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**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2006**

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 9/20/06

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 CADDO LEVEE DISTRICT
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 CADDO LEVEE DISTRICT
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STATE OF LOUISIANA
CADDO LEVEE DISTRICT
TRANSMITTAL LETTER
ANNUAL FINANCIAL STATEMENTS

August 9, 2006

Division of Administration
Office of Statewide Reporting
and Accounting Policy
P. O. Box 94095
Baton Rouge, Louisiana 70804-9095

Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Dear Sirs:

In accordance with Louisiana Revised Statute 24:514, enclosed are the annual financial statements for the Caddo Levee District for the year ended June 30, 2006. The report includes only funds under the control and oversight of the Caddo Levee District.

The accompanying general purpose financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Sincerely,



Craig Windham
Administrator

Enclosure

STATE OF LOUISIANA
ANNUAL FINANCIAL STATEMENTS
FISCAL YEAR ENDING JUNE 30, 2006

CADDO LEEVE DISTRICT

Division of Administration
Office of Statewide Reporting
and Accounting Policy
P. O. Box 94095
Baton Rouge, Louisiana 70804-9095

Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

AFFIDAVIT

Personally came and appeared before the undersigned authority, Craig A. Windham, Administrator of Caddo Levee District who duly sworn, deposes and says, that the financial statements herewith given present fairly the financial position of Caddo Levee District at June 30, 2006 and the results of operations for the year then ended in accordance with policies and practices established by the Division of Administration or in accordance with Generally Accepted Accounting Principles as prescribed by the Governmental Accounting Standards Board.

Sworn and subscribed before me, this 29th day of August, 2006.


Signature of Agency Official


Notary Public

GAYLYN BELL, Notary Public
Caddo Parish, Louisiana
My Commission is for Life
Notary ID # 1165

Prepared by: Vickie D. Noble, CPA

Title: Partner - Cook & Morehart, CPAs

Telephone No.: (318) 222-5415

Date: August 9, 2006

COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

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MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Caddo Levee District
Shreveport, Louisiana

We have audited the accompanying financial statements of the governmental activities of the Caddo Levee District (the District), component unit of the State of Louisiana, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

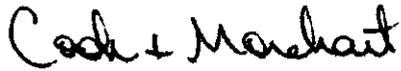
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Caddo Levee District as of June 30, 2006 and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 9, 2006, on our consideration of the Caddo Levee District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 5- 10 and 30, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Caddo Levee District's basic financial statements. The accompanying supplementary schedules on pages 28- 29 and 31 and the Division of Administration reporting package listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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.



Cook & Morehart
Certified Public Accountants
August 9, 2006

CADDO LEVEE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the Caddo Levee District's financial performance presents a narrative overview and analysis of Caddo Levee District's financial activities for the year ended June 30, 2006. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the transmittal letter presented on page 1 and the Caddo Levee District's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

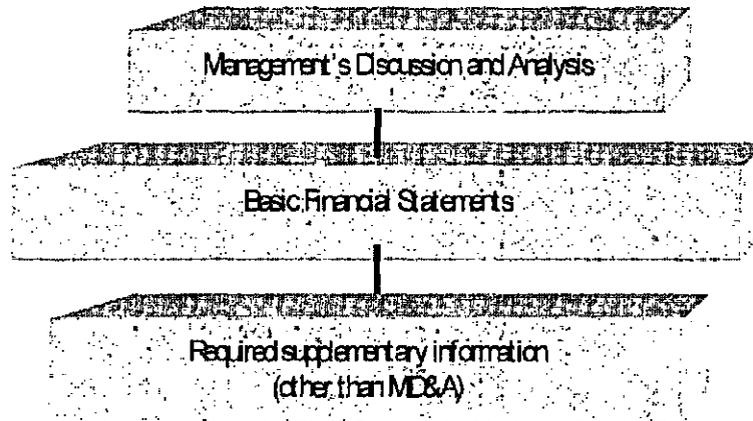
- ★ The Caddo Levee District's assets exceeded its liabilities at the close of fiscal year 2006 by \$19,934,740, which represents a 10% increase from last fiscal year.
- ★ The Caddo Levee District had cash and cash equivalents of \$16,889,270 at June 30, 2006, which represents an increase of \$920,156 from the prior year end.
- ★ The Caddo Levee District had total revenues of \$3,036,318 for the year ended June 30, 2006, which represents an increase of \$1,108,434 from the previous fiscal year.
- ★ The Caddo Levee District had property tax revenues of \$636,364 for the year ended June 30, 2006, which represents an increase of \$26,606 from the previous fiscal year.
- ★ The Caddo Levee District had total expenses, excluding depreciation, of \$1,223,036 for the year ended June 30, 2006, which represents a decrease of \$18,686 from the previous fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for the Caddo Levee District as established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements-and Management's Discussion and Analysis- for State and Local Governments.

(Continued)

STATE OF LOUISIANA
CADDO LEVEE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006
(Continued)



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 consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities on pages 11–12 provide information about the activities of the Caddo 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.

(Continued)

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006
(Continued)**

Fund financial statements start on page 13. 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 fund 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.

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets
as of June 30, 2006

	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 17,111,390	\$ 16,100,752
Capital assets, net	<u>3,014,917</u>	<u>2,170,877</u>
 Total Assets	 <u>\$ 20,126,307</u>	 <u>\$ 18,271,629</u>
 Current liabilities	 \$ 154,924	 \$ 65,098
Compensated absences payable	<u>36,643</u>	<u>27,957</u>
Total Liabilities	<u>191,567</u>	<u>93,055</u>
 Net assets		
Investment in capital assets, net of related debt	3,014,917	2,170,877
Unrestricted	<u>16,919,823</u>	<u>16,007,697</u>
Total Net Assets	<u>19,934,740</u>	<u>18,178,574</u>
 Total Liabilities and Net Assets	 <u>\$ 20,126,307</u>	 <u>\$ 18,271,629</u>

Net assets of the Caddo Levee District increased from the prior year by \$1,756,166 or 10%.

(Continued)

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006
(Continued)**

Statement of Activities
For the Year Ended June 30, 2006

	2006	2005
General government		
Expenses	\$ (1,312,012)	\$ (1,320,795)
Program revenues		
Operating grants and contributions	0	0
Subtotal	(1,312,012)	(1,320,795)
General revenues	3,068,178	1,927,884
Change in net assets	\$ 1,756,166	\$ 607,089

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2006, the Caddo Levee District had \$3,014,917, net of depreciation, invested in a broad range of capital assets (see table below). This amount represents a net increase (including additions and deductions) of \$844,040, or 38.9%, from the previous year.

Capital Assets at Year-End
(Net of Depreciation)

	2006	2005
Land	\$ 1,679,978	\$ 1,679,978
Construction in progress	774,621	20,115
Building and improvements	47,945	49,789
Equipment	512,373	420,995
Totals	\$ 3,014,917	\$ 2,170,877

(Continued)

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006
(Continued)**

This year's major additions included:

Construction in progress	\$ 754,506
Automobiles and equipment	\$ 200,372

This year's major retirements included:

Automobiles and equipment	\$ 153,212
---------------------------	------------

Debt

The Caddo Levee District had \$42,277 in compensated absences payable outstanding at year end compared to \$34,963 at the previous year, an increase of \$7,314 or 21% as shown in the table below.

Outstanding Debt at Year-end

	<u>2006</u>	<u>2005</u>
Compensated absences payable	\$ 42,277	\$ 34,963
Due within period of availability – recorded in accounts payable	(5,634)	(7,006)
Total long-term liabilities, government-wide statements	<u>\$ 36,643</u>	<u>\$ 27,957</u>

VARIATIONS BETWEEN ORIGINAL AND FINAL BUDGETS

Actual revenues were \$1,837,334 more than budgeted amounts due to an increase in taxable property in the District and higher than expected royalties and interest during the year.

Actual expenditures were \$13,716,261 less than budgeted amounts due to the District not using the amounts budgeted for emergency construction and repairs to the levee system.

(Continued)

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006
(Continued)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- Ad valorem taxes
- Interest income
- Projects under consideration
- Intergovernmental revenues (reimbursements from state and local grants)

CONTACTING THE CADDO LEVEE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Caddo Levee District's finances and to show the Caddo Levee District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Craig Windham, Administrator, Post Office Box 78282, Shreveport, Louisiana 71137-8282.



Craig Windham
Administrator
Caddo Levee District

**STATE OF LOUISIANA
CADD0 LEVEE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006**

ASSETS**Current Assets**

Cash and cash equivalents	\$ 16,889,270
Accounts receivable	184,708
Prepaid expenses	37,412
Total Current Assets	<u>17,111,390</u>

Noncurrent Assets

Capital assets being depreciated, net of accumulated depreciation	560,318
Capital assets not being depreciated	2,454,599
Total capital assets, net	<u>3,014,917</u>

Total Assets	<u>\$ 20,126,307</u>
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LIABILITIES AND NET ASSETS**Current Liabilities**

Accounts payable and accrued expenses	\$ 110,717
Deferred revenues	44,207
Total Current Liabilities	<u>154,924</u>

Long-term Liabilities -

Compensated absences	
Due within one year	28,168
Due in more than one year	8,475
Total Long-Term Liabilities	<u>36,643</u>

Total Liabilities	<u>191,567</u>
--------------------------	----------------

NET ASSETS

Investment in capital assets	3,014,917
Unrestricted	16,919,823
Total Net Assets	<u>19,934,740</u>

Total Liabilities and Net Assets	<u>\$ 20,126,307</u>
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The accompanying notes are an integral part of this financial statement.

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
General Government					
Personal services	\$ 707,708	\$	\$	\$	\$ (707,708)
Travel	6,205				(6,205)
Operating services	443,353				(443,353)
Supplies	20,098				(20,098)
Professional services	45,672				(45,672)
Depreciation	88,976				(88,976)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total General Government	\$ 1,312,012	\$	\$	\$	(1,312,012)
					<hr/>
General Revenues:					
Taxes					636,364
State revenue sharing					28,871
Interest income					673,008
Royalties, leases and timber sales					1,150,136
Gain on sale of assets					31,860
Miscellaneous					547,939
					<hr/>
Total General Revenues					3,068,178
					<hr/>
Change in Net Assets					1,756,166
					<hr/>
Net Assets, beginning of year					18,178,574
					<hr/>
Net Assets, end of year					\$ 19,934,740
					<hr/>

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

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006**

ASSETS	
Cash and cash equivalents	\$ 16,889,270
Accounts receivable	<u>173,003</u>
Total Assets	<u>\$ 17,062,273</u>
 LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable and accruals	\$ 110,717
Deferred revenues	<u>44,207</u>
Total Liabilities	<u>154,924</u>
 Fund Balance	
Unreserved	<u>16,907,349</u>
Total Fund Balance	<u>16,907,349</u>
Total Liabilities and Fund Balance	<u>\$ 17,062,273</u>

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

**STATE OF LOUISIANA
CADD O LEVEE DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

Total Fund Balances for Governmental Funds (Exhibit C) \$ 16,907,349

Total Net Assets reported for governmental activities in the statement of net assets is different because:

Current year revenues received more than sixty days after the close of the fiscal year are not considered available for payment of current expenditures and are not reported as receivable in the fund statements. 11,705

The non-allocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources. 37,412

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	1,679,978	
Construction in progress		774,621	
Buildings and building improvements, net of \$64,168 in accumulated depreciation		47,945	
Automobiles and equipment, net of \$1,011,614 in accumulated depreciation		512,373	
Total Capital Assets			3,014,917

Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the fund liabilities. (36,643)

Total Net Assets of Governmental Activities (Exhibit A) \$ 19,934,740

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

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

REVENUES	
Taxes	\$ 636,364
State revenue sharing	28,871
Interest income	661,302
Royalties, leases and timber sales	1,150,136
Miscellaneous	<u>547,939</u>
Total Revenues	<u>3,024,612</u>
 EXPENDITURES	
General government	
Personal services	699,023
Travel	6,205
Operating services	480,763
Supplies	20,098
Professional services	45,672
Capital outlay	<u>954,878</u>
Total Expenditures	<u>2,206,639</u>
Excess (Deficiency) of Revenues Over Expenditures	817,973
Other Financing Sources:	
Proceeds from sale of capital assets	<u>53,722</u>
Excess (Deficiency) of Revenues Over Expenditures And Other Sources	871,695
Fund Balance, beginning of year	<u>16,035,654</u>
Fund Balance, end of year	<u><u>\$ 16,907,349</u></u>

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

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Net Change in Fund Balances - Total Governmental Funds (Exhibit E) \$ 871,695

The change in Net Assets reported for governmental activities in the statement of activities is different because:

Governmental funds do not record revenues earned during the fiscal year that will not be received within sixty days of year end as they are not considered to be available for payment of current expenditures.

This amount represents current year revenues not received within sixty days of the close of the fiscal year.

11,705

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

This is the amount by which payments for capital outlays (\$954,878) exceeds depreciation (\$88,976) in the current period.

865,902

The net effect of various transactions involving capital assets (sales, trade-ins, etc.) is to decrease net assets.

(21,862)

The nonallocation method of accounting for prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources.

37,412

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

(8,686)

Total Change in Net Assets of Governmental Activities (Exhibit B)

\$ 1,756,166

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

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006**

INTRODUCTION

The Caddo Levee District, a component unit of the State of Louisiana, was created by the Louisiana State Legislature under the provisions of Louisiana Constitution of 1974, Article 6, Section 34, and includes all of Caddo Parish. The Levee District primarily provides flood protection for those areas contained in the District. The Board of Commissioners administers the operations and responsibilities of the Levee District in accordance with the provisions of Louisiana statute. The seven members of the Board of Commissioners which governs the District are appointed by the governor of the State of Louisiana.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Caddo Levee District's financial statements are prepared in conformity with governmental accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999. The more significant accounting policies established in GAAP and used by the Caddo Levee District are discussed below.

A. Reporting Entity

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The Levee District is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the board members and can impose his will on the district. The accompanying general purpose financial statements present information only as to the transactions of the Caddo Levee District. Annually, the State of Louisiana issues general purpose financial statements, which include the activity contained in the accompanying financial statements.

B. Basic Financial Statements – Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the funds maintained by the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The District's general fund is classified as governmental activities.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables. The District's net assets are reported in two parts – invested in capital assets and unrestricted net assets.

(Continued)

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which must be directly associated with the function. The net costs (by function) are normally covered by general revenue.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the District are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the District:

1. *Governmental Funds* – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:
 - a. General funds are the general operating funds of the District. They are used to account for all financial resources except those required to be accounted for in another fund.

D. Basis of Accounting

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.

1. Accrual

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

(Continued)

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

2. Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Budgetary Accounting

Formal budgetary accounting is employed as a management control. The District prepares and adopts a budget prior to July 1 of each year for its general fund in accordance with Louisiana Revised Statutes. The operating budget is prepared based on prior year's revenues and expenditures and the estimated increase therein for the current year, using the modified accrual basis of accounting. The District amends its budget when projected revenues are expected to be less than budgeted revenues by five percent or more and/or projected expenditures are expected to be more than budgeted amounts by five percent or more. All budget appropriations lapse at year end.

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 one subsequent amendment.

(Continued)

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

F. Cash and Cash Equivalents

Deposits With Financial Institutions

For the purpose of the Statement of Cash Flows and consistent with GASB Statement 9, the District defines cash and cash equivalents as follows:

Cash – includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the customer may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents – includes all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates. Generally, only investments which, at the day of purchase, have a maturity date no longer than three months qualify under this definition.

G. Receivables

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible.

H. Bad Debts

Uncollectible accounts receivable are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. At June 30, 2006, there were no amounts considered to be uncollectible.

I. Capital Assets

Capital assets are carried at historical costs. Depreciation of all exhaustible fixed assets used by the District is charged as an expense against operations in the Statement of Activities. Capital assets net of accumulated depreciation are reported on the Statement of Net Assets. Depreciation is computed using the straight-line method over the useful lives of the assets, generally 10 to 40 years for buildings and building improvements and 3 to 10 years for moveable property. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Major expenditures for renewal and betterments are capitalized. In accordance with Office of Statewide Reporting and Accounting Policy (OSRAP) guidelines, infrastructure assets are to be capitalized and depreciated over a useful life of 40 years. OSRAP has set a threshold for infrastructure assets to be capitalized at \$3,000,000 spent per entity per year. The Caddo Levee District did not have expenditures relating to infrastructure assets which met this threshold. Therefore, no infrastructure assets are recognized in the accompanying financial statements.

(Continued)

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

J. Compensated Absences

District employees, both classified and unclassified, earn annual and sick leave at various rates depending on the number of years in service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, an employee is 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, the number of hours of unused sick leave is computed and considered in computing the years of service for retirement benefit purposes.

The current portion of compensated absences payable (the amount estimated to be used during the period of availability) is recorded as a liability in the fund financial statements. The entire balance of compensated absences payable is recognized as a liability in the government-wide financial statements. The non-current portion represents a reconciling item between the fund and government-wide statements.

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 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 Caddo 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.

At June 30, 2006, the District has cash and cash equivalents (book balances), totaling \$16,889,270, as detailed below.

A. Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2006 (book balances) totaled \$16,889,270. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

(Continued)

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

B. Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2006, \$16,742,414 of the District's bank balances totaling \$17,042,414 were exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's
trust department not in the District's name:

Cash and cash equivalents	<u>\$ 16,742,414</u>
---------------------------	----------------------

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, as amended by GASB Statement 40, Louisiana Revised Statute 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 clerk that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 ACCOUNTS RECEIVABLE

The following is a summary of accounts receivable at June 30, 2006:

Class of Receivable	
Interest	\$ 73,385
Royalties, leases, and timber sales	<u>99,618</u>
Total – fund statements	<u>173,003</u>
Reconciliation of balances in fund statements to government-wide statements:	
Interest	<u>11,705</u>
Total – gov ernment-wide statements	<u>\$ 184,708</u>

(Continued)

**STATE OF LOUISIANA
CADDO LEEVE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 4 CAPITAL ASSETS

A summary of the Caddo Levee District's capital assets at June 30, 2006 follows:

	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006
Capital Assets, not being depreciated				
Land	\$ 1,679,978	\$	\$	\$ 1,679,978
Construction in progress	20,115	754,506		774,621
Total Capital Assets, not being depreciated	<u>1,700,093</u>	<u>754,506</u>		<u>2,454,599</u>
Capital Assets, being depreciated				
Buildings and building improvements	112,113			112,113
Less accumulated depreciation	(62,324)	(1,844)		(64,168)
Total buildings and building improvements	<u>49,789</u>	<u>(1,844)</u>		<u>47,945</u>
Automobiles and equipment	1,476,827	200,372	(153,212)	1,523,987
Less accumulated depreciation	(1,055,832)	(87,132)	131,350	(1,011,614)
Total automobiles and equipment	<u>420,995</u>	<u>113,240</u>	<u>(21,862)</u>	<u>512,373</u>
Total Capital Assets, being depreciated	<u>470,784</u>	<u>111,396</u>	<u>(21,862)</u>	<u>560,318</u>
Total Capital Assets, net	<u>\$ 2,170,877</u>	<u>\$ 865,902</u>	<u>\$ (21,862)</u>	<u>\$ 3,014,917</u>

NOTE 5 ACCOUNTS PAYABLE

The following is a summary of accounts payable at June 30, 2006:

<u>Class of Payable</u>	
Vendor	\$ 16,620
Salaries	13,924
Payroll taxes	2,751
Construction contract payable – retainage	71,788
Compensated absences	5,634
Total	<u>\$ 110,717</u>

(Continued)

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 6 COMPENSATED ABSENCES

At June 30, 2006, employees of the Caddo Levee District have accumulated \$42,277 in annual leave benefits which were computed in accordance with GASB Codification Section C 60. The following is a summary of the changes in accumulated annual leave benefits for the year ended June 30, 2006.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Compensated Absences	\$ 34,963	\$ 29,680	\$ (22,366)	\$ 42,277	\$ 33,802
Less amounts due within period of availability— recorded in accounts payable				<u>(5,634)</u>	<u>(5,634)</u>
Total long-term liabilities, government-wide statements				<u>\$ 36,643</u>	<u>\$ 28,168</u>

NOTE 7 RETIREMENT SYSTEM

Substantially all of the employees of the Caddo Levee District are members of the La State Employees Retirement System (System), a cost sharing multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time employees of the District are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service.

Vested employees are entitled to a retirement benefit, payable monthly for life at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000.

Members are required by state statute to contribute 7.5% of gross salary, and the District is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal years ended June 30, 2006, 2005, and 2004 was 19.1%, 17.8%, and 15.8%, respectively, of annual covered payroll. The contribution requirements

(Continued)

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

of plan members and the office are established and may be amended by state statute. As provided by state statute, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contributions to the System for the years ending June 30, 2006, 2005, and 2004 were \$97,323, \$86,544, and \$73,830, respectively, equal to the required contributions for each year.

NOTE 8 POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Caddo Levee District currently provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the District's employees become eligible for these benefits if they reach normal retirement age while working for the District. The District pays similar benefits for its retirees and active employees. These benefits are provided through an insurance company whose monthly premiums are paid jointly. The District recognizes the cost of providing these benefits as an expense when the monthly premiums are paid, which totaled \$63,031 for the year ended June 30, 2006. The cost of providing these benefits to retirees totaled \$38,307 for the year ended June 30, 2006. As of June 30, 2006, there were 18 active employees and 8 retirees participating in the plan.

NOTE 9 RISK MANAGEMENT

The Caddo 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. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District.

NOTE 10 COMMITMENTS

The Caddo Levee District has outstanding commitments at June 30, 2006 totaling \$12,072 on a contract of \$717,882 for the construction of a new office building.

The Caddo Levee District has entered into a contract on August 8, 2006, for the rehabilitation of two floodgates for \$188,540.

NOTE 11 LITIGATION

There was no outstanding litigation against the Caddo Levee District at June 30, 2006.

NOTE 12 DEFERRED REVENUE

Deferred revenue of \$44,207 represents payments received for surface leases for periods subsequent to June 30, 2006.

(Continued)

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 13 LEVEE DISTRICT TAXES

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 for all other purposes incidental thereto, the levee district may annually levy a tax not to exceed 3.64 mills. If the levee district needs to raise additional funds in excess of the amount collected constitutionally, the taxes in excess of 3.64 mills must be approved by the majority of the vote of the electors. Ad valorem taxes are assessed on a calendar year basis, become due November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December of the current year and January of the ensuing year. The levee district has levied a tax of 3.21 mills.

NOTE 14 DEFERRED COMPENSATION PLAN

During 2002, the District began participating in a deferred compensation plan in accordance with the Internal Revenue Code Section 457 (Section 457 Plan). Under Governmental Accounting Standards Board Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, plans that meet the criteria in NCGA Statement 1, Governmental Accounting and Financial Reporting Principles, should be reported as an expendable trust fund in the financial statements of the government. Because the District's Section 457 Plan does not meet this criteria, the balances in assets and liabilities were not presented in the financial statements of the District. The District's contribution to the Section 457 Plan was \$17,467 for the year ended June 30, 2006.

SUPPLEMENTAL SCHEDULES

**STATE OF LOUISIANA
CADD O LEVEE DISTRICT
SCHEDULE OF PER DIEM PAID BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2006**

<u>Commissioners</u>	
James G. Adger	\$ 1,500
James B. Harris	1,200
Andrew J. Hodges, III	825
Dan P. Logan, Jr.	600
Willie Washington	1,125
Jon E. Saye	825
Harold White	<u>1,350</u>
Total	<u>\$ 7,425</u>

The schedule of compensation paid board members was prepared 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 personal services expenses. Board members are paid \$75 per day to a maximum of 36 days per year for board meetings and/or official business. The board president may receive compensation not to exceed \$1,000 per month in lieu of per diem.

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
SCHEDULE OF STATE FUNDING
FOR THE YEAR ENDED JUNE 30, 2006**

<u>DESCRIPTION OF FUNDING</u>	
State Revenue Sharing	<u>\$ 28,871</u>

**STATE OF LOUISIANA
CADDO LEEVE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
BUDGET (GAAP) BASIS AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Actual	Variance
	Original	Final		Fav./(Unfav.)
REVENUES				
Taxes	\$ 425,000	\$ 425,000	\$ 636,364	\$ 211,364
State revenue sharing	25,000	25,000	28,871	3,871
Interest income	376,000	376,000	661,302	285,302
Royalties, leases and timber sales	400,000	400,000	1,150,136	750,136
Miscellaneous	15,000	15,000	601,661	586,661
Total Revenues	1,241,000	1,241,000	3,078,334	1,837,334
EXPENDITURES				
General government				
Personal services	883,400	883,400	699,023	184,377
Travel	16,000	16,000	6,205	9,795
Operating services	13,019,500	12,869,500	480,763	12,388,737
Supplies	875,000	875,000	20,098	654,902
Professional services	210,000	210,000	45,672	164,328
Capital outlay	1,119,000	1,269,000	954,878	314,122
Total Expenditures	15,922,900	15,922,900	2,206,639	13,716,261
Excess (Deficiency) of Revenues Over Expenditures	(14,681,900)	(14,681,900)	871,695	15,553,595
Fund Balance, beginning of year	14,681,900	14,681,900	16,035,654	1,353,754
Fund Balance, end of year	\$	\$	\$ 16,907,349	\$ 16,907,349

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

SECTION #1

SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

- | | |
|---|-------------|
| 1. Type of auditors' report issued. | Unqualified |
| 2. Internal control over financial reporting: | |
| a) Material weaknesses identified? | None |
| b) Reportable conditions identified not considered to be material weaknesses? | None |
| c) Noncompliance material to the financial statements noted? | None |

COOK & MOREHART

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

Board of Commissioners
Caddo Levee District
Shreveport, Louisiana

We have audited the accompanying financial statements of the governmental activities of the Caddo Levee District, a component unit of the State of Louisiana, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 9, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Caddo Levee District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of Caddo Levee District in a separate management letter dated August 9, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Caddo Levee District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Caddo Levee District and the Legislative Auditor of the State of Louisiana and is not intended to be, and should not be, used by anyone other than the specified parties.

Cook & Morehart

Cook & Morehart
Certified Public Accountants
August 9, 2006

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

There were no findings for the prior year audit for the year ended June 30, 2005. There was one management letter comment.

Comment #1: Deposits and Investments

See comment in current year audit.

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

There were no findings for the current year audit period ended June 30, 2006.

There were two management letter comments for the current year audit period ended June 30, 2006, as follows:

Comment #1: Investments

Plans have been set in place to have certificates of deposit reviewed and approved by a responsible individual other than the person reconciling and maintaining the records. This individual will be provided a current comprehensive list of all certificates of deposit for monitoring and will be signing all certificate of deposit renewals. In addition, financial institutions will send monthly listing of all current certificates of deposit.

Comment #2: Signature Stamp

Management is taking this under advisement and reviewing number of check signers needed. Currently only used in rare circumstances when check signers are unavailable.

DIVISION OF ADMINISTRATION REPORTING PACKAGE

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

The Management's Discussion and Analysis of the Caddo Levee District is presented on pages 5-10 of this reporting package.

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006**

ASSETS**Current Assets**

Cash and cash equivalents	\$ 16,889,270
Accounts receivable	184,708
Prepaid expenses	37,412
Total Current Assets	<u>17,111,390</u>

Noncurrent Assets

Capital assets being depreciated, net of accumulated depreciation	560,318
Capital assets not being depreciated	2,454,599
Total capital assets, net	<u>3,014,917</u>

Total Assets \$ 20,126,307

LIABILITIES AND NET ASSETS**Current Liabilities**

Accounts payable	\$ 110,717
Deferred revenues	44,207
Total Current Liabilities	<u>154,924</u>

Long-Term Liabilities

Compensated absences	
Due within one year	28,168
Due in more than one year	8,475
Total Long-Term Liabilities	<u>36,643</u>

Total Liabilities 191,567

NET ASSETS

Investment in capital assets	3,014,917
Unrestricted	16,919,823
Total Net Assets	<u>19,934,740</u>

Total Liabilities and Net Assets \$ 20,126,307

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

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006**

OPERATING REVENUES	
Operating grants and contributions	\$ _____
Total Operating Revenues	_____
 OPERATING EXPENSES	
Personal services	707,708
Travel	6,205
Operating services	411,493
Supplies	20,098
Professional services	45,672
Depreciation	88,976
Total Operating Expenses	_____ 1,280,152
Operating Income (Loss)	_____ (1,280,152)
 NON-OPERATING REVENUES (EXPENSES)	
Taxes	636,364
State revenue sharing	28,871
Interest income	673,008
Royalties, leases and timber sales	1,150,136
Miscellaneous	547,939
Total Non-Operating Revenues (Expenses)	_____ 3,036,318
Change in Net Assets	1,756,166
Total Net Assets, Beginning of year	_____ 18,178,574
Total Net Assets, End of year	\$ _____ 19,934,740

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

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Caddo Levee District	\$ 1,280,152	\$	\$	\$ (1,280,152)
General Revenues:				
Taxes				636,364
State revenue sharing				28,871
Interest income				673,008
Royalties, leases and timber sales				1,150,136
Miscellaneous				<u>547,939</u>
Total General Revenues				<u>3,036,318</u>
Change in Net Assets				1,756,166
Net Assets, Beginning of year as restated				<u>18,178,574</u>
Net Assets, End of year				<u>\$ 19,934,740</u>

The accompanying notes are an integral part of this statement.

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006**

Cash Flows From Operating Activities	
Cash payments to suppliers for goods and services	\$ (547,505)
Cash payments to employees for services	(696,532)
Net Cash From Operating Activities	<u>(1,244,037)</u>
Cash Flows From Non-Capital Financing Activities	
Cash receipts of taxes	636,364
Cash receipts of state revenue sharing	38,799
Cash receipts of royalties, leases, and timber sales	1,129,833
Cash receipts of miscellaneous revenues	547,939
Net Cash From Non-Capital Financing Activities	<u>2,352,935</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from the sale of assets	53,722
Acquisition/construction of capital assets	(883,090)
Net Cash From Capital and Related Financing Activities	<u>(829,368)</u>
Cash Flow From Investing Activities	
Interest income	640,626
Net Cash From Investing Activities	<u>640,626</u>
Net increase (decrease) in cash and cash equivalents	920,156
Cash, Beginning of year	<u>15,969,114</u>
Cash, End of year	<u>\$ 16,889,270</u>
Reconciliation of Operating Loss to Net Cash Provided	
By/(Used In) Operating Activities	
Operating income (loss)	\$ (1,280,152)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities	
Depreciation expense	88,976
Gain on disposal of fixed assets	(31,860)
Prepaid expenses	(37,412)
Accounts payable and accruals	9,097
Compensated absences	7,314
Net Cash Flows From Operating Activities	<u>\$ (1,244,037)</u>

The accompanying notes are an integral part of this statement.

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

INTRODUCTION

The Caddo Levee District, a component unit of the State of Louisiana, was created by the Louisiana State Legislature under the provisions of Louisiana Constitution of 1974, Article 6, Section 34, and includes all of Caddo Parish. The Levee District primarily provides flood protection for those areas contained in the District. The Board of Commissioners administers the operations and responsibilities of the Levee District in accordance with the provisions of Louisiana statute. The seven members of the Board of Commissioners which governs the District are appointed by the governor of the State of Louisiana.

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 Caddo Levee District present information only as to the transactions of the programs of the Caddo 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 Caddo 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.

(Continued)

**STATE OF LOUISIANA
CADDO LEEVE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

B. BUDGETARY ACCOUNTING

Formal budgetary accounting is employed as a management control. The District prepares and adopts a budget prior to July 1 of each year for its general fund in accordance with Louisiana Revised Statutes. The operating budget is prepared based on prior year's revenues and expenditures and the estimated increase therein for the current year, using the modified accrual basis of accounting. The District amends its budget when projected revenues are expected to be less than budgeted revenues by five percent or more and/or projected expenditures are expected to be more than budgeted amounts by five percent or more. All budget appropriations lapse at year end.

The appropriations made for the operations of the various programs of the Caddo 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:

	APPROPRIATIONS
Original approved budget	\$ 15,922,900
Amendments:	<hr style="width: 100%; border: 0.5px solid black;"/>
Final approved budget	<hr style="width: 100%; border: 0.5px solid black;"/> \$ 15,922,900

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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 Caddo Levee District may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Caddo Levee District may invest in time certificates of deposit in any bank domiciled or housing a branch office 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.

(Continued)

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

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.

GASB Statement 40, which amended GASB Statement 3, eliminated the requirement to disclose all deposits by the three categories of risk. GASB Statement 40 requires only the disclosure of deposits that are considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are either 1) uninsured and uncollateralized, 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

The deposits at June 30, 2006, were secured as follows:

	Deposits in bank accounts			Total
	Cash	Certificates of Deposit	Other (Describe)	
Deposits in bank accounts per balance sheet	\$ 889,270	\$ 16,000,000	\$ _____	\$ 16,889,270
Bank balances of deposits exposed to custodial risk				
a. Unisured and uncollateralized	\$ _____	\$ _____	\$ _____	\$ _____
b. Uninsured or collateralized with securities held by the pledging institution	\$ 200,000	\$ 100,000	\$ _____	\$ 300,000
c. Unisured and collateralized with securities held by the pledging institution's trust department or agent <u>but not in the</u> <u>entity's name</u>	842,414	15,900,000	_____	16,742,414
Total bank balances – all depositions	\$ 1,042,414	\$ 16,000,000	\$ _____	\$ 17,042,414

NOTE: The "Total Bank Balances – All Deposits" will not necessarily equal the "Deposits in Bank Account per Balance Sheet" due to outstanding items.

(Continued)

STATE OF LOUISIANA
CADDO LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
 (Continued)

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

1. Bancorp South	General Funds	\$ 1,042,414
2. Capital One	General Funds	<u>16,000,000</u>
Total		<u>\$17,042,414</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 in the balance sheet.

Cash in State Treasury	\$ <u>0</u>
Petty cash	<u>\$ 0</u>

2. INVESTMENTS

N/A

(Continued)

**STATE OF LOUISIANA
CADD O LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

D. CAPITAL ASSETS

The fixed assets used in the Special Purpose Government Engaged only in Business-Type Activities are included on the statement of net assets of the entity and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity is 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, 2006			
	Balance 6/30/2005	Additions	Retirements	
Capital assets not being depreciated				
Land	\$ 1,679,978	\$	\$	\$ 1,679,978
Construction in progress	20,115	754,506		774,621
Total capital assets not being depreciated	<u>\$ 1,700,093</u>	<u>\$ 754,506</u>	<u>\$</u>	<u>\$ 2,454,599</u>
Other capital assets				
Furniture, fixtures, and equipment	\$ 1,476,827	\$ 200,372	\$ (153,212)	\$ 1,523,987
Less accumulated depreciation	(1,055,832)	(87,132)	131,350	(1,011,614)
Total furniture, fixtures, and equipment	<u>420,995</u>	<u>113,240</u>	<u>(21,862)</u>	<u>512,373</u>
Buildings and improvements	112,113			112,113
Less accumulated depreciation	(62,324)	(1,844)		(64,168)
Total buildings and improvements	<u>49,789</u>	<u>(1,844)</u>	<u></u>	<u>47,945</u>
Total other capital assets	<u>\$ 470,784</u>	<u>\$ 111,396</u>	<u>\$ (21,862)</u>	<u>\$ 560,318</u>
Capital Asset Summary:				
Capital assets not being depreciated	\$ 1,700,093	\$ 754,506	\$	\$ 2,454,599
Other capital assets, at cost	1,588,940	200,372	(153,212)	1,636,100
Total cost of capital assets	<u>3,289,033</u>	<u>954,878</u>	<u>(153,212)</u>	<u>4,090,699</u>
Less accumulated depreciation	(1,118,156)	(88,976)	131,350	(1,075,782)
Capital assets, net	<u>\$ 2,170,877</u>	<u>\$ 865,902</u>	<u>\$ (21,862)</u>	<u>\$ 3,014,917</u>

E. INVENTORIES

N/A

(Continued)

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

F. RESTRICTED ASSETS

N/A

G. LEAVE

COMPENSATED ABSENCES

The Caddo Levee District has the following policy on annual and sick leave:

District employees, both classified and unclassified, earn annual and sick leave at various rates depending on the number of years in service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, an employee is 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, the number of hours of unused sick leave is computed and considered in computing the years of service for retirement benefit purposes.

At June 30, 2006, employees of the Caddo Levee District had accumulated \$42,277 in annual leave benefits which were computed in accordance with GASB Codification Section C 60. The following is a summary of the changes in accumulated annual leave benefits for the year ended June 30, 2006.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Compensated Absences	\$ 34,963	\$ 29,680	\$ (22,366)	\$ 42,277	\$ 33,802
Less amounts due within period of availability— recorded in accounts payable				(5,634)	(5,634)
Total long-term liabilities, government-wide statements				<u>\$ 36,643</u>	<u>\$ 28,168</u>

H. RETIREMENT SYSTEM

Substantially all of the employees of the Caddo Levee District are members of the Louisiana State Employees Retirement System (LASERS), single 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.

(Continued)

**STATE OF LOUISIANA
CADDO LEEVE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

All full-time Caddo Levee District employees are eligible to participate in the System unless they elect to continue as a contributing member in any other retirement system for which they remain eligible for membership. Certain elected officials and officials appointed by the governor may, at their option, become members of LASERS. Normal benefits vest with 10 years of service. Generally, 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 except for members eligible to begin participation in the Defined Benefit Plan (DBP) on or after July 1, 2006. Act 75 of the Regular Session changes retirement eligibility and final average compensation for members who are eligible to begin participation in the DBP beginning July 1, 2006. Retirement eligibility for these members is limited to age 60, or thereafter, upon attainment of ten years creditable service. Final average compensation will be based on the member's average annual earned compensation for the highest 60 consecutive months of employment.

Vested employees eligible to begin participation in the DBP before July 1, 2006, 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, these vested employees have the option of reduced benefits at any age with 20 years of service. Those hired on or after July 1, 2006 have only one single age option. They cannot retire until age 60 with a minimum of 10 years of service. The System also provides death and disability benefits and deferred benefit options, with qualifications and amounts defined by state statute. 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. For a full description of the LASERS defined benefit plan, please refer to the LASERS 2005 Financial Statements, specifically, footnotes A – Plan Description and C – Contributions. That report may be obtained by writing to the Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0608 or (800) 256-3000. The footnotes to the Financial Statements contain additional details and is also available on-line at: [http://www.lasers.state.la.us/PDFs/Publications and Reports/Fiscal Documents/Comprehensive Financial Reports/Comprehensive%20Financial%20Reports 05.pdf](http://www.lasers.state.la.us/PDFs/Publications%20and%20Reports/Fiscal%20Documents/Comprehensive%20Financial%20Reports%2005.pdf)

Members are required by state statute to contribute with the single largest group ("regular members") contributing 7.5% of gross salary, and the 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, 2006 increased to 19.1% of annual covered payroll from the 17.8% and 15.8% required in fiscal years ended June 30, 2005 and 2004 respectively. The District's contributions to the System for the years ending June 30, 2006, 2005, and 2004 were \$97,323, \$86,544, and \$73,830, respectively, equal to the required contributions for each year.

(Continued)

**STATE OF LOUISIANA
CADDO LEEVE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

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.

*If the cost of any post retirement health care or life insurance benefits for retirees cannot readily be separated from the cost of providing such benefits for active employees or otherwise be reasonably approximated, the total cost of providing those benefits to active employees and retirees, as well as the number of active employees and the number of retirees covered by the plan must be disclosed (part (b) below).

The District provides certain continuing health care and life insurance benefits for its retired employees. Substantially all Caddo Levee District employees become eligible for post employment health care, dental and life insurance benefits if they reach normal retirement age while working for the Caddo Levee District. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose premiums are paid jointly by the employee and the Caddo Levee District. For 2006, the cost of providing those benefits for the 8 retirees totaled \$38,307.

J. LEASES

N/A

K. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the entity for the year ended June 30, 2006:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Amounts Due Within One Year
Other Liabilities:					
Compensated absences	\$ 34,963	\$ 29,680	\$ (22,366)	\$ 42,277	\$ 33,802
Less amounts due within period of availability- recorded in accounts payable				(5,634)	(5,634)
Total long-term liabilities, government-wide statements				<u>\$ 36,643</u>	<u>\$ 28,168</u>

(Continued)

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

L. CONTINGENT LIABILITIES

There was no outstanding litigation against the Caddo Levee District at June 30, 2006.

M. RELATED PARTY TRANSACTIONS

N/A

N. ACCOUNTING CHANGES

N/A

O. IN-KIND CONTRIBUTIONS

N/A

P. DEFEASED ISSUES

N/A

Q. COOPERATIVE ENDEAVORS

N/A

R. GOVERNMENT-MANDATED NONEXCHANGE TRANSACTIONS (GRANTS)

N/A

S. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS

N/A

T. SHORT-TERM DEBT

N/A

(Continued)

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

U. DISAGGREGATION OF RECEIVABLE BALANCES

The following is a summary of accounts receivable at June 30, 2006:

<u>Class of Receivable</u>	
Interest	\$ 73,385
Royalties, leases, and timber sales	<u>99,618</u>
 Total – fund statements	 <u>173,003</u>
 Reconciliation of balances in fund statements to government-wide statements:	
Interest	<u>11,705</u>
 Total – gov ernment-wide statements	 <u>\$ 184,708</u>

V. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2006, were as follows:

<u>Class of Payable</u>	
Vendor	\$ 16,620
Salaries and benefits	13,924
Payroll taxes	2,751
Construction contract payable – retainage	71,788
Compensated absences	<u>5,634</u>
 Total	 <u>\$ 110,717</u>

W. SUBSEQUENT EVENTS

The Caddo Levee District has outstanding commitments at June 30, 2006 totaling \$12,072 on a contract of \$717,882 for the construction of a new office building and board room.

The Caddo Levee District has entered into a contract on August 8, 2006, for the rehabilitation of two floodgates for \$188,540.

X. SEGMENT INFORMATION

N/A

(Continued)

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

Y. DUE TO/DUE FROM AND TRANSFERS

N/A

Z. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

N/A

AA. PRIOR-YEAR RESTATEMENT OF NET ASSETS

N/A

AB. DEFERRED COMPENSATION

During 2002, the District began participating in a deferred compensation plan in accordance with the Internal Revenue Code Section 457 (Section 457 Plan). Under Governmental Accounting Standards Board Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, plans that meet the criteria in NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, should be reported as an expendable trust fund in the financial statements of the government. Because the District's Section 457 Plan does not meet this criteria, the balances in assets and liabilities were not presented in the financial statements of the District. The District's contribution to the Section 457 Plan was \$17,467 for the year ended June 30, 2006.

BB. NET ASSETS RESTRICTED BY ENABLING LEGISLATION (GASB STATEMENT 46)

N/A

CC. IMPAIRMENT OF CAPITAL ASSETS

N/A

DD. EMPLOYEE TERMINATION BENEFITS

N/A

**STATE OF LOUISIANA
CADD O LEVEE DISTRICT
SCHEDULE OF PER DIEM PAID BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2006**

<u>Commissioners</u>	
James G. Adger	\$ 1,500
James B. Harris	1,200
Andrew J. Hodges, III	825
Dan P. Logan, Jr.	600
Willie Washington	1,125
Jon E. Saye	825
Harold White	<u>1,350</u>
Total	<u>\$ 7,425</u>

The schedule of compensation paid board members was prepared 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 personal services expenses. Board members are paid \$75 per day to a maximum of 36 days per year for board meetings and/or official business. The board president may receive compensation not to exceed \$1,000 per month in lieu of per diem.

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
SCHEDULE OF STATE FUNDING
FOR THE YEAR ENDED JUNE 30, 2006**

DESCRIPTION OF FUNDING

State Revenue Sharing

\$ 28,871

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE
JUNE 30, 2006**

NONE

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
SCHEDULE OF NOTES PAYABLE
JUNE 30, 2006**

NONE

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
SCHEDULE OF BONDS PAYABLE
JUNE 30, 2006**

NONE

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
SCHEDULE OF REIMBURSEMENT CONTRACTS PAYABLE AMORTIZATION
FOR THE YEAR ENDED JUNE 30, 2006**

NONE

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
SCHEDULE OF CAPITAL LEASE AMORTIZATION
FOR THE YEAR ENDED JUNE 30, 2006**

NONE

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
SCHEDULE OF NOTES PAYABLE AMORTIZATION
FOR THE YEAR ENDED JUNE 30, 2006**

NONE

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
SCHEDULE OF BONDS PAYABLE AMORTIZATION
FOR THE YEAR ENDED JUNE 30, 2006**

NONE

**STATE OF LOUISIANA
CADDO LEVEE DISTRICT
COMPARISON FIGURES
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>2006</u>	<u>2005</u>	<u>Difference</u>	<u>Percentage Change</u>
1. Revenues	\$ 3,036,318	\$ 1,927,884	\$ 1,108,434	57%
Expenses	1,280,152	1,320,795	40,643	3%
2. Capital assets	3,014,917	2,170,877	844,040	39%
Long-term debt	-	-	-	-
Net Assets	19,934,740	18,178,574	1,756,166	10%

Explanation for change: For 2006, the Levee District had significant increases in interest and royalty income. For 2006, the Levee District had significant capital expenditures associated with the construction of a new building.

COOK & MOREHART

Certified Public Accountants

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Management Letter

August 9, 2006

Caddo Levee District
Shreveport, Louisiana

We have audited the financial statements of the Caddo Levee District for the year ended June 30, 2006, and have issued our report thereon dated August 9, 2006. In planning and performing our audit of the financial statements of Caddo Levee District, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

During our audit the following items were noted involving internal control over financial reporting and other operational matters which appears to merit your attention for consideration to improve the internal control over financial reporting or operations of Caddo Levee District.

Comment #1: Investments

During our audit we noted that there was no documented review over certificate of deposit purchases, renewals, and redemptions.

We recommend that a listing be maintained of all certificates of deposit, showing maturity dates, purchases, renewals, and maturities. This listing should be maintained by someone independent of general ledger preparation and account reconciliation, with all certificate of deposit activity being physically approved by that individual.

Comment #2: Signature Stamp

The agency's current policy is to require two signatures on all checks. During our audit, we noted that the Administrator who is an authorized check signer also maintains custody of a signature stamp for one of the board members.

We recommend that all authorized check signers maintain custody of their own signature stamps.

We express sincere thanks to the Caddo Levee District personnel for the cooperation and assistance provided us during our audit. We are available to provide you assistance and consultation in the implementation of the above mentioned items. This letter is furnished solely for the use of management and is not intended to be used for any other purpose.

Cook + Morehart

Cook & Morehart

Certified Public Accountants