

2011

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
Basic Financial Statements
and Independent Auditors' Reports
As of and for the Year Ended June 30, 2004
With Supplemental Information**

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 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 basic financial statements of the **Lake Borgne Basin Levee District**, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, as listed in the Table of Contents. These basic financial statements are the responsibility of the **Lake Borgne Basin Levee District's** management. Our responsibility is to express an opinion on these basic 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, and the *Louisiana Governmental Audit Guide*. Those standards and the guide require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the **Lake Borgne Basin 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.

The accompanying required supplementary information, which consists of the Management's Discussion and Analysis and the Budget Comparison Schedule as listed in the Table of Contents is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2004, on our consideration of the **Lake Borgne Basin Levee District's** internal control over financial reporting and our tests of its compliance with certain provisions of laws,

regulations, and contracts. That 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.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the **Lake Borgne Basin Levee District's** basic financial statements. The accompanying supplementary information, such as the Division of Administration Reporting packet, as listed in the table of contents are presented for purpose of additional analysis and are not a required part of the basic financial statements of the **Lake Borgne Basin 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.

Leroy J. Chustz
Certified Public Accountant, APAC
July 27, 2004

Beverly A. Ryall
Certified Public Accountant

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004**

The Management's Discussion and Analysis of the Lake Borgne Basin Levee District's financial performance presents a narrative overview and analysis of Lake Borgne Basin 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. Please read this document in conjunction with the additional information contained in the transmittal letter and the Lake Borgne Basin Levee District's financial statements.

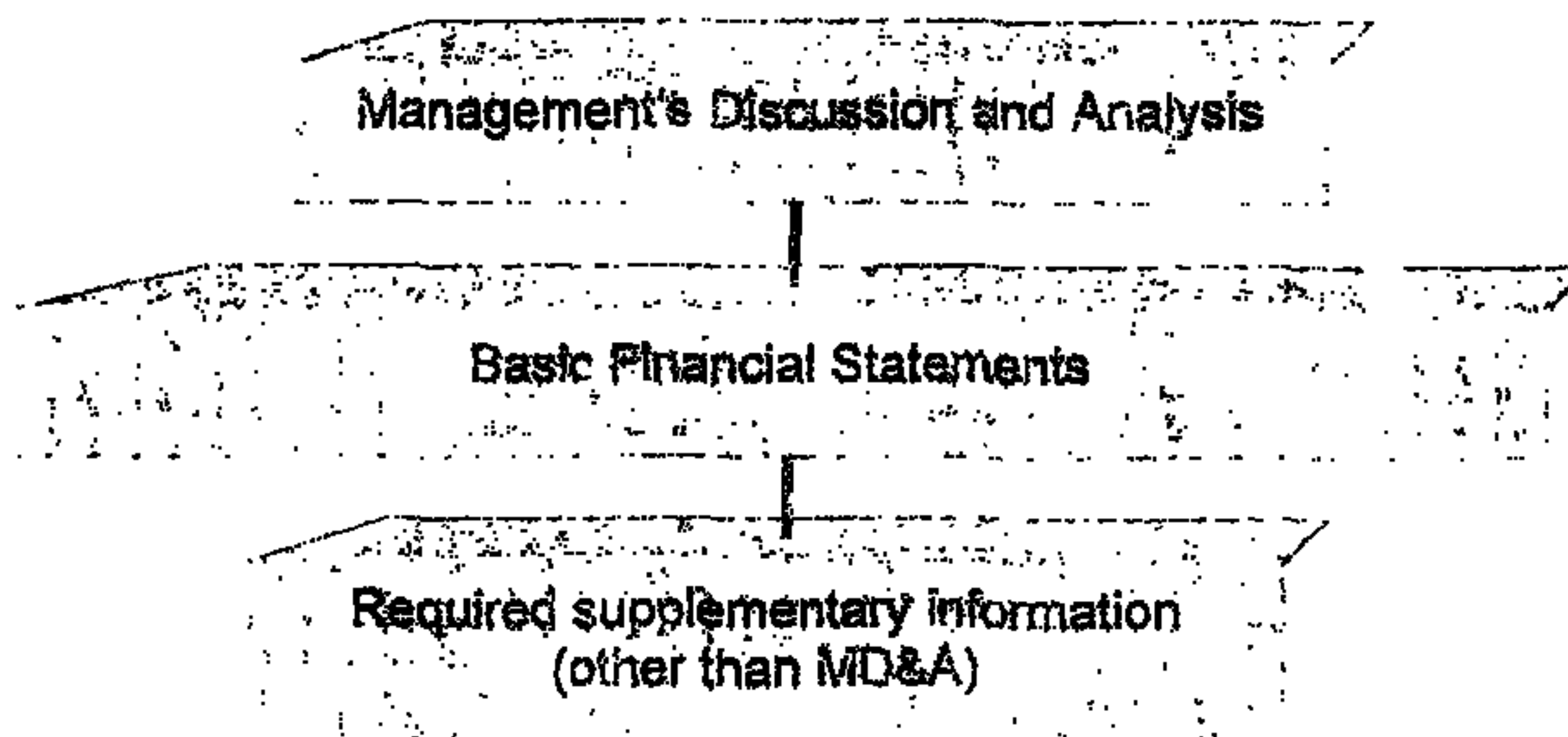
FINANCIAL HIGHLIGHTS

- ★ The Lake Borgne Basin Levee District's assets exceeded its liabilities at the close of fiscal year 2004 by \$18,985,000, which represents an 6.6% increase from last fiscal year.
- ★ Capital assets increased \$1,074,000. After considering depreciation of \$726,000, net assets increased \$348,000.
- ★ Current liabilities totaled \$674,000, which represents a decrease of \$33,000.
- ★ Total long-term debt outstanding amounted to \$2,564,000, which represents a decrease of \$545,000. The majority of this decrease was attributed to principal paid on bond issue.
- ★ Revenues totaled \$4,613,000 as compared to prior year of \$3,734,000. This represents an increase of \$879,000 from prior year. The majority of the increase derived from a state construction grant of \$952,000.
- ★ Operating expenses totaled \$3,445,000, which represents a \$331,000 decrease over prior year.
- ★ Changes in net assets totaled \$1,168,000 as compared to a decrease of \$42,000 from prior year. The \$1,210,000 increase in income was attributed to state construction grant income and a decrease in operating expenditures.

STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004

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*.



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

This annual report consist of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Lake Borgne Basin Levee District as a whole and present a longer-term view of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities report The District's net assets and changes in them. You can think of the District's net assets, the difference between assets and liabilities, as one way to measure the district's financial health, or financial position. Over time increases or decreases in the District's net assets are one indicator of whether its financial health is *improving or deteriorating*.

All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's activities as well as what remains for future spending.

STATE OF LOUISIANA
 LAKE BORGNE BASIN 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
 (in thousands)

	Total	
	2004	2003
Current and other assets	\$ 4483	\$ 4256
Capital assets	17740	17377
Total assets	<u>22223</u>	<u>21633</u>
Other liabilities	674	707
Long-term debt outstanding	2564	3109
Total liabilities	<u>3238</u>	<u>3816</u>
Net assets:		
Invested in capital assets, net of debt	17726	17377
Restricted	1122	457
Unrestricted	137	-17
Total net assets	<u>\$ 18985</u>	<u>\$ 17817</u>

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements. Conversely, unrestricted net assets are those that do not have any limitations on how these amounts may be spent.

Net assets of Lake Borgne Basin Levee District increased by \$1,168 (in thousands) from June 30, 2003 to June 30, 2004.

Statement of Changes in Net Assets
 for the years ended June 30, 2004
 (in thousands)

	Total	
	2004	2003
Revenues:		
Operating revenues	\$ 73	\$ 180
Non-operating revenues	4540	3554
Total revenues	<u>4613</u>	<u>3734</u>
Total expenses	<u>3445</u>	<u>3776</u>
Excess of Revenue/Expenditures	1168	42
Transfers in	0	0
Transfers out	0	0
Net increase (decrease) in net assets	<u>\$ 1168</u>	<u>\$ 42</u>

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2004, the Lake Borgne Basin Levee District had \$ 17,726,000 (net of depreciation) invested in a broad range of capital assets, including land, buildings, equipment, and infrastructure. (See Table below) This amount represents a net increase (including additions and deductions) of \$348,000, or 2.00%, over last year.

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

	<u>2004</u>	<u>2003</u>
Land	\$ 257	\$ 257
Buildings and improvements	234	196
Equipment	186	207
Infrastructure	<u>17,049</u>	<u>16,718</u>
Totals	<u>\$ \$ 17,726</u>	<u>\$ \$ 17,378</u>

This year's major additions included (in thousands):

- Eickes Canal Extension amounted to \$1,327
- Completion of office building amounted to \$53
- Equipment amounted to \$78

Debt

The Lake Borgne Basin Levee District had \$ 3,005 thousand in bonds and notes outstanding at year-end, compared to \$3,550 thousand last year, a decrease of 15.35 % as shown in the table below.

**Outstanding Debt at Year-end
(in thousands)**

	<u>2004</u>	<u>2003</u>
General Obligation Bonds	\$ 0	\$ 0
Revenue Bonds and Notes	<u>3,005</u>	<u>3,550</u>
Totals	<u>\$ \$ 3,005</u>	<u>\$ \$ 3,550</u>

New debt resulted from N/A

The Lake Borgne Basin Levee District's bond rating continues to carry the Baa1 rating for general obligation bonds, and N/A rating for other debt.

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2004**

The Lake Borgne Basin Levee District has not expensed any amounts for outstanding judgments for current or prior year. Other obligations include accrued vacation pay. The non-current vacation liability totaled \$118,694, of which \$15,065 was expensed in current year.

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

Revenues were approximately \$287 thousand over budget and expenditures were \$246 thousand less than budget due in part to higher tax revenues and lower operating expenses.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Lake Borgne Basin 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:

- Increase in Ad valorem taxes
- Merit increases for employees
- Lower interest income

The Lake Borgne Basin Levee District does not expect any significant changes in next year's results as compared to the current.

CONTACTING THE LAKE BORGNE BASIN 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 Lake Borgne Basin Levee District's finances and to show the Lake Borgne Basin Levee District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Executive Director at 504-682-5941.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the Governmental Accounting Standards Board. The sets of statements include:

- Government-wide financial statements
- Fund financial statements:
 - Governmental funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

**LAKE BORGNE BASIN LEVEE DISTRICT
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF NET ASSETS
JUNE 30, 2004**

ASSETS

Current Assets

Cash and cash equivalents	\$	4,374,438.85
Receivable - state		2,267.09
Receivable - other		24,506.02
Receivable - interest		18,458.90
Premiums paid in advance		25,866.75
Inventory		37,930.58
Total Current Assets		4,483,468.19

Noncurrent Assets

Capital assets -		
Land		256,954.00
Buildings and renovations		244,827.29
Infrastructure		27,373,462.58
Machinery and equipment		1,320,438.00
Accumulated depreciation		(11,469,916.87)
Unamortized bond issue costs		13,977.91
Total noncurrent assets		17,739,742.91

TOTAL ASSETS

\$ 22,223,211.10

LIABILITIES

Current Liabilities

Accounts payable	\$	3,377.20
Accrued salaries payable		68,176.62
Payroll deductions and accruals		8,353.70
Accrued interest payable		34,432.30
Current-portion long-term debt		560,000.00
Total Current Liabilities		674,339.82

Noncurrent Liabilities

Bonds		2,445,000.00
Compensated absences		118,694.42
Total Noncurrent Liabilities		2,563,694.42

TOTAL LIABILITIES

\$ 3,238,034.24

NET ASSETS

Investment in capital assets	\$	17,725,765.00
Restricted for capital projects		463,347.03
Restricted for debt service		658,989.41
Unrestricted		137,075.42
Total Net Assets		18,985,176.86

TOTAL NET ASSETS

\$ 18,985,176.86

See accompanying notes to the basic financial statements.

**LAKE BORGNE BASIN LEVEE DISTRICT
GOVERNMENT-WIDE FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004**

<u>Functions\Programs</u>	<u>Expenses</u>	<u>Program Revenues Capital Grants</u>	<u>Net (Expense) Revenues & Changes in Net Assets</u>
GOVERNMENTAL ACTIVITIES:			
Public Safety - Flood Protection:			
Personal services	\$ 1,307,785.47		\$ (1,307,785.47)
Employee benefits	519,296.24		(519,296.24)
Travel	2,718.15		(2,718.15)
Operating services	742,537.47	\$ 72,552.81	(669,984.66)
Supplies	18,222.26		(18,222.26)
Professional services	31,473.52		(31,473.52)
Interest on long-term debt	96,722.51		(96,722.51)
Depreciation expense	725,935.92	951,794.37	225,858.45
Total Governmental Activities	<u>\$ 3,444,691.54</u>	<u>\$ 1,024,347.18</u>	<u>(2,420,344.36)</u>
GENERAL REVENUES:			
Taxes -			
Ad valorem, net			3,301,752.46
Intergovernmental			163,000.00
Investment income			50,917.29
Miscellaneous			72,860.97
Total General Revenues			<u>3,588,530.72</u>
Change in Net Assets			<u>1,168,186.36</u>
NET ASSETS AT JUNE 30, 2003			17,432,588.72
Prior year adjustments			<u>384,401.78</u>
NET ASSETS AT JUNE 30, 2003, adjusted			<u>17,816,990.50</u>
NET ASSETS AT JUNE 30, 2004			<u>\$ 18,985,176.86</u>

See accompanying notes to the basic financial statements.

**LAKE BORGNE BASIN LEVEE DISTRICT
FUND FINANCIAL STATEMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 3,252,102.41	\$ 463,347.03	\$ 658,989.41	\$ 4,374,438.85
Receivable - state	2,267.09			2,267.09
Receivable - other	24,506.02			24,506.02
Premiums paid in advance	25,866.75			25,866.75
Inventory	37,930.58			37,930.58
TOTAL ASSETS	<u>\$ 3,342,672.85</u>	<u>\$ 463,347.03</u>	<u>\$ 658,989.41</u>	<u>\$ 4,465,009.29</u>
LIABILITIES AND FUND BALANCE				
<i>Liabilities:</i>				
Accounts payable	\$ 3,377.20			\$ 3,377.20
Accrued salaries	68,176.62			68,176.62
Payroll deductions and accruals	8,353.70			8,353.70
Total Liabilities	<u>79,907.52</u>			<u>79,907.52</u>
<i>Fund Balance:</i>				
Unreserved - undesignated	<u>3,262,765.33</u>	<u>463,347.03</u>	<u>658,989.41</u>	<u>4,385,101.77</u>
Total Fund Balance	<u>3,262,765.33</u>	<u>463,347.03</u>	<u>658,989.41</u>	<u>4,385,101.77</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,342,672.85</u>	<u>\$ 463,347.03</u>	<u>\$ 658,989.41</u>	<u>\$ 4,465,009.29</u>

See accompanying notes to the basis financial statements.

**LAKE BORGNE BASIN LEVEE DISTRICT
FUND FINANCIAL STATEMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004**

***Reconciliation of Total Governmental Fund Balance to Net Assets
of Governmental Activities:***

Total Governmental Fund Balance	\$	4,385,101.77
 Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Interest on investments is accrued when earned		18,458.90
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$11,469,916.87		17,725,765.00
Bond issue costs are not financial resources and therefore are not reported in the funds, net of accumulated amortization of \$21,998.41		13,977.91
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable		(34,432.30)
Bonds payable		(3,005,000.00)
Compensated absences		(118,694.42)
		(3,158,126.72)
Net Assets of Governmental Activities	\$	<u>18,985,176.86</u>

See accompanying notes to the basis financial statements.

**LAKE BORGNE BASIN LEVEE DISTRICT
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004**

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:				
Taxes	\$ 2,824,705.42		\$ 574,940.71	\$ 3,399,646.13
Intergovernmental	208,019.03	\$ 951,794.37	27,533.78	1,187,347.18
Interest earnings	26,921.30	4,128.40	1,408.69	32,458.39
Royalties, leases, and permits	63,315.00			63,315.00
Other	8,563.00	982.97		9,545.97
Total Revenues	<u>3,131,523.75</u>	<u>956,905.74</u>	<u>603,883.18</u>	<u>4,692,312.67</u>
Expenditures:				
Current -				
Personal services	1,307,785.47			1,307,785.47
Employee benefits	504,231.24			504,231.24
Travel	2,718.15			2,718.15
Operating services	742,537.47			742,537.47
Supplies	18,222.26			18,222.26
Professional services	31,473.52			31,473.52
Non-capitalized outlays		951,105.72		951,105.72
Deductions from ad valorem taxes	81,351.28		16,542.39	97,893.67
Debt service			628,486.13	628,486.13
Capital outlays	122,751.41			122,751.41
Total Expenditures	<u>2,811,070.80</u>	<u>951,105.72</u>	<u>645,028.52</u>	<u>4,407,205.04</u>
Excess of Revenues (Expenditures)	320,452.95	5,800.02	(41,145.34)	285,107.63
FUND BALANCE - JUNE 30, 2003	<u>2,942,312.38</u>	<u>457,547.01</u>	<u>700,134.75</u>	<u>4,099,994.14</u>
FUND BALANCE - JUNE 30, 2004	<u>\$ 3,262,765.33</u>	<u>\$ 463,347.03</u>	<u>\$ 658,989.41</u>	<u>\$ 4,385,101.77</u>

See accompanying notes to the basic financial statements.

**LAKE BORGNE BASIN LEVEE DISTRICT
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004**

Reconciliation of the change in fund balance - total governmental funds to the change in net assets of governmental activities:

Net change in fund balance - total governmental funds \$ 285,107.63

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	1,073,857.13
Depreciation expense	(725,935.92)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	545,000.00
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In the Statement of Activities, interest is accrued on outstanding bonds; whereas in governmental funds, an interest expenditure is reported when due:	
Bond interest	(13,236.38)

In the Statement of Activities, interest is accrued on investments; whereas in governmental funds, they are recorded as revenue when received	18,458.90
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Some expenses reported in the Statement of Activities do not require use of current financial resources and therefore are not reported as expenditures in governmental funds:	
Accrued compensated absences	<u>(15,065.00)</u>

Change in Net Assets of Governmental Activities	<u>\$ 1,168,186.36</u>
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See accompanying notes to the basic financial statements.

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.A. INTRODUCTION

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

The Commission's office is located in Violet, Louisiana, and employs 38 full-time and 6 part-time employees. The Commission's operations are funded primarily thorough ad valorem taxes, state revenue sharing and interest earnings.

The accounting and reporting framework and the more significant accounting principles and practices of the Lake Borgne Basin Levee District are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the Lake Borgne Basin Levee District's financial activities for the fiscal year ended June 30, 2004. The Lake Borgne Basin Levee District implemented new reporting model standards beginning July 1, 2001. Comparability with reports of all earlier years will be affected.

1.B. FINANCIAL REPORTING ENTITY

GASB Statement No. 14, "The Financial Reporting Entity," has defined the governmental reporting entity to be the State of Louisiana. The Lake Borgne Basin Levee District is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the board members, and public service is rendered within the state's boundaries. The accompanying basic financial 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 a basic financial statement which includes the activity contained in the accompanying financial statement. The basic financial statement is issued by the Louisiana Division of Administration-Office of Statewide Reporting and Accounting Policy and audited by the Louisiana Legislative Auditor.

1.C. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the Lake Borgne Basin Levee District. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**LAKE BORGNE BASIN LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

Fund Financial Statements

Fund financial statements of the Lake Borgne Basin Levee District are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balances, revenues and expenditures/expenses. Funds are organized into one major category: governmental fund. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Lake Borgne Basin Levee District or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the Lake Borgne Basin Levee District are described below:

Governmental Fund

General Fund

The **General Fund** is the primary operating fund of the Lake Borgne Basin Levee District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Debt Service Fund

The **Series 2003 Debt Service Fund** accumulates ad valorem tax revenues for finance debt service payments of the February, 2003, General Obligation Refunding Bond issue that refunded the August 1, 1993, General Obligation Refunding Bond Issue.

Capital Projects Fund

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.

1.D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

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Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus as the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

1.E. ASSETS, LIABILITIES, NET ASSETS, AND FUND BALANCES

Cash and Cash Equivalents, and Investments

For the purpose of the Statement of Net Assets, cash and cash equivalents includes all demand, savings accounts, and certificates of deposits with an original maturity of 90 days or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

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Additional cash and investment disclosures are presented in Notes 2.B. and 3.A.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as ad valorem taxes, grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Inventories

Inventory consists of fuel on hand with the majority of gallons of inventory on hand at the eight pumping stations. Inventory is adjusted at year end and is valued at the average cost of fuel purchases during the year.

Capital Assets and Depreciation

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets purchased or acquired with an original cost of acquisition value of \$5,000 or more are recorded at historical cost, or estimated historical cost if actual is unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Infrastructure

Prior to July 1, 2001, the infrastructure assets of governmental funds were not capitalized. The infrastructure assets are composed of eight pumping stations that are valued at historical cost.

The Lake Borgne Basin Levee District has both Mississippi River and Tributaries (MR&T) and Hurricane Protection Levees. These levees provide flood protection for most of the land areas contained within the District.

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The Division of Administration, State of Louisiana, in a letter dated June 11, 2002, has advised that the Lake Borgne Basin Levee District does not provide major and significant improvements or maintenance to the levees that would constitute ownership under Governmental Accounting Standards Board (GASB 34) requirements. Based on guidance from the Division of Administration, the Lake Borgne Basin Levee District is required to report only a separate note disclosure of the MR&T and Hurricane Protection Levees in the financial statement. The Lake Borgne Basin Levee District mows grass and does minor repairs with its own workforce. Major repairs are normally made by the U.S. Corps of Engineers.

Depreciation

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Equipment	5-10 years
- Infrastructure	40 years
-- Building	40 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Compensated Absences

Employees of the Lake Borgne Basin Levee District earn and accumulate vacation and sick leave at varying rates, depending upon their years of service. The amount of vacation 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 vacation leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused vacation leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

The liability for these compensated absences is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absences liability payable from expendable available financial resources.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

**LAKE BORGNE BASIN LEVEE DISTRICT
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- a. Investment in Capital Assets – Consists of capital assets included restricted capital assets, net of accumulated depreciation.
- b. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

1.F. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

Article 6, Section 39 of the Louisiana Constitution of 1974 provides that for the purpose of constructing and maintaining levees, levee drainage, flood protection, hurricane flood protection, and all other purposes incidental thereto, the levee district may levy annually a tax not to exceed five mills. If the levee district needs to raise additional funds in excess of the amount collected constitutionally, the taxes in excess of five mills must be approved by a majority vote of the electors.

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes were levied by the District in November and billed to the taxpayers in December. Billed taxes become delinquent on January 1, of the following year.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a state agency, the Lake Borgne Basin Levee District is subject to various state laws and regulations. An analysis of the Lake Borgne Basin Levee District's compliance with

**LAKE BORGNE BASIN LEVEE DISTRICT
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significant laws and regulations and demonstration of its stewardship over the Lake Borgne Basin Levee District resources follows.

2.A. FUND ACCOUNTING REQUIREMENTS

The Lake Borgne Basin Levee District complies with all state laws and regulations requiring the use of separate funds. The legally required funds used by the Lake Borgne Basin Levee District include the following:

Fund	Required By
Series 2003 Debt Service Fund	Bond Indenture
Bond Referendum Capital Projects Fund	Bond Indenture

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with state law, all uninsured deposits of the Lake Borgne Basin Levee District in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Louisiana or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the Lake Borgne Basin Levee District must have a written collateral agreement approved by the Lake Borgne Basin Levee District of directors or loan committee. As reflected in Note 3.A., all deposits were fully insured or collateralized.

Investments are limited by R.S. 33:2955 and the Lake Borgne Basin Levee District's investment policy.

NOTE 3 - DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, fund balances, revenues, and expenditures/expenses.

3.A. CASH AND INVESTMENTS

Deposits

The Lake Borgne Basin Levee District's policies regarding deposits of cash are discussed in Note 1.E. The table presented below is designed to disclose the level of custody credit risk assumed by the Lake Borgne Basin Levee District based upon how its deposits were insured or secured with collateral at June 30, 2004. The categories of credit risk are defined as follows:

Category 1 – Insured by FDIC or collateralized with securities held by the Lake Borgne Basin Levee District or by its agent in its name

**LAKE BORGNE BASIN LEVEE DISTRICT
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Category 2 – Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Lake Borgne Basin Levee District's name

Category 3 – Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Lake Borgne Basin Levee District's name; or collateralized with no written or approved collateral agreement

Type of Deposits	Total Bank Balance	Category			Total Carrying Value
		1	2	3	
Demand deposits	\$ 2,065,247	\$ 200,000		\$ 1,865,247	\$ 1,874,409
Certificate of deposit	2,500,000			2,500,000	2,500,000
Total Deposits	\$ 4,565,247	\$ 200,000		\$ 4,365,247	\$ 4,374,409

Reconciliation to Government-wide Statement of Net Assets:

Petty cash	\$ 30
Restricted - debt service	658,989
Restricted - capital outlay	463,347
Unrestricted cash	<u>3,252,072</u>
	<u>\$ 4,374,439</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Lake Borgne Basin Levee District that the fiscal agent has failed to pay deposited funds upon demand.

3.B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004, was as follows:

	Restated Balance at June 30, 2003	Additions	Disposals	Balance at June 30, 2004
Capital Assets, not being depreciated				
Land	\$ 256,954	-	-	\$ 256,954
Total Capital Assets, not being depreciated	<u>256,954</u>	<u>-</u>	<u>-</u>	<u>256,954</u>
Capital Assets, being depreciated				
Building	200,213	44,614	-	244,827
Less accumulated depreciation	(4,797)	(6,121)	-	(10,918)
Total Building	<u>195,416</u>	<u>38,493</u>	<u>-</u>	<u>233,909</u>
Infrastructure	26,422,357	951,106	-	27,373,463
Less accumulated depreciation	(9,703,989)	(620,152)	-	(10,324,141)
Total Infrastructure	<u>16,718,368</u>	<u>330,954</u>	<u>-</u>	<u>17,049,322</u>
Machinery and equipment	1,242,301	78,137	-	1,320,438
Less accumulated depreciation	(1,035,195)	(99,663)	-	(1,134,858)
Total Machinery and equipment	<u>207,106</u>	<u>(21,526)</u>	<u>-</u>	<u>185,580</u>
Total Capital Assets	<u>27,864,871</u>	<u>1,073,857</u>	<u>-</u>	<u>28,938,728</u>
Less accumulated depreciation	<u>(10,743,981)</u>	<u>(725,936)</u>	<u>-</u>	<u>(11,469,917)</u>

**LAKE BORGNE BASIN LEVEE DISTRICT
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Total Capital Assets, being depreciated	<u>\$ 17,120,890</u>	<u>\$ 347,921</u>	<u>-</u>	<u>\$ 17,468,811</u>
Total Capital Assets, net	<u>\$ 17,377,844</u>	<u>\$ 347,921</u>	<u>-</u>	<u>\$ 17,725,765</u>

There are 13 miles of MR&T levees that lie within the jurisdiction of the Lake Borgne Basin Levee District. These levees were constructed and improved over the past 100 years by both original landowners and Federal and State Governments. The estimated cost of the 13 miles of MR&T levees as of June 30, 2004 is \$9,535,000. This estimate is based on information obtained from the New Orleans District of the U.S. Army Corps of Engineers.

The Lake Borgne Basin Levee District mows the grass and does minor repairs to 26 miles of Hurricane Protection Levees. These levees were built and improved during the past 35 years. Hurricane Protection Levees provide protection from coastal high tides and storm surges associated with tropical weather systems. The majority of funding for construction was provided by the U.S. The estimated project cost as of June 30, 2004, obtained from the New Orleans District of the U.S. Corps of Engineers, is \$60,312,000.

With the adjoining of both MR&T and Hurricane Protection Levees, a circle of flood protection is provided for the residents and property of Southeast Louisiana.

3.C. LONG-TERM DEBT

Governmental Activities

As of June 30, 2004, the governmental long-term debt of the Lake Borgne Basin Levee District consists of the following:

Bonds payable	\$ 3,005,000
Accrued Compensated Absences:	
Noncurrent portion	118,694
Total Governmental activity debt	<u>\$ 3,123,694</u>

Changes in Long-Term Debt

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

Type of Debt	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004	Amounts Due within One Year
Governmental Activities:					
Bonds payable	\$ 3,550,000	\$	\$ 545,000	\$ 3,005,000	\$ 560,000
Accrued Compensated Absences	103,629	77,999	62,934	118,694	
Total General Long-Term Debt	<u>\$ 3,653,629</u>	<u>\$ 77,999</u>	<u>\$ 607,934</u>	<u>\$ 3,123,694</u>	<u>\$ 560,000</u>

Bonds payable is composed of a general obligation refunding bond issue dated February 1, 2003, for \$3,550,000. It was issued for the purpose of advance refunding \$4,030,000 of outstanding

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General Obligation Bonds, Series 1989. These refunding bonds bears an interest rate of 2.75% and are due in annual installments of \$545,000 to \$640,000 through February 1, 2009. The bonds are secured by and payable from a 2.25 mill ad valorem tax levy.

The annual requirements to amortize the outstanding bond issues at June 30, 2004, including interest of \$253,552 are as follows:

Fiscal Year Ending June 30,	General Obligation Refunding Bonds
2005	642,638
2006	647,238
2007	651,288
2008	659,788
2009	657,600
	\$ 3,258,552

3.D. RESTATEMENT OF NET ASSETS

Beginning Net Assets has been restated in the government-wide financial statements as follows:

Net Assets June 30, 2003	\$ 17,432,588.72
Prior year construction in progress-Eickles Canal	376,068.90
Office renovations fiscal year ended June 30, 2001	8,332.88
Net Assets June 30, 2003 as restated	\$ 17,816,990.50

NOTE 4 - OTHER NOTES

4.A. EMPLOYEE PENSION AND OTHER BENEFIT PLANS

Pension Plan

Substantially all of the employees of the Lake Borgne Basin Levee District are members of the Louisiana State Employees Retirement System ("System"), a multiple-employer, defined benefit public employee retirement system (PERS) controlled and administered by a separate board of trustees.

All full time employees are eligible to participate in the System. Benefits vest with ten years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 month average salary multiplied by their years of credited service.

Vested employees may retire at [a] any age with thirty years of service, [b] age 55 with twenty-five years of service, and [c] at age sixty with ten years of service. In addition, vested employees have the option of reduced benefits at any age with twenty years of service. The System also provides death and disability benefits. Benefits are established by state statute. The System issues an

**LAKE BORGNE BASIN LEVEE DISTRICT
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JUNE 30, 2004**

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 Louisiana State Employees' Retirement System; P. O. Box 44213; Baton Rouge, LA 70804 or by calling (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the Lake Borgne Basin Levee District is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 2004, increased to 15.80% of annual covered payroll from the 14.1% required in fiscal years ended June 30, 2003 and 2002. The District's contributions to the System during the fiscal years ended June 30, 2004, 2003 and 2002, were \$157,185, \$145,949, and \$136,717, respectively, equal to the required contribution. Under present statutes, the Lake Borgne Basin Levee District does not guarantee any of the benefits granted by the system.

Postemployment Health Care and Life Insurance Benefits

The Lake Borgne Basin Levee District provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the Lake Borgne Basin Levee District's employees become eligible for these benefits if they reach normal retirement age while working for the Lake Borgne Basin 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 Lake Borgne Basin Levee District. The Lake Borgne Basin 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 retiree benefits for six retirees and one surviving spouse totaled \$41,145.

4.B. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the Lake Borgne Basin Levee District's management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

4.C. RISK MANAGEMENT

The Levee District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the Levee District purchases commercial insurance.

During the year ended June 30, 2004 the Levee District did not reduce insurance coverages from coverage levels in place as of June 30, 2003. No settlements have exceeded coverage levels in place during 2001, 2002, and 2003.

4.D. COMMITMENTS AND CONTINGENCIES

Contingencies

Litigation

The Lake Borgne Basin Levee District is a defendant in lawsuits involving personal injury and property expropriated. The District's legal counsel has reviewed all claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the District. The legal counsel is of the

**LAKE BORGNE BASIN LEVEE DISTRICT
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opinion that liability from suits is questionable or insurance coverage appears adequate and that no significant monetary liability is contemplated at this time or it is too early to render an opinion regarding suits. The liability amount, if any, cannot be reasonably estimated at this time.

4.E. COMPENSATION PAID TO BOARD MEMBERS

The schedule of per diem payments to Board Members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As authorized by Louisiana Revised Statute 38:308, each member of the Board shall be reimbursed when actually in attendance at a board meeting or when required to travel for the official authorized business of the board, and such reimbursement shall not exceed \$75.00 per meeting and not to exceed 36 meetings per year (\$2,700), plus actual expenses.

The Board President, Mr. George E. Lopez, is paid a bi-weekly salary of \$250 in lieu of per diem during his term in office, as authorized by R.S. 38:308.

<u>Board Member</u>	<u>Salary</u>	<u>Amount</u>
George E. Lopez, President	\$ 6,500	\$
Lloyd J. Seube		1,425
Randolph Odinet		1,125
Total	<u>\$ 6,500</u>	<u>\$ 2,250</u>

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedules – General Fund
- Note to Budgetary Comparison Schedule

**LAKE BORGNE BASIN LEVEE DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original *	Final *		
Revenues:				
Taxes -				
Ad valorem	\$ 2,650,000.00	\$ 2,650,000.00	\$ 2,824,705.42	\$ 174,705.42
Intergovernmental -				
State grants	17,000.00	17,000.00	72,552.81	55,552.81
State revenue sharing	124,000.00	124,000.00	135,466.22	11,466.22
Use of money and property -				
Interest earnings	34,000.00	34,000.00	26,921.30	(7,078.70)
Royalties, leases, and permits	1,500.00	1,500.00	63,315.00	61,815.00
Miscellaneous -				
Other	18,000.00	18,000.00	8,563.00	(9,437.00)
Total Revenues	2,844,500.00	2,844,500.00	3,131,523.75	287,023.75
Expenditures:				
Current -				
Personal services	1,360,237.02	1,360,237.02	1,307,785.47	52,451.55
Employee benefits	532,595.98	532,595.98	504,231.24	28,364.74
Travel	3,850.00	3,850.00	2,718.15	1,131.85
Operating services	963,000.00	963,000.00	742,537.47	220,462.53
Supplies	23,900.00	23,900.00	18,222.26	5,677.74
Professional services	29,350.00	29,350.00	31,473.52	(2,123.52)
Deductions from ad valorem taxes	75,000.00	75,000.00	81,351.28	(6,351.28)
Depreciation expense	690,000.00	690,000.00	725,935.92	(35,935.92)
Capital outlays	105,000.00	105,000.00	122,751.41	(17,751.41)
Total Expenditures	3,782,933.00	3,782,933.00	3,537,006.72	245,926.28
Excess of Revenues (Expenditures)	(938,433.00)	(938,433.00)	(405,482.97)	532,950.03
Fund Balance - June 30, 2003	2,550,000.00	2,550,000.00	2,993,568.76	443,568.76
FUND BALANCE - JUNE 30, 2004	\$ 1,611,567.00	\$ 1,611,567.00	\$ 2,588,085.79	\$ 976,518.79

* Budget was not amended during the fiscal year.

**LAKE BORGNE BASIN LEVEE DISTRICT
NOTE TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2004**

NOTE A - BUDGET-TO-ACTUAL RECONCILIATION

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

REVENUES

Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedule	\$ 3,131,523.75
Adjustments - None	
<hr/>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,131,523.75</u>

EXPENDITURES

Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedule	\$ 3,537,006.72
Adjustments - Depreciation reported for budgetary purposes	(725,935.92)
<hr/>	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,811,070.80</u>

OTHER REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

The following pages contain a report on compliance with laws and regulations and on internal control over financial reporting 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 misstatements in internal control or compliance matters that would be material to the presented financial statements.

Leroy J. Chustz

Certified Public Accountant, APAC

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and

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Board Members of
Lake Borgne Basin Levee District
State of Louisiana
Violet, Louisiana**

We have audited the basic financial statements of the **Lake Borgne Basin Levee District**, a component unit of the State of Louisiana, as of and for the year ended June 30, 2004, and have issued our report thereon dated July 27, 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, and the *Louisiana Governmental Audit Guide*.

Compliance

As part of obtaining reasonable assurance about whether the **Lake Borgne Basin Levee District's** basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 is required to be reported under *Government Auditing Standards* and the *Louisiana Governmental Audit Guide*.

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 basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted

no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the **Lake Borgne Basin Levee District** and its management, the Louisiana Legislative Auditor, the State of Louisiana and is not intended to be, and should not be used by anyone other than these specified parties.

Leroy J. Chustz
Certified Public Accountant, APAC
July 27, 2004

Beverly A. Ryall
Certified Public Accountant

**LAKE BORGNE BASIN LEVEE DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2004**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of **Lake Borgne Basin Levee District**.
2. No reportable conditions were disclosed during the audit of the basic financial statements.
3. No instances of noncompliance were disclosed during the audit of the basic financial statements.
4. There were no federal funds received by Lake Borgne Basin Levee District.

B. FINDINGS--FINANCIAL STATEMENTS AUDIT

NONE

**LAKE BORGNE BASIN LEVEE DISTRICT
RESOLUTION OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2004**

There were no prior year audit findings.

SUPPLEMENTAL INFORMATION REQUIRED BY

STATE OF LOUISIANA
DIVISION OF ADMINISTRATION
OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY

The following pages contain a report on the **Lake Borgne Basin Levee District's** Annual Financial Report prepared in accordance with the requirements of the Louisiana Division of Administration, Office of Statewide Reporting and Accounting Policy.

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
BALANCE SHEET
AS OF JUNE 30, 2004**

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note C1)	\$	4,374,439
Investments (Note C2)		0
Receivables (net of allowance for doubtful accounts)(Note U)		45,232
Due from other funds (Note Y)		0
Due from federal government		0
Inventories		37,931
Prepayments		25,866
Notes receivable		0
Other current assets		0
Total current assets		4,483,468

NONCURRENT ASSETS:

Restricted assets (Note F):		
Cash		0
Investments		0
Receivables		0
Notes receivable		0
Capital assets (net of depreciation)(Note D)		
Land		256,954
Buildings and improvements		233,910
Machinery and equipment		185,580
Infrastructure		17,049,322
Construction in progress		
Other noncurrent assets		13,977
Total noncurrent assets		17,739,743
Total assets	\$	22,223,211

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accruals (Note V)	\$	114,340
Due to other funds (Note Y)		0
Due to federal government		0
Deferred revenues		0
Amounts held in custody for others		0
Other current liabilities		0
Current portion of long-term liabilities:		
Contracts payable		0
Reimbursement contracts payable		0
Compensated absences payable (Note K)		0
Capital lease obligations - (Note J)		0
Notes payable		0
Liabilities payable from restricted assets (Note Z)		0
Bonds payable		560,000
Other long-term liabilities		0
Total current liabilities		674,340

NON-CURRENT LIABILITIES:

Contracts payable		0
Reimbursement contracts payable		0
Compensated absences payable (Note K)		118,694
Capital lease obligations (Note J)		0
Notes payable		0
Liabilities payable from restricted assets (Note Z)		0
Bonds payable		2,445,000
Other long-term liabilities		0
Total long-term liabilities		2,563,694
Total liabilities		3,238,034

NET ASSETS

Invested in capital assets, net of related debt		17,725,765
Restricted for:		
Capital projects		463,347
Debt service		658,990
Unemployment compensation		
Other specific purposes		
Unrestricted		137,075
Total net assets		18,985,177
Total liabilities and net assets	\$	22,223,211

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

Statement A

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004**

OPERATING REVENUES	
Sales of commodities and services	\$ 0
Assessments	0
Use of money and property	0
Licenses, permits, and fees	0
Other	1,024,347
Total operating revenues	<u>1,024,347</u>
OPERATING EXPENSES	
Cost of sales and services	2,015,313
Administrative	606,720
Depreciation	725,934
Amortization	0
Total operating expenses	<u>3,347,967</u>
Operating income(loss)	<u>(2,323,620)</u>
NON-OPERATING REVENUES(EXPENSES)	
State appropriations	0
Intergovernmental revenues (expenses)	163,000
Taxes	3,301,752
Use of money and property	50,917
Gain (loss) on disposal of fixed assets	0
Federal grants	0
Interest expense	(96,723)
Other	72,860
Total non-operating revenues(expenses)	<u>3,491,806</u>
Income(loss) before contributions and transfers	<u>1,168,186</u>
Capital contributions	
Transfers in	0
Transfers out	0
Change in net assets	<u>1,168,186</u>
Total net assets – beginning as restated	17,432,588
Prior Year Adjustment	384,402
Total net assets – ending	<u>\$ 18,985,176</u>

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

Statement B

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
Entity	\$ <u>3,444,689</u>	\$ <u>0</u>	\$ <u>72,553</u>	\$ <u>951,794</u>	\$ <u>(2,420,342)</u>
General revenues:					
Taxes					<u>3,301,752</u>
State appropriations					<u>163,000</u>
Grants and contributions not restricted to specific programs					<u>0</u>
Interest					<u>50,917</u>
Miscellaneous					<u>72,860</u>
Special items(Prior Year Adjustments)					<u>384,402</u>
Transfers					<u>0</u>
Total general revenues, special items, and transfers					<u>3,972,931</u>
Change in net assets					<u>1,552,589</u>
Net assets - beginning					<u>17,432,588</u>
Net assets - ending					<u>\$ 18,985,177</u>

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004**

Cash flows from operating activities		
Cash received from customers	\$ 0	
Cash payments to suppliers for goods and services	<u>0</u>	
Cash payments to employees for services	<u>(1,307,785)</u>	
Payments in lieu of taxes	<u>0</u>	
Internal activity-payments to other funds	<u>0</u>	
Claims paid to outsiders	<u>0</u>	
Other operating revenues(expenses)	<u>(370,477)</u>	
Net cash provided(used) by operating activities		<u>(1,678,262)</u>
Cash flows from non-capital financing activities		
State appropriations	<u>163,000</u>	
Proceeds from sale of bonds	<u>0</u>	
Principal paid on bonds	<u>(545,000)</u>	
Interest paid on bond maturities	<u>(82,168)</u>	
Proceeds from issuance of notes payable	<u>0</u>	
Principal paid on notes payable	<u>0</u>	
Interest paid on notes payable	<u>0</u>	
Operating grants received	<u>0</u>	
Other(net advalorem taxes plus misc income)	<u>3,374,613</u>	
Transfers In	<u>0</u>	
Transfers Out	<u>0</u>	
Net cash provided(used) by non-capital financing activities		<u>2,910,445</u>
Cash flows from capital and related financing		
Proceeds from sale of bonds	<u>0</u>	
Principal paid on bonds	<u>0</u>	
Interest paid on bond maturities	<u>0</u>	
Proceeds from issuance of notes payable	<u>0</u>	
Principal paid on notes payable	<u>0</u>	
Interest paid on notes payable	<u>0</u>	
Acquisition/construction of capital assets	<u>(1,458,259)</u>	
Proceeds from sale of capital assets	<u>0</u>	
Capital contributions	<u>0</u>	
Other(prior year adjustments to acquisition capital)	<u>384,401</u>	
Net cash provided(used) by capital and related financing activities		<u>(1,073,858)</u>
Cash flows from investing activities		
Purchases of investment securities	<u>0</u>	
Proceeds from sale of investment securities	<u>1,300,000</u>	
Interest and dividends earned on investment securities	<u>32,459</u>	
Net cash provided(used) by investing activities		<u>1,332,459</u>
Net increase(decrease) in cash and cash equivalents		<u>1,490,784</u>
Cash and cash equivalents at beginning of year		<u>2,883,654</u>
Cash and cash equivalents at end of year		<u>\$ 4,374,438</u>

The accompanying notes are an integral part of this statement.
Statement D

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004**

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

Operating income(loss)		\$ <u>(2,323,620)</u>
Adjustments to reconcile operating income(loss) to net cash		
Depreciation/amortization (725,935 dep + 6,600 amort)	732,535	
Provision for uncollectible accounts	<u>0</u>	
Changes in assets and liabilities:		
(Increase)decrease in accounts receivable, net	<u>(22,154)</u>	
(Increase)decrease in due from other funds	<u>0</u>	
(Increase)decrease in prepayments	<u>(25,867)</u>	
(Increase)decrease in inventories	<u>8,055</u>	
(Increase)decrease in other assets(accrued interest income)	<u>(18,459)</u>	
Increase(decrease) in accounts payable and accruals	<u>(62,894)</u>	
Increase(decrease) in accrued payroll and related benefits	<u>15,173</u>	
Increase(decrease) in compensated absences payable	<u>15,065</u>	
Increase(decrease) in due to other funds	<u>0</u>	
Increase(decrease) in deferred revenues	<u>0</u>	
Increase(decrease) in other liabilities	<u>3,904</u>	
 Net cash provided(used) by operating activities		 \$ <u><u>(1,678,262)</u></u>

Schedule of noncash Investing, capital, and financing activities:

Borrowing under capital lease	<u>0</u>
Contributions of fixed assets	<u>0</u>
Purchases of equipment on account	<u>0</u>
Asset trade-ins	<u>0</u>
Other (specify)	<u>0</u>
 <hr/> <hr/>	
Total noncash investing, capital, and financing activities:	<u><u>0</u></u>

(Concluded)

The accompanying notes are an integral part of this statement.

Statement D

STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2004

INTRODUCTION

The Lake Borgne Basin Levee District was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute 38:291(G). The following is a brief description of the operations of Lake Borgne Basin Levee District which includes the parish/parishes in which the operation is located: The Lake Borgne Basin Levee District primarily provides flood protection for those areas contained within its district inside St. Bernard Parish. The levee district is responsible for 60 miles of levees, 8 pumping stations, and 53 miles of drainage canals.

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 Lake Borgne Basin Levee District present information only as to the transactions of the programs of the Lake Borgne Basin 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 Lake Borgne Basin 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.

B. BUDGETARY ACCOUNTING

The appropriations made for the operations of the various programs of the Lake Borgne Basin Levee District 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:

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

	<u>APPROPRIATIONS</u>
Original approved budget	\$ <u>5,034,500</u>
Amendments:	<u>0</u>
Final approved budget	\$ <u><u>5,034,500</u></u>

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (If all agency cash and investments are deposited in the State Treasury, disregard Note C.)

1. DEPOSITS WITH FINANCIAL INSTITUTIONS

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Under state law the Lake Borgne Basin Levee District may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the district 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.

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.

Following the issuance of GASB Statement 3, deposits were classified into three categories of custodial credit risk depending on whether they were insured or collateralized, and who held the collateral and how it was held.

Category 1 – Deposits that are covered by insurance (FDIC) or collateralized with securities that are held by the entity in the entity’s name or registered in the entity’s name. (separate disclosure no longer required)

Category 2 – Deposits that are not insured but are collateralized with securities that are held by the financial institution’s trust department or agent and are in the entity’s name. (separate disclosure no longer required)

Category 3 – Deposits that are not covered by insurance and also are not collateralized. Not collateralized includes when the securities (collateral) are held by the financial institution’s trust department or agent and they are not in the entity’s name. (separate disclosure still required)

GASB Statement 40 only requires any category 3 deposits to be disclosed in the custodial credit risk section of Note C. If an entity has deposits exposed to custodial credit risk category 3, it should disclose the amount of those balances, the fact that they are uninsured, and whether the balances are either uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the entity’s name.

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

The deposits at June 30, 2004, consisted of the following:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Other (Describe)</u>	<u>Total</u>
Deposits in bank accounts per balance sheet	\$ <u>1,874,439</u>	\$ <u>2,500,000</u>	\$ <u>0</u>	\$ <u>4,374,439</u>
Bank balances (category 3 only, if any) Identify amounts reported as category 3 by the descriptions below:				
a. Uninsured and uncollateralized	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
b. Uninsured and collateralized with securities held by the pledging institution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
c. Uninsured and collateralized with securities held by the pledging institution's trust department or agent <u>but not in the entity's name</u>	<u>1,865,247</u>	<u>2,500,000</u>	<u>0</u>	<u>4,365,247</u>
Total category 3 bank balances	\$ <u>1,865,247</u>	\$ <u>2,500,000</u>	\$ <u>0</u>	\$ <u>4,365,247</u>
Total bank balances (All categories including category 3 reported above)	\$ <u>2,065,247</u>	\$ <u>2,500,000</u>	\$ <u>0</u>	\$ <u>4,565,247</u>

NOTE: The "Total Bank Balances" will not necessarily equal the "Deposits in Bank Account per Balance Sheet".

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

<u>Banking institution</u>	<u>Program</u>	<u>Amount</u>
1. <u>HIBERNIA NATIONAL BANK</u>	<u>OPERATIONS</u>	\$ <u>752,072</u>
2. <u>GULF COAST BANK AND TRUST</u>	<u>CAPITAL PROJECTS</u>	<u>463,347</u>
3. <u>HIBERNIA NATIONAL BANK</u>	<u>DEBT SERVICES</u>	<u>658,989</u>
4. <u>GULF COAST BANK AND TRUST</u>	<u>INVESTMENTS CD</u>	<u>2,500,000</u>
Total		\$ <u>4,374,408</u>

Cash in State Treasury 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 on the balance sheet.

Cash in State Treasury	\$ <u>None</u>
Petty cash	\$ <u>30</u>

2. INVESTMENTS

The Lake Borgne Basin Levee District does maintain investment accounts as authorized by R.S. 39:1229. (Note legal provisions authorizing investments by operation.)

Investments can be classified according to the level of risk to the entity. Using the following categories, list each type of investment disclosing the carrying amount, market value, and applicable category of risk. **Beginning with fiscal year ending June 30, 2004, only risk category 3 has to be broken out separately. However, the total reported amount and fair value columns still must be reported for total investments (including category 3).**

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

Category 1 - Insured or registered in the entity's name, or securities held by the entity or its agent in the entity's name. (separate disclosure no longer required)

Category 2 - Uninsured and unregistered with securities held by the counterparty's trust department or agent in the entity's name. (separate disclosure no longer required)

Category 3 - Unsecured and unregistered with securities held by the counterparty, or by its trust department or agent but not in the entity's name. (separate disclosure still required)

NOTE: GASB Statement 40 requires investments to be listed by type, and whether any of those are category 3 investments. If so, those category 3 investments are reported in one of two separate columns depending upon whether they are held by a counterparty, or held by a counterparty's trust department or agent not in the entity's name.

<u>Type of Investment</u>	<u>Amount Reported in Risk</u>		<u>Total Reported Amount - All Categories (Including Category 3)</u>	<u>Total Fair Value - All Categories (Including Category 3)</u>
	<u>Held by Counterparty</u>	<u>Held by Counterparty's Trust Dept. or Agent Not in Entity's Name</u>		
Repurchase agreements	\$ <u>NONE</u>	\$ _____	\$ _____	\$ _____
U.S. Government securities	_____	_____	_____	_____
Common & preferred stock	_____	_____	_____	_____
Commercial paper	_____	_____	_____	_____
Corporate bonds	_____	_____	_____	_____
Other: (identify)	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Total investments	-	-	\$ -	\$ -

The institution does not invest in derivatives as part of its investment policy. Accordingly, the exposure to risks from these investments is as follows:
 credit risk _____
 market risk _____
 legal risk _____

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

3. Other Disclosures Required for Investments

- a. Investments in pools managed by other governments or mutual funds **None** _____

- b. Securities underlying reverse repurchase agreements **None** _____

- c. Unrealized investment losses **None** _____

- d. Commitments as of _____ (fiscal close), to resell securities under yield maintenance repurchase agreements:
1. Carrying amount and market value at June 30 of securities to be resold **None** _____
2. Description of the terms of the agreement **None** _____

- e. Losses during the year due to default by counterparties to deposit or investment transactions _____
None _____
- f. Amounts recovered from prior-period losses which are not shown separately on the balance sheet _____
None _____

Legal or Contractual Provisions for Reverse Repurchase Agreements

- g. Source of legal or contractual authorization for use of reverse repurchase agreements **None** _____

- h. Significant violations of legal or contractual provisions for reverse repurchase agreements that occurred during the year **None** _____

Reverse Repurchase Agreements as of Year-End

- i. Credit risk related to the reverse repurchase agreements outstanding at year end, that is, the aggregate amount of reverse repurchase agreement obligations including accrued interest compared to aggregate market value of the securities underlying those agreements including interest **None** _____
- j. Commitments on _____ (fiscal close), to repurchase securities under yield maintenance agreements **None** _____
- k. Market value on _____ (fiscal close), of the securities to be repurchased **None** _____
- l. Description of the terms of the agreements to repurchase **None** _____

- m. Losses recognized during the year due to default by counterparties to reverse repurchase agreements **None** _____

- n. Amounts recovered from prior-period losses which are not separately shown on the operating statement **None** _____

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

Fair Value Disclosures

- o. Methods and significant assumptions used to estimate fair value of investments, if fair value is not based on quoted market prices None
- p. Basis for determining which investments, if any, are reported at amortized cost None
- q. For investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool None
- r. Whether the fair value of your investment in the external investment pool is the same as the value of the pool shares None
- s. Any involuntary participation in an external investment pool None
- t. Whether you are unable to obtain information from a pool sponsor to determine the fair value of your investment in the pool, methods used and significant assumptions made in determining that fair value and the reasons for having had to make such an estimate None
- u. Any income from investments associated with one fund that is assigned to another fund None

Credit Risk, Concentration of Credit Risk, Interest Rate Risk, and Foreign Currency Risk Disclosures

- v. Briefly describe the deposit and /or investment policies related to the custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk disclosed in this note. If no policy exists concerning the risks disclosed, please state that fact.
No Policy we only invest in federally insured short term bank certificates of deposits
- w. List, by amount and issuer (not including U.S. government securities, mutual funds, and investment pools), investments in any one issuer that represents 5% or more of total investments None
- x. List the fair value and terms of any debt investments that are highly sensitive to changes in interest rates due to the terms of the investment (eg. coupon multipliers, reset dates, etc.)
None
- y. Disclose the credit risk of debt investments by credit quality ratings as described by rating agencies as of the fiscal year end. All debt investments regardless of type can be aggregated by credit quality rating (if any are unrated, disclose that amount).
None
- z. Disclose the interest rate risk of debt investments by listing the investment type and the method that is used to identify and manage the interest rate risk of those investments (by, using one of the following 5 methods that is used to identify and manage interest rate risk: a) segmented time distribution, b) specific identification, c) weighted average maturity, d) duration, or e) simulation model.)
None

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

- aa. Disclose the U.S. dollar balances of any deposits or investments that are exposed to foreign currency risk (deposits or investments denominated in foreign currencies). List by currency denomination and investment type, if applicable.
None

D. CAPITAL ASSETS – INCLUDING CAPITAL LEASES ASSETS

The fixed assets used in the Special Purpose Government Engaged only in Business-Type Activities are included on the balance sheet 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 6/30/2003	Prior Period Adjustment	Adjusted Balance 7/1/2003	Additions	Transfers*	Retirements	Balance 6/30/2004
Capital assets not being depreciated							
Land	256,954	--	--	--	256,954	--	256,954
Non-depreciable land improvements	--	--	--	--	--	--	--
Capitalized collections	--	--	--	--	--	--	--
Construction in progress	--	--	--	--	--	--	--
Total capital assets not being depreciated	256,954	--	--	--	256,954	--	256,954
Other capital assets							
Furniture, fixtures, and equipment	1,242,302	--	--	78,137	1,320,439	--	1,320,439
Less accumulated depreciation	(1,035,196)	--	--	(99,663)	(1,134,859)	--	(1,134,859)
Total furniture, fixtures, and equipment	207,106	--	--	(21,526)	185,580	--	185,580
Buildings and improvements	200,213	--	--	44,614	244,827	--	244,827
Less accumulated depreciation	(4,797)	--	--	(6,121)	(10,918)	--	(10,918)
Total buildings and improvements	195,416	--	--	38,493	233,909	--	233,909
Depreciable land improvements	--	--	--	--	--	--	--
Less accumulated depreciation	--	--	--	--	--	--	--
Total depreciable land improvements	--	--	--	--	--	--	--
Infrastructure	26,422,357	--	--	951,106	27,373,463	--	27,373,463
Less accumulated depreciation	(9,703,989)	--	--	(620,152)	(10,324,141)	--	(10,324,141)
Total infrastructure	16,718,368	--	--	330,954	17,049,322	--	17,049,322
Total other capital assets	17,120,890	--	--	347,921	17,468,811	--	17,468,811
Capital Asset Summary:							
Capital assets not being depreciated	256,954	--	--	--	256,954	--	256,954
Other capital assets, at cost	27,864,872	--	--	1,073,857	28,938,729	--	28,938,729
Total cost of capital assets	28,121,826	--	--	1,073,857	29,195,683	--	29,195,683
Less accumulated depreciation	(10,743,982)	--	--	(725,936)	(11,469,918)	--	(11,469,918)
Capital assets, net	17,377,844	--	--	347,921	17,725,765	--	17,725,765

* Should be used only for those completed projects coming out of construction-in-progress to fixed assets; not associated with transfers reported elsewhere in this packet.

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E. INVENTORIES

The unit's inventories are valued at average cost method of valuation. These are perpetual inventories and are expensed when used. **NOTE: DO NOT INCLUDE POSTAGE. THIS IS SHOWN AS A PREPAYMENT.**

F. RESTRICTED ASSETS-No restricted assets

G. LEAVE

1. COMPENSATED ABSENCES

The Lake Borgne Basin Levee District has the following policy on annual and sick leave: (Describe leave policy.)

An example disclosure follows:

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.

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

2. COMPENSATORY LEAVE

Employees who are considered having non-exempt status according to the guidelines contained in the Fair Labor Standards Act may be paid for compensatory leave earned (K-time). Upon termination or transfer, an employee will be paid for any time and one-half compensatory leave earned and may or may not be paid for any straight hour-for-hour compensatory leave earned. Compensation paid will be based on the employees' hourly rate of pay at termination or transfer. The liability for accrued payable compensatory leave at June 30, 2004 computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Section C60.105 is estimated to be \$118,694. The leave payable is recorded in the accompanying financial statements.

H. RETIREMENT SYSTEM

Substantially all of the employees of the district are members of the Louisiana State Employees 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 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.

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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 Lake Borgne Basin Levee District is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 2004, increased to 15.8% of annual covered payroll from the 14.1% required in fiscal years ended June 30, 2003 and 2002, respectively. The district contributions to the System for the years ending June 30, 2004, 2003, and 2002, were \$157,185, \$145,949, and \$136,717, respectively, equal to the required contributions for each year.

I. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

GASB 12 requires the following disclosures about an employer's accounting for post retirement health care and life insurance benefits:

1. A description of the benefits provided and the employee group covered.
2. A description of the accounting and funding policies followed for those benefits.
3. The cost of those benefits recognized for the period, unless the costs are not readily determinable.**
4. The effect of significant matters affecting the comparability of the costs recognized for all periods presented.

The Lake Borgne Basin Levee District provides certain continuing health care and life insurance benefits for its retired employees. Substantially all district employees become eligible for those benefits if they reach normal retirement age while working for the operation. 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 district. The Lake Borgne Basin Levee District's cost of providing retiree health care and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the year ended June 30, 2004 the costs of six retirees and one surviving spouse benefits totaled \$41,145.

J. LEASES - None

1. OPERATING LEASES

The total payments for operating leases during fiscal year June 30, 2004 amounted to \$ 0. A schedule of payments for operating leases follows:

<u>Nature of lease</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010-2014</u>	<u>FY2015-2019</u>
None	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
Total	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

**STATE OF LOUISIANA
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2. CAPITAL LEASES

Capital leases are (are not) recognized in the accompanying financial statements. The amounts to be accrued for capital leases and the disclosures required for capital and operating leases by National Council on Governmental Accounting (NCGA) Statement No. 5, as adopted by the Governmental Accounting Standards Board, and FASB 13 should be reported on the following schedules:

Capital leases are defined as an arrangement in which any one of the following conditions apply: (1) ownership transfers by the end of the lease, (2) the lease contains a bargain purchase option, (3) the lease term is 75% of the asset life or, (4) the discounted minimum lease payments are 90% of the fair market value of the asset.

SCHEDULE A – TOTAL AGENCY CAPITAL LEASES EXCEPT LEAF

<u>Nature of lease</u>	<u>Gross Amount of Leased Asset (Historical Costs)</u>	<u>Remaining interest to end of lease</u>	<u>Remaining principal to end of lease</u>
a. Office space	\$ 0	\$ 0	\$ 0
b. Equipment	0	0	0
c. Land	0	0	0
Total	\$ 0	\$ 0	\$ 0

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of (last day of your fiscal year) and a breakdown of yearly principal and interest:

2005	\$ 0
2006	0
2007	0
2008	0
2009	0
2010-2014	0
2015-2019	0
2020-2024	0
Total minimum lease payments	0
Less amounts representing executory costs	0
Net minimum lease payments	0
Less amounts representing interest	0
Present value of net minimum lease payments	\$ 0

STATE OF LOUISIANA
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SCHEDULE B – NEW AGENCY CAPITAL LEASES EXCEPT LEAF

<u>Nature of lease</u>	<u>Gross Amount of Leased Asset (Historical Costs)</u>	<u>Remaining interest to end of lease</u>	<u>Remaining principal to end of lease</u>
a. Office space	\$ 0	\$ 0	\$ 0
b. Equipment	0	0	0
c. Land	0	0	0
Total	\$ 0	\$ 0	\$ 0

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of (last day of your fiscal year) and a breakdown of yearly principal and interest:

<u>Year ending June 30:</u>	<u>Total</u>
2005	\$ 0
2006	0
2007	0
2008	0
2009	0
2010-2014	0
2015-2019	0
2020-2024	0
Total minimum lease payments	0
Less amounts representing executory costs	0
Net minimum lease payments	0
Less amounts representing interest	0
Present value of net minimum lease payments	\$ 0

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SCHEDULE C – LEAF CAPITAL LEASES

<u>Nature of lease</u>	<u>Gross Amount of Leased Asset (Historical Costs)</u>	<u>Remaining interest to end of lease</u>	<u>Remaining principal to end of lease</u>
a. Office space	\$ 0	\$ 0	\$ 0
b. Equipment	0	0	0
c. Land	0	0	0
Total	\$ 0	\$ 0	\$ 0

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of (last day of your fiscal year) and a breakdown of yearly principal and interest:

<u>Year ending June 30:</u>	<u>Total</u>
2005	\$ 0
2006	0
2007	0
2008	0
2009	0
2010-2014	0
2015-2019	0
2020-2024	0
Total minimum lease payments	0
Less amounts representing executory costs	0
Net minimum lease payments	0
Less amounts representing interest	0
Present value of net minimum lease payments	\$ 0

3. LESSOR DIRECT FINANCING LEASES

A lease is classified as a direct financing lease (1) when any one of the four capitalization criteria used to define a capital lease for the lessee is met and (2) when both the following criteria are satisfied:

- Collectibility of the minimum lease payments is reasonably predictable.
- No important uncertainties surround the amount of the unreimbursable costs yet to be incurred by the lessor under the lease.

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Provide a general description of the direct financing agreement, and complete the chart below:

<u>Composition of lease</u>	<u>Date of lease</u>	<u>Minimum lease payment receivable</u>	<u>Remaining interest to end of lease</u>	<u>Remaining principal to end of lease</u>
a. Office space	<u>None</u>	\$ <u>None</u>	\$ _____	\$ _____
b. Equipment	<u>None</u>	<u>None</u>	_____	_____
c. Land	<u>None</u>	<u>None</u>	_____	_____
Less amounts representing executory costs		<u>None</u>		
Minimum lease payment receivable		<u>0</u>		
Less allowance for doubtful accounts		<u>None</u>		
Net minimum lease payments receivable		<u>0</u>		
Less estimated residual value of leased property		<u>None</u>		
Less unearned income		<u>None</u>		
Net investment in direct financing lease		\$ <u>0</u>		

Minimum lease payments do not include contingent rentals, which may be received as stipulated in the lease contracts. Contingent rental payments occur if, for example, the use of the equipment, land, or building etc., exceeds a certain level of activity each year. Contingent rentals received for fiscal year 2004 were \$0 for office space, \$0 for equipment, and \$0 for land.

The following is a schedule by year of minimum leases receivable for the remaining fiscal years of the lease as of _____ (the last day of your fiscal year):

Year ending June 30, 2004	
2005	\$ <u>0</u>
2006	<u>0</u>
2007	<u>0</u>
2008	<u>0</u>
2009	<u>0</u>
2010-2014	<u>0</u>
2015-2019	<u>0</u>
2020-2024	<u>0</u>
Total	\$ <u>0</u>

4. LESSOR – OPERATING LEASE

When a lease agreement does not satisfy at least one of the four criteria (common to both lessee and lessor accounting), and both of the criteria for a lessor (collectibility and no uncertain reimbursable costs), the lease is classified as an operating lease. In an operating lease, there is no simulated sale and the lessor simply records rent revenues as they become measurable and available.

Provide the cost and carrying amount, if different, of property on lease or held for lease organized by major class of property and the amount of accumulated depreciation as of _____ 20__:

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Carrying amount</u>
a. Office space	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
b. Equipment	<u>0</u>	<u>0</u>	<u>0</u>
c. Land	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

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The following is a schedule by years of minimum future rentals on non-cancelable operating lease(s) as of June 30, 2004 (the last day of your fiscal year):

Year Ended June 30, 2004	Office Space	Equipment	Land	Other	Total
2005	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2006	0	0	0	0	0
2007	0	0	0	0	0
2008	0	0	0	0	0
2009	0	0	0	0	0
2010-2014	0	0	0	0	0
2015-2019	0	0	0	0	0
Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

Current year lease revenues received in fiscal year totaled \$ 0.

Contingent rentals received from operating leases received for your fiscal year was \$0 for office space, \$0 for equipment, and \$0 for land.

K. 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	Amounts due within one year
		Additions	Reductions		
Bonds and notes payable:					
Notes payable	\$ 0	\$ 0	\$ 0	\$ (0)	\$ 0
Reimbursement contracts payable	0	0	0	0	0
Bonds payable	3,550,000	0	545,000	3,005,000	560,000
Total notes and bonds	<u>3,550,000</u>	<u>0</u>	<u>545,000</u>	<u>3,005,000</u>	<u>560,000</u>
Other liabilities:					
Contracts payable	0	0	0	0	0
Compensated absences payable	103,629	15,065	0	118,694	0
Capital lease obligations	0	0	0	0	0
Liabilities payable from restricted assets	0	0	0	0	0
Claims and litigation	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0
Total other liabilities	<u>103,629</u>	<u>15,065</u>	<u>0</u>	<u>118,694</u>	<u>0</u>
Total long-term liabilities	<u><u>3,653,629</u></u>	<u><u>15,065</u></u>	<u><u>545,000</u></u>	<u><u>3,123,694</u></u>	<u><u>560,000</u></u>

A detailed summary, by issues, of all debt outstanding at June 30, 2004, including outstanding interest of \$3,258,551 is shown on schedule 4. Schedule 5 is an amortization schedule of the outstanding debt. (Send OSRAP a copy of the amortization schedule for any new debt issued.)

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L. LITIGATION

1. The Lake Borgne Basin Levee District is a defendant in litigation seeking damages as follows:

<u>Date of Action</u>	<u>Description of Litigation and Probable outcome (Remote, reasonably possible, or probable)</u>	<u>Primary Attorney</u>	<u>Damages Claimed</u>	<u>Insurance Coverage</u>
n/a	Rudolph Lattimore	Marcel Gueniot	\$ Unknown	\$ Yes
n/a	MBK LLC	Mark Hanna	Unknown	Yes
Totals			\$ -	\$ n/a

The Lake Borgne Basin Levee District's legal advisor estimates that potential claims not covered by insurance would not materially affect the financial statements.

2. Claims and litigation costs of \$18,930 were incurred in the current year and are reflected in the accompanying financial statement.

M. RELATED PARTY TRANSACTIONS-*No related party transactions*

(FASB 57 requires disclosure of the description of the relationship, the transaction(s), the dollar amount of the transaction(s) and any amounts due to or from which result from related party transactions. List all related party transactions). _____

N. ACCOUNTING CHANGES-*No accounting changes*

Accounting changes made during the year involved a change in accounting _____ (principle, estimate, error or entity). The effect of the change is being shown in _____.

O. IN-KIND CONTRIBUTIONS-*No in-kind contribution*

(List all in-kind contributions that are not included in the accompanying financial statements.)

<u>In-Kind Contributions</u>	<u>Cost/Estimated Cost/Fair Market Value/As Determined by the Grantor</u>
_____	\$ _____
_____	_____
_____	_____
_____	_____
_____	_____
Total	\$ <u>0</u>

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P. DEFEASED ISSUES-Did not defease any bonds in period.

In _____, 20____, the _____(BTA), issued \$_____ of taxable bonds. The purpose of the issue was to provide monies to advance refund portions of _____ bonds. In order to refund the bonds, portions of the proceeds of the new issue \$_____, plus an additional \$_____ of sinking fund monies together with certain other funds and/or securities, were deposited and held in an escrow fund created pursuant to an escrow deposit agreement dated _____ between the (BTA) and the escrow trustee. The amount in the escrow, together with interest earnings, will be used to pay the principal, redemption premium, and interest when due. The refunding resulted in reducing the total debt service payments by almost \$ _____ and gave the (BTA) an economic gain (difference between the present values of the debt service payments on the old and new debt)of \$_____.

Q. COOPERATIVE ENDEAVORS

LRS 33:9022 defines cooperative endeavors as any form of economic development assistance between and among the state of Louisiana, its local governmental subdivisions, political corporations, public benefit corporations, the United States government or its agencies, or any public or private association, corporation, or individual. The term cooperative endeavor includes cooperative financing, cooperative development, or any form of cooperative economic development activity. The state of Louisiana has entered into cooperative endeavor agreements with certain entities aimed at developing the economy of the state.

Some cooperative endeavor contracts are not coded with a document type of "COP" on the Contract Financial Management Subsystem (CFMS), but are considered cooperative endeavors. Include these below with your cooperative endeavor contracts coded with a document type of "COP". Examples of contracts that are considered cooperative endeavors, but are not coded with a document type of "COP" include contracts that fall under delegated authority, Facility Planning and Control "CEA" contracts, certain federal government contracts, contracts that legislative auditors may have designated as such within your agency, work incumbent programs, etc. In prior years, this information was requested as supplemental documentation after the AFRs were submitted, usually in October or November.

The liability outstanding as of June 30, 2004, by funding source, is as follows:

<u>Funding Source</u>	<u>Balance June 30, 2004</u>
State General Fund(Reggio Levee State Project #716-44-0012) \$	433,948
Self-generated revenue	_____
Statutorily dedicated revenue	_____
General obligation bonds	_____
Federal funds	_____
Interagency transfers	_____
Other funds/combination	_____

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NOTE: Amounts in excess of contract limits cannot be used to reduce the outstanding contract balance at June 30, 2004. For example, if a contract specifies a percentage of usage for each month (25%) and usage exceeds that percentage (75%), you cannot claim actual usage that exceeds contract requirements (50%).

NOTE: In order to compute your ending balances by funding source, you should begin with your balances at June 30, 2003. These amounts will be increased by amounts for new contracts and amendments and decreased for payments as well as for liquidations.

R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS)-None

The following government-mandated nonexchange transactions (grants) were received during fiscal year 2003-2004:

<u>CFDA Number</u>	<u>Program Name</u>	<u>State Match Percentage</u>	<u>Total Amount of Grant</u>
_____	_____	_____	\$ _____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Total government-mandated nonexchange transactions (grants)			\$ _____ 0

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS-None

At June 30, 20__, the _____ (BTA) was not in compliance with the provisions of _____ Bond Reserve Covenant that requires _____. The _____ (BTA) did _____ to correct this deficiency.

T. SHORT-TERM DEBT-None

The _____ (BTA) issues short-term notes for the following purpose(s) _____

Short-term debt activity for the year ended June 30, 20__, was as follows:

<u>List the type of S-T debt (e.g., tax anticipation notes)</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
_____	\$ _____	\$ _____	\$ _____	\$ _____ -

The _____ (BTA) uses a revolving line of credit for the following to finance _____ (list purpose for the S-T debt).
Short-term debt activity for the year ended June 30, 20__, was as follows:

<u>Line of credit</u>	<u>Beginning Balance</u>	<u>Draws</u>	<u>Redeemed</u>	<u>Ending Balance</u>
_____	\$ _____	\$ _____	\$ _____	\$ _____ -

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U. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at June 30, 2004, were as follows:

Activity	Customer Receivables	Taxes	Receivables from other Governments	Other Receivables	Total Receivables
Violet Siphon	\$ 0	\$ 0	\$ 2,267	\$ 0	\$ 2,267
Prepaid Insurance Premiums	0	0	0	24,507	24,507
Accrued Interest Receivable	0	0	0	18,458	18,458
Gross receivables	\$ 0	\$ 0	\$ 2,267	\$ 42,965	\$ 45,232
Less allowance for uncollectible accounts	0	0	0	0	0
Receivables, net	\$ (0)	\$ (0)	\$ 2,267	\$ 42,965	\$ 45,232
Amounts not scheduled for collection during the subsequent year	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2004, were as follows:

Activity	Vendors	Salaries and Benefits	Accrued Interest	Other Payables	Total Payables
General Operations	\$ 3,377	\$ 76,530	\$ 34,432	\$ 0	\$ 114,339
Total payables	\$ 3,377	\$ 76,530	\$ 34,432	\$ 0	\$ 114,339

W. SUBSEQUENT EVENTS – No subsequent events

[Disclose any material event(s) affecting the (BTA) occurring between the close of the fiscal period and issuance of the financial statement.] _____

X. SEGMENT INFORMATION – No segmented activities

Governments that report enterprise funds or that use enterprise fund accounting and reporting standards to report their activities are required to present segment information for those activities in the notes to the financial statements. For purposes of this disclosure, a segment is an identifiable activity (or group of activities), reported as or within an enterprise fund or an other stand-alone entity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's revenues, expenses, gains and losses, assets, and liabilities are required to be accounted for separately. This requirement for separate accounting applies if imposed by an external party, such as accounting and reporting requirements set forth in bond indentures. Disclosure requirements for each segment should be met by identifying the types of goods and services provided and by presenting condensed financial statements in the notes, including the elements in A through C below (GASB 34, paragraph 122, as modified by GASB 37, paragraph 17.)

**STATE OF LOUISIANA
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Type of goods or services provided by the segment _____.

A. Condensed balance sheet:

- (1) Total assets – distinguishing between current assets, capital assets, and other assets. Amounts receivable from other funds or BTA's should be reported separately.
- (2) Total liabilities – distinguishing between current and long-term amounts. Amounts payable to other funds or BTA's should be reported separately.
- (3) Total net assets – distinguishing among restricted (separately reporting expendable and nonexpendable components); unrestricted; and amounts invested in capital assets, net of related debt.

Condensed Balance sheet:

	<u>Segment #1</u>	<u>Segment #2</u>
Current assets	\$ _____	\$ _____
Due from other funds	_____	_____
Capital assets	_____	_____
Other assets	_____	_____
Current liabilities	_____	_____
Due to other funds	_____	_____
Long-term liabilities	_____	_____
Restricted net assets	_____	_____
Unrestricted net assets	_____	_____
Invested in capital assets, net of related debt	_____	_____

B. Condensed statement of revenues, expenses, and changes in net assets:

- (1) Operating revenues (by major source).
- (2) Operating expenses. Depreciation (including any amortization) should be identified separately.
- (3) Operating income (loss).
- (4) Nonoperating revenues (expenses) – with separate reporting of major revenues and expenses.
- (5) Capital contributions and additions to permanent and term endowments.
- (6) Special and extraordinary items.
- (7) Transfers
- (8) Change in net assets.
- (9) Beginning net assets.
- (10) Ending net assets.

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Condensed Statement of Revenues, Expenses, and Changes in Net Assets:

	<u>Segment #1</u>	<u>Segment #2</u>
Operating revenues	\$ 0	\$ 0
Operating expenses	0	0
Depreciation and amortization	0	0
Operating income (loss)	0	0
Nonoperating revenues (expenses)	0	0
Capital contributions/additions to permanent and term endowments	0	0
Special and extraordinary items	0	0
Transfers in	0	0
Transfers out	0	0
Change in net assets	0	0
Beginning net assets	0	0
Ending net assets	0	0

C. Condensed statement of cash flows:

- (1) Net cash provided (used) by:
 - (a) Operating activities
 - (b) Noncapital financing activities
 - (c) Capital and related financing activities
 - (d) Investing activities
- (2) Beginning cash and cash equivalent balances
- (3) Ending cash and cash equivalent balances

Condensed Statement of Cash Flows:

	<u>Segment #1</u>	<u>Segment #2</u>
Net cash provided (used) by operating activities	\$ 0	\$ 0
Net cash provided (used) by noncapital financing activities	0	0
Net cash provided (used) by capital and related financing activities	0	0
Net cash provided (used) by investing activities	0	0
Beginning cash and cash equivalent balances	0	0
Ending cash and cash equivalent balances	0	0

Y. DUE TO/DUE FROM AND TRANSFERS – No to/due or due from and transfers

- 1. List by fund type the amounts **due from other funds** detailed by individual fund at your fiscal year end:

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
_____	_____	\$ _____
_____	_____	_____
_____	_____	_____
Total due from other funds		\$ _____

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
Notes to the Financial Statement
As of and for the year ended June 30, 2004**

2. List by fund type the amounts due to other funds detailed by individual fund at fiscal year end:

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
_____	_____	\$ _____
_____	_____	_____
_____	_____	_____
Total due to other funds		\$ _____

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

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
_____	_____	\$ _____
_____	_____	_____
_____	_____	_____
Total transfers from other funds		\$ _____

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

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
_____	_____	\$ _____
_____	_____	_____
_____	_____	_____
Total transfers to other funds		\$ _____

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Liabilities payable from restricted assets in the Lake Borgne Basin Levee District at June 30, 2004 reflected at \$ 594,432 in the current liabilities section on Statement A, consist of \$0 in accounts payable, \$0 in notes payable, and \$594,432 in bonds payable.

Liabilities payable from restricted assets in the Lake Borgne Basin Levee District at June 30, 2004, reflected at \$2,445,000 in the non-current liabilities section on Statement A, consist of \$0 in accounts payable, \$0 in notes payable, and \$2,445,000 in bonds payable.

AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS

The following adjustments were made to restate beginning net assets for June 30, 2004.

<u>Ending net assets</u> <u>July 1, 2003,</u> <u>previously reported</u>	<u>Adjustments</u> <u>+ or (-)</u>	<u>Beginning net</u> <u>assets, July 1, 2003,</u> <u>As restated</u>
17,432,589	\$ 384,402	\$ 17,816,991
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Explain: Capital assets paid for in prior years and not reported until 2004. To comply with GASB 34, \$8,333 incurred in 6/30/2002 and \$376,069 incurred in 6/30/2003.

(NOTE: Net Assets at July 1, 2003, previously reported, must correspond to Net Assets at June 30, 2003, per the information received from OSRAP.)

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
SCHEDULE OF STATE FUNDING
For the Year Ended June 30, 2004**

<u>Description of Funding</u>	<u>Amount</u>
1. <u>State of Louisiana Revenue Sharing</u>	<u>\$ 163,000</u>
2. <u>State Construction Grants</u>	<u>951,794</u>
3. <u>Dept. of Natural Resources</u>	<u>72,553</u>
4. _____	_____
5. _____	_____
6. _____	_____
7. _____	_____
8. _____	_____
9. _____	_____
10. _____	_____
Total	\$ <u>1,187,347</u>

SCHEDULE 2

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
SCHEDULE OF NOTES PAYABLE
For the Year Ended June 30, 2004
(Fiscal close)**

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/PY	Redeemed (Issued)	Principal Outstanding 6/30/CY	Interest Rates	Interest Outstanding 6/30/CY
None		\$	\$	\$	\$		\$
Total		\$	\$	\$	\$		\$

*Send copies of new amortization schedules

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
SCHEDULE OF BONDS PAYABLE
For the Year Ended June 30, 2004
(Fiscal close)**

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/PY	Redeemed (Issued)	Principal Outstanding 6/30/CY	Interest Rates	Interest Outstanding 6/30/CY
2003	03/28/03	\$3,550,000	\$3,550,000	\$ 545,000	\$3,005,000	2.75	\$ 96,722
Total		<u>\$3,550,000</u>	<u>\$3,550,000</u>	<u>\$ 545,000</u>	<u>\$ 3,005,000</u>		<u>\$ 96,722</u>

*Send copies of new amortization schedules

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION
For The Year Ended June 30, 2004
(Fiscal Close)**

Fiscal Year Ending:	<u>Principal</u>	<u>Interest</u>
2005	\$ 0	\$ 0
2006		
2007		
2008		
2009		
2010		
2011		
2012		
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
Total	\$ 0	\$ 0

SCHEDULE 4-A

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
SCHEDULE OF CAPITAL LEASE AMORTIZATION
For The Year Ended June 30, 2004**

Fiscal Year Ending:	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	<u>Balance</u>
2005	\$ 0	\$ 0	\$ 0	\$ 0
2006				--
2007				--
2008				--
2009				--
2010-2014				--
2015-2019				--
2020-2024				--
2025-2029				--
Total	\$ 0	\$ 0	0	0

SCHEDULE 4-B

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
SCHEDULE OF NOTES PAYABLE AMORTIZATION**

Fiscal Year Ending:	<u>Principal</u>	<u>Interest</u>
2005	\$ <u>0</u>	\$ <u>0</u>
2006	_____	_____
2007	_____	_____
2008	_____	_____
2009	_____	_____
2010-2014	_____	_____
2015-2019	_____	_____
2020-2024	_____	_____
2025-2029	_____	_____
Total	\$ <u><u>0</u></u>	\$ <u><u>0</u></u>

SCHEDULE 4-C

**STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended June 30, 2004**

Fiscal Year Ending:	<u>Principal</u>	<u>Interest</u>
2005	\$ 560,000	\$ 82,637
2006	580,000	67,238
2007	600,000	51,288
2008	625,000	34,788
2009	640,000	17,600
2010		
2011		
2012		
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
Total	\$ 3,005,000	\$ 253,551

STATE OF LOUISIANA
LAKE BORGNE BASIN LEVEE DISTRICT
COMPARISON FIGURES

To assist OSRAP in determining the reason for the change in financial position for the state and reason for the changes in the budget, please complete the schedule below. If the change is greater than 10%, explain the reason for the change.

	<u>2004</u>	<u>2003</u>	<u>Difference</u>	<u>Percentage Change</u>
1) Revenues	\$ 4,612,877	\$ 3,733,678	\$ 879,199	\$ 23.54%
Expenses	3,444,691	3,775,924	331,233	8.77%
2) Capital assets	28,938,728	27,864,871	1,073,857	3.85%
Long-term debt	3,005,000	3,550,000	(545,000)	(15.4%)
Net Assets	18,985,177	17,816,990	1,168,187	6.55%

Explanation for change: Major Capital Projects
Financed with State funding

3)	<u>2004 Original Budget</u>	<u>2004 Final Budget</u>	<u>Difference</u>	<u>Percentage Change</u>
Revenues	\$ 5,034,500	\$ 5,034,500	\$ -0-	\$ -0-
Expenditures	6,456,218	6,456,218	-0-	-0-

Explanation of change: None

	<u>2004 Final Budget</u>	<u>2004 Actual Budget</u>	<u>Difference</u>	<u>Percentage Change</u>
Revenues	5,034,500	5,034,500	-0-	-0-
Expenditures	6,456,218	6,456,218	-0-	-0-

Explanation of change: None