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**GRAND ISLE INDEPENDENT LEVEE DISTRICT
A COMPONENT UNIT OF THE
STATE OF LOUISIANA**

**ANNUAL FINANCIAL REPORT
Year Ended June 30, 2002**

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 1/8/03

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Grand Isle Independent Levee District
Grand Isle, Louisiana

I have audited the accompanying general purpose financial statements of the Grand Isle Independent Levee District (the "District"), a component unit of the State of Louisiana, as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

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

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Grand Isle Independent Levee District as of June 30, 2002 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 12, 2002, on my consideration of the District's internal control over financial reporting and my tests of compliance with laws, regulations, contracts and grants. 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 my audit.

My audit was made for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The Supplemental Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Grand Isle Independent Levee District. This information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Paul C. Rivers, CPA

December 12, 2002

GENERAL PURPOSE FINANCIAL STATEMENTS

GRAND ISLE INDEPENDENT LEVEE DISTRICT

**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002**

	<u>GOVERNMENTAL FUND TYPE</u>	<u>ACCOUNT GROUP</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
	<u>GENERAL</u>	<u>GENERAL FIXED ASSETS</u>	
ASSETS			
Cash and cash equivalents	\$ 150,285	\$ 0	\$ 150,285
Due from state	2,400	0	2,400
Property, plant and equipment, net	0	20,902	20,902
TOTAL ASSETS	\$ <u>152,685</u>	\$ <u>20,902</u>	\$ <u>173,587</u>
 LIABILITIES, EQUITY AND OTHER CREDITS			
Liabilities			
Accounts payable	\$ 0	\$ 0	\$ 0
Accrued salaries and related liabilities	0	0	0
Deferred revenue	0	0	0
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>
Equity and Other Credits			
Investment in general fixed assets	0	20,902	20,902
Fund Balance			
Unreserved and undesignated	<u>152,685</u>	<u>0</u>	<u>152,685</u>
TOTAL EQUITY AND OTHER CREDITS	<u>152,685</u>	<u>20,902</u>	<u>173,587</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ <u>152,685</u>	\$ <u>20,902</u>	\$ <u>173,587</u>

The accompanying notes are an integral part of this statement.

GRAND ISLE INDEPENDENT LEVEE DISTRICT

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>GOVERNMENTAL FUND TYPE</u>
	<u>GENERAL</u>
REVENUES	
Ad valorem taxes	\$ 86,514
Intergovernmental - Federal Grants - FEMA	82,139
Intergovernmental - State Capital Outlay (#36-L25-99B-01)	332,960
Intergovernmental - Grand Isle Port Commission	25,000
Interest	3,599
Other	97
TOTAL REVENUES	<u>530,309</u>
EXPENDITURES	
Current	
Public Works	
Personnel	22,741
Employee related benefits	2,881
Travel	7,289
Office	4,295
Professional services	39,667
Operating	9,743
Capital Outlay	
Breakwater construction	390,939
FEMA Project	81,350
TOTAL EXPENDITURES	<u>558,905</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(28,596)
FUND BALANCE	
Beginning of year	181,281
End of year	\$ <u>152,685</u>

The accompanying notes are an integral part of this statement.

GRAND ISLE INDEPENDENT LEVEE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2002

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Ad valorem taxes	\$ 86,514	\$ 87,000	\$ (486)
Intergovernmental - Federal Grants - FEMA	82,139	26,000	56,139
Intergovernmental - State Capital Outlay (#36-L25-99B-01)	332,960	773,623	(440,663)
Intergovernmental - Grand Isle Port Commission	25,000	25,000	0
Interest income	3,599	5,000	(1,401)
Other	97	301	(204)
TOTAL REVENUES	<u>530,309</u>	<u>916,924</u>	<u>(386,615)</u>
EXPENDITURES			
Personnel			
Salaries	17,641	18,000	359
Commissioner's per diem	5,100	5,400	300
Employee expenses	0	500	500
Total	<u>22,741</u>	<u>23,900</u>	<u>1,159</u>
Employee related benefits			
Payroll taxes - state - penalties	0	500	500
Payroll taxes - federal	1,349	4,200	2,851
Insurance - worker's compensation	<u>1,532</u>	<u>0</u>	<u>(1,532)</u>
Total	<u>2,881</u>	<u>4,700</u>	<u>1,819</u>
Travel			
Travel and other	<u>7,289</u>	<u>4,500</u>	<u>(2,789)</u>
Total	<u>7,289</u>	<u>4,500</u>	<u>(2,789)</u>
Office			
Lease - office	0	1	1
Telephone	644	650	6
Postage	50	300	250
Office supplies	1,067	500	(567)
Advertising	167	1,500	1,333
Dues and subscriptions	2,375	1,300	(1,075)
Bank charges	<u>(8)</u>	<u>50</u>	<u>58</u>
Total	<u>4,295</u>	<u>4,301</u>	<u>6</u>
Professional Services			
Engineering and other	37,067	47,600	10,533
Audit fees	<u>2,600</u>	<u>2,600</u>	<u>0</u>
Total	<u>39,667</u>	<u>50,200</u>	<u>10,533</u>

(Continued)

GRAND ISLE INDEPENDENT LEVEE DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS) -
GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Operating			
Gas and oil	568	700	132
Insurance - general, auto & marine	8,609	8,700	91
Repairs and maintenance	33	0	(33)
Licenses and permits	0	100	100
Grass-cutting	225	0	(225)
Food and lodging	0	500	500
Miscellaneous	308	500	192
Total	<u>9,743</u>	<u>10,500</u>	<u>757</u>
Capital outlay			
Breakwater construction	390,939	789,845	398,906
Miscellaneous projects	0	200	200
FEMA Project	81,350	61,485	(19,865)
Total	<u>472,289</u>	<u>851,530</u>	<u>379,241</u>
TOTAL EXPENDITURES	<u>558,905</u>	<u>949,631</u>	<u>390,726</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(28,596)	(32,707)	4,111
FUND BALANCE			
Beginning of Year	181,281	181,281	0
End of Year	\$ <u>152,685</u>	\$ <u>148,574</u>	\$ <u>4,111</u>

The accompanying notes are an integral part of this statement.

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Grand Isle Independent Levee District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

1. Reporting Entity

GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and its component units. Component units are defined as legally separate organizations for which the elected officials of a primary government are financially accountable. The criteria used in determining whether financial accountability exists include the appointment of a voting majority of an organization's governing board, the ability of the primary government to impose its will on that organization or whether there is a potential for the organization to provide specific financial benefits or burdens to the primary government. Fiscal dependency may also play a part in determining financial accountability. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The District was created by Louisiana Revised Statute (LSA-RS 38:291(S)). It includes all land in the Parish of Jefferson lying south of Latitude 29 17' 52" N on the west side of the Mississippi River. *The governing board of commissioners administers the operations and responsibilities in accordance with the provisions of Louisiana statutes.* The members of the Board are appointed by the Governor of the State of Louisiana from a list of nominations submitted by the members of the Legislature serving that portion of Jefferson Parish located within the District.

Based on the criteria described above, it has been determined that the Grand Isle Independent Levee District is a component unit of the State of Louisiana for financial reporting purposes. The accompanying statements present only transactions of the District.

Annually, the State of Louisiana (the primary government) issues general purpose financial statements which include the activity contained in the accompanying financial statements. The State's general purpose financial statements are issued by the Louisiana Division of Administration - Office of Statewide Reporting and Accounting Policy and are audited by the Louisiana Legislative Auditor.

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fund Accounting

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The District has only one fund, the General Fund, and one account group, General Fixed Assets.

The General Fund is the general operating fund of the District. It is used to account for all financial resources and expenditures.

3. Basis of Accounting

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

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgets

Formal budgetary accounting is employed as a management control device during the year for the General Fund. Expenditures may not exceed appropriations at the line-item level within the fund. All annual appropriations which are not expended lapse at year end.

The General Fund's budget is adopted on a "cash" basis of accounting. Encumbrances are not recorded for budgetary purposes.

5. Cash and Investments

For reporting purposes, cash includes amounts in demand deposits, time deposits, and certificates of deposit. Louisiana Revised Statutes allow the District to 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.

In accordance with GASB Statement No. 31, investments, if any, are generally stated at fair value. If the investment is in money market securities and has a maturity date of less than 90 days from the balance sheet date, the investment is stated at cost or amortized cost. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

6. Inventories

The cost of materials and supplies acquired by the District are recorded as expenditures at the time of purchase. It is management's opinion that the inventory of such materials and supplies at June 30, 2002 would not be material to the financial statements.

7. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Public domain ("infrastructure") general fixed assets consisting primarily of levee construction and improvement costs are not capitalized, as these assets are immovable and of value only to the government.

Assets in the General Fixed Assets Account Group are not depreciated.

8. Fund Equity

Reserves represent those portions of fund equity not appropriatable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

9. Total Columns on Combined Statements

Total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budget

The Board of Commissioners of the District submits an annual budget to the Department of Transportation and Development - Office of Public Works (DOTD) and the Legislative Auditor for the succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

The DOTD reviews the budget and makes recommendations pertaining thereto to the Board of Commissioners of the District and the Legislative Auditor. Not less than ninety days before the end of the fiscal year, the Board of Commissioners adopts the annual budget after considering the recommendations of the DOTD. Amendments to the budget are made by the Board from time to time as is necessary.

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2002

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

The original budget was adopted on June 20, 2001. Budgeted amounts included in the accompanying statements include supplemental appropriations and amendments through June 30, 2002.

2. Budgetary to GAAP Reconciliation

The accompanying Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - General Fund presents a comparison of the legally adopted budget with actual data on the budgetary basis of accounting (i.e., cash basis). A reconciliation of the actual excess (deficiency) of revenues over expenditures on a budgetary basis with the actual on a GAAP basis is as follows:

Excess (deficiency) of revenues over expenditures (budgetary basis)	\$ (28,596)
Add: prior year payables	0
Less: current year payables	<u>0</u>
Excess (deficiency) of revenues over expenditures (GAAP basis)	<u><u>\$ (28,596)</u></u>

NOTE C - DEPOSITS AND INVESTMENTS

The carrying amount of the District's deposits at June 30, 2002 was \$150,285 and the bank balance was \$150,384. 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. The bank balance is categorized as follows:

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2002

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

Risk Category	Cash	Certificates of Deposit	Amount
a. Insured (FDIC) or collateralized with securities held by the entity or its agent in the entity's name	\$ 105,201	\$ 45,183	\$ 150,384
b. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name	0	0	0
c. Uncollateralized (including securities held for the entity by the pledging financial institution or its agent, but not in the entity's name)	0	0	0
Total	\$ 105,201	\$ 45,183	\$ 150,384

NOTE D - FIXED ASSETS

The following is a summary of changes in the general fixed assets account group during the fiscal year:

Asset Type	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2002
Land	\$ 0	\$ 0	\$ 0	\$ 0
Buildings	2,185	0	0	2,185
Furniture and fixtures	4,736	0	0	4,736
Machinery, vehicles and equipment	13,981	0	0	13,981
TOTAL	\$ 20,902	\$ 0	\$ 0	\$ 20,902

NOTE E - AD VALOREM TAX

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

The District levies an ad valorem (property) tax on real property within the District to finance operations. The levy is generally made as of November 15 of each year. The tax is then due, and becomes an enforceable lien on the property, on the first day of the month following the filing of the tax roll by the Parish assessor with the Louisiana Tax Commission (usually December 1). The tax is delinquent 30 days after its due date.

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2002

NOTE E - AD VALOREM TAX (CONTINUED)

Ad valorem taxes are levied based on property values determined by the Jefferson Parish Assessor's Office (a separate entity). All land and residential improvements are assessed at 10 percent of its fair market value, and other property at 15 percent of its fair market value. Taxes are billed and collected by the Jefferson Parish Sheriff's Office (a separate entity) which receives a certain millage for its services. The taxes remitted by the Sheriff to the District are net of assessor's commission and pension fund contributions.

The number of mills levied for operations on the 2001 and 2000 tax rolls were 4.78.

NOTE F - INTERGOVERNMENTAL REVENUES - FEMA

The District was awarded a grant from the State Office of Emergency Preparedness relating to Hurricane Georges (FEMA-1246-DR-LA). The District is to repair the damage to the Cheniere Caminada breakwaters. During 01/02, the District received and expended \$82,139 on this grant. Expenditures to date on this project totaled \$202,950, with \$187,715 coming from FEMA and the District putting up \$20,295 as a match. The project was completed in January 2002.

NOTE G - COMMITMENTS AND CONTINGENCIES

1. Risk Management

The District is exposed to various risks of loss resulting from personal injury; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To protect against these risks of loss, the District purchases various types of insurance from commercial carriers.

Under these policies, general liability coverage is provided for up to a maximum of \$1,000,000 per occurrence (\$1,000,000 in the aggregate) and worker's compensation is provided at the statutory limits of \$1,000,000/1,000,000/1,000,000. In each policy, the District is responsible for the applicable deductible.

2. Litigation

There is no litigation pending against the District at June 30, 2002.

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2002

NOTE G - COMMITMENTS AND CONTINGENCIES (CONTINUED)

3. Breakwaters North of Grand Isle - Planning and Construction

In May 2001, the District entered into a Local Cooperative Endeavor Agreement with the State under Project # 36-L25-99B-01, whereby the Louisiana Office of Facility Planning and Control will provide \$772,900 from its State Capital Outlay allocation to the District for design and construction of breakwaters on the north side of the island. During the fiscal year, the District spent \$397,370 in engineering and construction costs, bringing the project-to-date cost to \$837,310. The District funded \$64,410 of the project with its own funds and \$330,560 was received from the State (bringing the total receipts to date to \$770,500). The District is owed \$2,400 on this project, which is shown as a receivable on the balance sheet.

NOTE H - RETIREMENT SYSTEM

Employees of the District are members of the Social Security System. In addition to the employee contribution withheld at 7.65 per cent, the District contributes an equal amount to the Social Security System. Aggregate pension costs for the year is \$1,349. The District does not guarantee the benefits granted by the Social Security System.

SUPPLEMENTAL INFORMATION

**GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
For the Year Ended June 30, 2002**

Board Member	Number of Meetings	Amount Paid
Wayne Estay	32	\$ 2,400
Robert "Bobby" Santini	36	<u>2,700</u>
Total		<u>\$ 5,100</u>

The Schedule of Per Diem Paid to Board Members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Per diem payments are authorized by Louisiana Revised Statute 38:308 and are included in the personnel expenditures of the General Fund. Board members are paid \$75 per meeting for up to 36 meetings each year. In lieu of per diem, the Board President, David Camardelle, was paid a salary of \$12,000 (\$1,000 per month effective October 1, 1994).

**GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF STATE FUNDING
For the Year Ended June 30, 2002**

<u>Description of Funding</u>	<u>Amount</u>
State Capital Outlay Program (Project # 36-L25-99B-01)	<u>\$ 332,960</u>

GRAND ISLE INDEPENDENT LEVEE DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA NUMBER	NUMBER	GRANT PERIOD FROM TO	GRANT AMOUNT	ACCRUED (DEFERRED) REVENUE JUNE 30, 1999 (AS RESTATED)	CASH RECEIVED		ACCRUED (DEFERRED) REVENUE JUNE 30, 2000	TOTAL REVENUE RECOGNIZED	TOTAL EXPENDITURES		
						GRANT	OTHER			FEDERAL	OTHER	
FEDERAL EMERGENCY MANAGEMENT AGENCY Passed through State Department of Military Affairs - Office of Emergency Preparedness	83 516	FEMA-1246-DR-LA	Project Completion	\$ 202,590 (1)	(16,784)	65,355	8,564	0	90,703	82,139	8,564	90,703
TOTAL FEDERAL EMERGENCY MANAGEMENT					(16,784)	65,355	8,564	0	90,703	82,139	8,564	90,703
TOTAL FEDERAL ASSISTANCE					(16,784)	65,355	8,564	0	90,703	82,139	8,564	90,703

NOTES TO SCHEDULE

This schedule was prepared on the accrual basis of accounting and covers the period from July 1, 2001 to June 30, 2002.

COMPLIANCE SECTION

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

Board of Commissioners
Grand Isle Independent Levee District
Grand Isle, Louisiana

I have audited the general purpose financial statements of the Grand Isle Independent Levee District (the "District"), a component unit of the State of Louisiana, as of and for the year ended June 30, 2002, and have issued my report thereon dated December 12, 2002. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described below:

Reportable Condition

Condition - I noted that the size of the Board's operations are too small to provide for an adequate segregation of duties. The Board's secretary is charged with most of the responsibilities relating to the cash receipts and cash disbursement cycles. The District does, however, have various controls in place which tend to mitigate this problem, including (1) having a Commissioner review and initial all bank reconciliations, (2) requiring dual signatures on all checks, (3) requiring the presentation of actual versus budget reports on a monthly basis, and (4) the use and reconciliation of prenumbered receipts.

Recommendation -Employing additional controls may not be cost beneficial, however, the Board should remain cognizant of the lack of segregation of duties.

Response - We are aware of the condition, however, at this point we are not in the financial position of addressing the problem. The Board is aware of the condition and will continue to monitor the financial activity of the District in a timely manner.

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

This report is intended for the information of the Board of Commissioners, management, all applicable Federal and State agencies, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than those specified parties.

Paul C. Rivers, CPA

December 12, 2002