTA) elected and appointed officials considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- Property tax millages will be the same as prior years.
- Expenditures are expected to remain consistent with current years.

The Pontchartrain Levee District (BTA) expects that next year's results to be consistent with the current year.

CONTACTING THE PONTCHARTRAIN LEVEE DISTRICT'S (BTA) MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Pontchartrain Levee District's (BTA) finances and to show the Pontchartrain Levee District's (BTA) accountability for the money it receives. If you have questions about this report or need additional financial information, contact Clinton Rouyea at (225) 869-9721.

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
BALANCE SHEET
JUNE 30, 2004**

ASSETS

CURRENT ASSETS:

Cash	\$ 14,911,634
Certificates of deposit	17,918,000
Receivables	1,204,030
Inventories	17,453
Total current assets	<u>34,051,117</u>

NONCURRENT ASSETS:

Capital assets, net of accumulated depreciation	1,653,580
Total noncurrent assets	<u>1,653,580</u>
Total assets	<u>\$ 35,704,697</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 75,460
Salaries and wages payable	54,322
Accrued liabilities	10,894
Total current liabilities	<u>140,676</u>

NON-CURRENT LIABILITIES:

Compensated absences payable	126,240
Claims payable	500,000
Total long-term liabilities	<u>626,240</u>
Total liabilities	<u>766,916</u>

NET ASSETS

Invested in capital assets, net of related debt	1,653,580
Unrestricted	33,284,201
Total net assets	<u>34,937,781</u>
Total liabilities and net assets	<u>\$ 35,704,697</u>

The accompanying notes are an integral part of this financial statement.



STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30, 2004

<u>OPERATING REVENUES</u>	<u>\$ -</u>
<u>OPERATING EXPENSES</u>	
Cost of services	4,715,972
Administrative	626,245
Claim expense	500,000
Depreciation	235,266
Total operating expenses	<u>6,077,483</u>
Operating loss	<u>(6,077,483)</u>
<u>NON-OPERATING REVENUES</u>	
Intergovernmental revenues	1,342,981
Taxes	4,527,797
Use of money and property	262,562
Other	57,158
Total non-operating revenues	<u>6,190,498</u>
Change in net assets	<u>113,015</u>
Total net assets - beginning	<u>34,824,766</u>
Total net assets - ending	<u>\$ 34,937,781</u>

The accompanying notes are an integral part of this financial statement.



STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
STATEMENT OF ACTIVITIES
JUNE 30, 2004

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Claims Expense	\$ 500,000	\$ -	\$ -	\$ -	\$ (500,000)
Levee Maintenance	5,577,483	-	1,027,213	-	(4,550,270)
	\$ 6,077,483	\$ -	\$ 1,027,213	\$ -	\$ (5,050,270)
 General revenues:					
Taxes					4,527,797
State appropriations					315,768
Investment income					262,562
Miscellaneous					57,158
Total general revenues, special items, and transfers					5,163,285
Change in net assets					113,015
Net assets - beginning					34,824,766
Net assets - ending					\$ 34,937,781

The accompanying notes are an integral part of this financial statement.



STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

<u>Cash flows from operating activities</u>	
Cash payments to suppliers for goods and services	\$ (3,150,573)
Cash payments to employees for services	(2,173,788)
Net cash used by operating activities	<u>(5,324,361)</u>
<u>Cash flows from non-capital financing activities</u>	
Intergovernmental revenues	315,768
Taxes	4,494,630
Other	59,561
Net cash provided by non-capital financing financing activities	<u>4,869,959</u>
<u>Cash flows from capital and related financing</u>	
Acquisition/construction of capital assets	<u>(215,011)</u>
Net cash used by capital and related financing activities	<u>(215,011)</u>
<u>Cash flows from investing activities</u>	
Sale of investment securities	12,629,734
Change in certificates of deposit	(1,000,000)
Interest and dividends earned on investment securities	437,592
Net cash provided by investing activities	<u>12,067,326</u>
 Net increase in cash and cash equivalents	 11,397,913
 Cash and cash equivalents at beginning of year	 <u>3,513,721</u>
 Cash and cash equivalents at end of year	 <u>\$ 14,911,634</u>

The accompanying notes are an integral part of this statement.

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating (loss)		\$ (6,077,483)
Adjustments to reconcile operating income (loss) to net cash		
Depreciation/amortization	235,266	
Changes in assets and liabilities:		
(Increase)decrease in inventories	(2,407)	
Increase (decrease) in accounts payable	2,740	
Increase (decrease) in salaries payable	19,556	
Increase (decrease) in accrued liabilities	1,615	
Increase (decrease) in claims payable	500,000	
Increase (decrease) in compensated absences	<u>(3,648)</u>	
		753,122
Net cash used by operating activities		<u>\$ (5,324,361)</u>

The accompanying notes are an integral part of this statement.



STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
NOTES TO THE FINANCIAL STATEMENT
AS OF JUNE 30, 2004

INTRODUCTION

The Pontchartrain Levee District (BTA) was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 38:291(L). The following is a brief description of the operations of Pontchartrain Levee District (BTA) which includes the parish/parishes in which the (BTA) is located:

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of Pontchartrain Levee District present information only as to the transactions of the programs of the Pontchartrain Levee District as authorized by Louisiana statutes and administrative regulations. Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounts of the Pontchartrain Levee District are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy as follows:

Revenue Recognition

Revenues are recognized using the full accrual basis of accounting; therefore, revenues are recognized in the accounting period in which they are earned and become measurable.

Expense Recognition

Expenses are recognized on the accrual basis; therefore, expenses, including salaries, are recognized in the period incurred, if measurable.

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
NOTES TO THE FINANCIAL STATEMENT
AS OF JUNE 30, 2004

B. BUDGETARY ACCOUNTING

The appropriations made for the operations of the various programs of the Pontchartrain Levee District (BTA) are annual lapsing appropriations.

1. The budgetary process is an annual appropriation valid for one year.
2. The agency is prohibited by statute from over expending the categories established in the budget.
3. Budget revisions are granted by the Joint Legislative Budget Committee, a committee of the Louisiana Legislature.
Interim emergency appropriations may be granted by the Interim Emergency Board.
4. The budgetary information included in the financial statements include the original appropriation plus subsequent amendments as follows:

		<u>APPROPRIATIONS</u>
Original approved budget	\$	5,252,500
Final approved budget	\$	<u>5,252,500</u>

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law the Pontchartrain Levee District (BTA) may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the (BTA) may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

For the purpose of the Statement of Cash Flows, all highly liquid investments (including restricted assets with a maturity of three months or less when purchased) are considered to be cash equivalents.



STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
NOTES TO THE FINANCIAL STATEMENT
AS OF JUNE 30, 2004

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS(continued)

Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the State Treasurer.

The following is a breakdown by banking institution, program, account number, and amount of the balances:

1. <u>Regions Bank</u>	<u>General Fund</u>	<u>\$ 2,567,823</u>
2. <u>Regions Bank</u>	<u>Capital Projects Fund</u>	<u>1,629,004</u>
3. <u>Bank One</u>	<u>General Fund</u>	<u>2,600,000</u>
4. <u>Bank One</u>	<u>Capital Projects Fund</u>	<u>1,800,000</u>
5. <u>Iberville Building & Loan</u>	<u>General Fund</u>	<u>100,000</u>
6. <u>Hancock Bank</u>	<u>Capital Projects Fund</u>	<u>4,500,000</u>
7. <u>Hancock Bank</u>	<u>General Fund</u>	<u>2,000,000</u>
8. <u>Hibernia National Bank</u>	<u>General Fund</u>	<u>600,000</u>
9. <u>Hibernia National Bank</u>	<u>Capital Projects Fund</u>	<u>2,300,000</u>
10. <u>United Community Bank</u>	<u>General Fund</u>	<u>100,000</u>
 Total		 <u>\$ 18,196,827</u>

Cash in State Treasury, cash in money treasury market fund and petty cash are not required to be reported in the note disclosure. However, to aid in reconciling amounts reported on the balance sheet to amounts reported in this note, list below any cash in treasury and petty cash that are included in the balance sheet.

Cash in State Treasury	<u>\$ 3,471,355</u>
Petty cash	<u>50</u>
Cash in Money Market Fund	<u>\$ 11,165,123</u>

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
NOTES TO THE FINANCIAL STATEMENT
AS OF JUNE 30, 2004

D. CAPITAL ASSETS

The fixed assets used in the Special Purpose Government Engaged only in Business-Type Activities are included on the statement of net assets of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity are charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets.

	Year ended June 30, 2004			Balance 6/30/2004
	Balance 6/30/2003	Additions	Retirements	
Capital assets not being depreciated				
Land	\$ 764,942	\$ -	\$ -	\$ 764,942
Total capital assets not being depreciated	<u>\$ 764,942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 764,942</u>
Other capital assets				
Equipment	\$ 1,620,677	\$ 215,011	\$ 139,540	\$ 1,696,148
Less accumulated depreciation	942,236	220,904	137,136	1,026,004
Total furniture, fixtures, and equipment	<u>\$ 678,441</u>	<u>\$ (5,893)</u>	<u>\$ 2,404</u>	<u>\$ 670,144</u>
Buildings and improvements	\$ 474,325	\$ -	\$ -	\$ 474,325
Less accumulated depreciation	241,469	14,362	-	255,831
Total buildings and improvements	<u>\$ 232,856</u>	<u>\$ (14,362)</u>	<u>\$ -</u>	<u>\$ 218,494</u>
Total other capital assets	<u>\$ 2,095,002</u>	<u>\$ 215,011</u>	<u>\$ 139,540</u>	<u>\$ 2,170,473</u>
Capital Asset Summary:				
Capital assets not being depreciated	\$ 764,942	\$ -	\$ -	\$ 764,942
Other capital assets, at cost	2,095,002	215,011	139,540	2,170,473
Total cost of capital assets	<u>2,859,944</u>	<u>215,011</u>	<u>139,540</u>	<u>2,935,415</u>
Less accumulated depreciation	1,183,705	235,266	137,136	1,281,835
Capital assets, net	<u>\$ 1,676,239</u>	<u>\$ (20,255)</u>	<u>\$ 2,404</u>	<u>\$ 1,653,580</u>

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
NOTES TO THE FINANCIAL STATEMENT
AS OF JUNE 30, 2004

E. INVENTORIES

The unit's inventories are valued at lower of cost or market using the first in first out (FIFO) (method of valuation). These are perpetual inventories and are expensed when used.

F. LEAVE

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 hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

G. RETIREMENT SYSTEM

Substantially all of the employees of the (BTA) are members of the La 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 (BTA) 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 or amended 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 (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the (BTA) is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate was 15.8% for the fiscal year ended June 30, 2004, 14.1% for the fiscal year ended June 30, 2003, and 13% for the fiscal year ended June 30, 2002, respectively. The (BTA) contributions to the System for the years ending June 30, 2004, 2003, and 2002, were \$203,241, \$174,639, and \$140,486, respectively, equal to the required contributions for each year.



STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
NOTES TO THE FINANCIAL STATEMENT
AS OF JUNE 30, 2004

H. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

Substantially all (BTA) employees become eligible for post employment health care, dental and life insurance benefits if they reach normal retirement age while working for the (BTA). These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the (BTA).

The Pontchartrain Levee District (BTA) provides certain continuing health care and life insurance benefits for its retired employees. Substantially all (BTA) employees become eligible for those benefits if they reach normal retirement age while working for the (BTA). Those benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employee and by the (BTA). The (BTA)'s cost of providing retiree health care and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the year ended June 30, 2004 the costs of 49 retiree benefits totaled \$180,360.

I. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the entity for the year ended June 30, 2004:

	Balance June 30, 2003	Year ended June 30, 2004		Balance June 30, 2004
		Additions	Reductions	
Other liabilities:				
Compensated absences payable	\$ 129,888	\$ 10,048	\$ 13,696	\$ 126,240

J. LITIGATION

A judgment was rendered against the Pontchartrain Levee District in an expropriation proceeding concerning the construction of the Lake Pontchartrain and Vicinity Hurricane Protection Levee in St. Charles Parish, Louisiana. A liability has been recorded in the amount of \$500,000.

The Levee District is a defendant or co-defendant in several lawsuits. In the opinion of legal counsel for the Levee District, resolution of the cases involving negligence will not result in judgments against the Levee District in excess of amounts currently covered by insurance. Furthermore, the anticipated outcome of suits claiming compensation for property taken by the Levee District will be resolved either in the favor of the Levee District or will not involve amounts which are considered material to the financial statements.



STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
NOTES TO THE FINANCIAL STATEMENT
AS OF JUNE 30, 2004

K. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at June 30, 2004, were as follows:

Activity	Taxes	Receivables from other Governments	Other Receivables	Total Receivables
General Fund	\$ 46,090	\$ -	\$ 48,814	\$ 94,904
Special Construction Fund	-	1,109,126	-	1,109,126
<i>Gross Receivables</i>	\$ 46,090	\$ 1,109,126	\$ 48,814	\$ 1,204,030
Less allowance for uncollectible accounts	-	-	-	-
Receivables, net	\$ 46,090	\$ 1,109,126	\$ 48,814	\$ 1,204,030

L. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2004, were as follows:

Activity	Vendors	Salaries and Benefits	Other Payables	Total Payables
General Fund	\$ 44,592	\$ 54,322	\$ 10,894	\$ 109,808
Special Construction Fund	30,686	-	-	30,686
West Shore Feasibility Fund	-	-	-	-
Total payables	\$ 75,278	\$ 54,322	\$ 10,894	\$ 140,494

M. DUE TO/DUE FROM AND TRANSFERS

1. List by fund type all transfers from other funds for the fiscal year:

Type of Fund	Name of Fund	Amount
Capital Projects Fund	Special Construction Fund	\$ 1,200,000
Total transfers from other funds		\$ 1,200,000

2. List by fund type all transfers to other funds for the fiscal year:

Type of Fund	Name of Fund	Amount
General Fund	General Fund	\$ 1,200,000
Total transfers to other funds		\$ 1,200,000

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
AS OF JUNE 30, 2004

<u>Name</u>	<u>Amount</u>
Henry Baptiste	\$ 1,050
Jesse Bartley	2,700
Leverne Brown	2,700
William Cunningham	825
Kernell Goudia	2,700
Webb Harelson	2,700
David Laborde	2,700
Blaine Sheets	1,050
Herbert Thurbur	2,025
Steven Wilson	1,575
	<hr/>
	\$ 20,025
	<hr/> <hr/>

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
SCHEDULE OF STATE FUNDING
AS OF JUNE 30, 2004

<u>Description of Funding</u>	<u>Amount</u>
1. State Revenue Sharing	\$ 315,768
2. Department of Transportation & Development	<u>1,027,213</u>
Total	\$ <u>1,342,981</u>