

RECEIVED
LEGISLATIVE A

04 DEC 30 AM 1

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

**ANNUAL FINANCIAL REPORT
Year Ended June 30, 2004**

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

Release Date 2-2-05

TABLE OF CONTENTS

FINANCIAL SECTION	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
 BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	14
Statement of Activities	15
 Fund Financial Statements	
Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	20
Notes to Financial Statements	
Note A - Summary of Significant Accounting Policies	21
Note B - Reconciliation of Government-wide and Fund Financial Statements ..	25
Note C - Stewardship, Compliance, and Accountability	26
Note D - Detailed Notes on All Activities and Funds	
Note D.1 - Deposits and Investments	27
Note D.2 - Capital Assets	28
Note D.3 - Receivables	29
Note D.4 - Ad Valorem Tax	29
Note D.5 - Intergovernmental Revenues and Grants	30
Note E - Commitments and Contingencies	31
Note F - Other Information	31
Note G - Change in Accounting Principles	32
 INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
General Fund	
Schedule of Revenues - Budget and Actual	34
Schedule of Expenditures -Budget and Actual	35

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
SUPPLEMENTARY INFORMATION	
Schedule of Commissioners' Per Diem	38
Schedule of State Funding	39
Schedule of Expenditures of Federal Funds	40
SINGLE AUDIT SECTION	
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	43
Schedule of Findings and Questioned Costs	45
Corrective Action Plan	47

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparison for the General Fund 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, 2004, 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. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States 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 I 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 basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the budgetary comparison for the General Fund of the Grand Isle Independent Levee District as of June 30, 2004 and the respective changes in financial position 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 20, 2004, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of 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.

As described in Note G to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*", GASB Statement No. 36, "*Recipient Reporting for Certain Shared Non-exchange Revenues*", GASB Statement No. 37, "*Basic Financial Statement - and Management's Discussion and Analysis -for State and Local Governments - Omnibus*", GASB No. 38, "*Certain Financial Statement Note Disclosures*", and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*". These new standards result in a change in the format and content of the basic financial statements.

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

The schedule of expenditures of federal awards included in the Supplemental Information section is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the individual fund statements and schedules, and the supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and is 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 my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Paul C. Nunez, CPA

December 20, 2004

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
PO BOX 757
GRAND ISLE, LA 70358

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Grand Isle Independent Levee District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2004.

We encourage readers to consider the information presented here in conjunction with the financial statements, which begin on page 14. All amounts, unless otherwise noted, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The District was required to adopt the requirements of Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, for the fiscal year ended June 30, 2004. Thus, the format and contents of the financial report have changed significantly from the previous year. Because the restatement of the prior year financial statements into the new format was impractical, this year's management's discussion and analysis will only focus on the current year. In the future, as comparative statements are available, financial comparisons will be explained from year to year.
- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$5,807 (*net assets*). Of this amount, \$5,597 or 96.4 percent is invested in capital assets, such as infrastructure (levees and breakwaters), vehicles and equipment. The remaining balance of \$210 (*unrestricted net assets*) or 3.6 percent may be used to meet the government's ongoing obligations to citizens and creditors.
- The District's total net assets increased by \$2,644 or 83.6 percent during the current year because total revenues exceeded total expenses by that amount. The major item contributing to this increase was a \$2,698 capital grant received from the National Oceanic and Atmospheric Association for the restoration of Fifi Island. This grant was reflected on the Statement of Activities, while the expenses related to the project were capitalized on the Statement of Net Assets in construction in progress.
- As of the close of the current fiscal year, the District's governmental fund (the General Fund) reported ending fund balance of \$210, an increase of \$20 or 10.5 percent in comparison with the prior year. Approximately \$210 or 100.0 percent of this total amount, is available for spending at the government's discretion (*unreserved fund balance*).

- At the end of the current fiscal year, unreserved fund balance for the general fund was \$210 or 7.5 percent of total general fund expenditures.
- The District has prided itself on operating on a “pay-as-you-go” basis and has not incurred any new debt for the past several years.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Grand Isle Independent Levee District’s basic financial statements. As noted above, the District’s adoption of GASB Statement No. 34 significantly changed the format and presentation of the District’s financial report. The District’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The “government-wide financial statements” are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The “Statement of Net Assets” presents information on all of the District’s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The “Statement of Activities” presents information showing how the government’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements are designed to distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The District only has governmental activities.

The government-wide financial statements include only the financial activities of the Grand Isle Independent Levee District, which is a component unit of the State of Louisiana. The State of Louisiana (the primary government) issues financial statements that include the activity contained in these financial statements. The State’s 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.

The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund financial statements. A “fund” is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The District’s funds can be classified into three categories: governmental funds, proprietary funds, and fiduciary funds. As discussed below, the District only presents governmental funds.

Governmental funds. “Governmental funds” are used to account for essentially the same functions reported as “governmental activities” in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for “governmental funds” with similar information presented for “governmental activities” in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between “governmental fund” and “governmental activities”.

The District maintains only one fund (the General Fund). Information is presented in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the General fund.

The District adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16 to 20 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 to 32 of this report.

Other information. Individual fund statements and schedules, which show additional detailed financial information on the General Fund is found on pages 34 and 35. Other Supplemental information, which includes a Schedule of Per Diems Paid to Board Members, a Schedule of State Funding, and a Schedule of Expenditures of Federal Funds, is included on pages 38 to 40.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$5,807 at June 30, 2004.

A large portion of the District's net assets (96.4 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and fixtures, heavy equipment, vehicles, and infrastructure – levees and breakwaters), less any related debt used to acquire those assets that is still outstanding. The District used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

GRAND ISLE INDEPENDENT LEVEE DISTRICT

	Governmental Activities	
	2004	
Current and other assets	\$ 669	
Capital assets	5,597	
Total assets	<u>6,266</u>	
Long-term liabilities outstanding	0	
Other liabilities	459	
Total liabilities	<u>459</u>	
Net assets:		
Invested in capital assets, net of related debt	5,597	96.4%
Restricted	0	0.0%
Unrestricted	210	3.6%
Total net assets	<u>\$ 5,807</u>	

The balance of *unrestricted net assets* (\$210 or 3.6 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

At June 30, 2004, the District is able to report positive fund balances in all three categories of net assets.

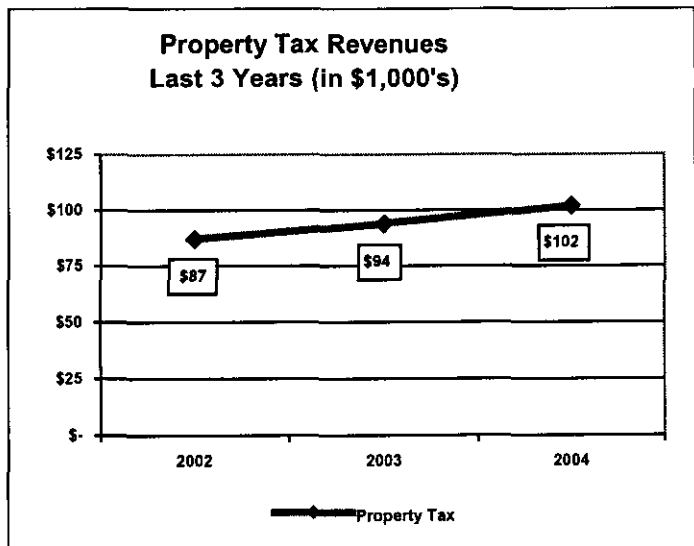
The District's net assets increased by \$2,644 during the current fiscal year.

Governmental Activities. Governmental activities increased the District's net assets by \$2,644. Key elements of this increase are as follows:

GRAND ISLE INDEPENDENT LEVEE DISTRICT

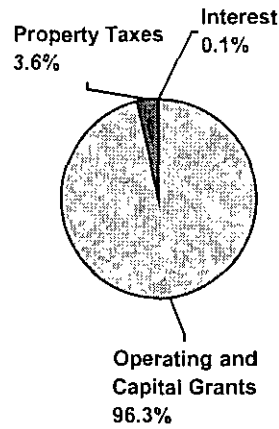
	Governmental Activities	
	<u>2004</u>	
Revenues:		
Program revenues:		
Charges for services	\$ -	0.0%
Operating grants and contributions	18	0.6%
Capital grants and contributions	2,713	95.7%
General revenues:		
Property taxes	102	3.6%
Unrestricted interest	3	0.1%
Miscellaneous	-	0.0%
Total revenues	<u>2,836</u>	<u>100.0%</u>
Expenses:		
Public safety		
Public Works	192	100.0%
Total expenses	<u>192</u>	<u>100.0%</u>
Increase in net assets	2,644	
Net assets - Beginning of year	3,163	
Net assets - end of year	<u>\$ 5,807</u>	

- The program revenue operating and capital grants for governmental activities were \$18 and \$2,713, respectively. The main source of these revenues was the \$2,698 capital grant received from the National Oceanic and Atmospheric Association for the restoration of Fifi Island. The capital grant received is shown as a program revenue on the Statement of Activities, while the related expenses have been capitalized on the Statement of Net Assets in the form of construction in progress.
- Property taxes came in at \$102, an increase of \$8 or 8.9 percent. This increase is due to increases in the assessed values of property in the District over the prior year. The district's millage rate was 4.75 mills on the 2003 tax roll and 4.78 on the 2002 tax roll.
- Interest income came in at \$3 during the year. This is slightly lower than last year due to the low rates seen over the past year.



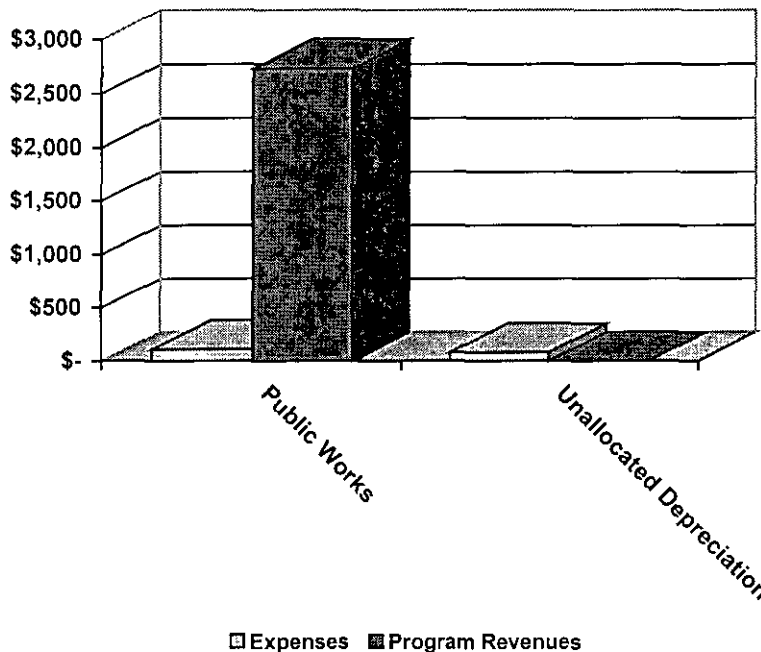
A breakdown of the revenues received by the District's governmental activities is as follows:

Revenues by Source - Governmental Activities



Expenses totaled \$192, including current year depreciation of \$81. The only function the District provides is the public works function. These expenses of the District were offset by program revenues (service charges and grants) totaling \$2,731 (see above), leaving a net revenue (cost) to citizens of the District of \$2,539. A graph comparing the expenses with the program revenue generated is presented below.

**Grand Isle Independent Levee District
Expenses and Program Revenues by Function/Bureau**



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

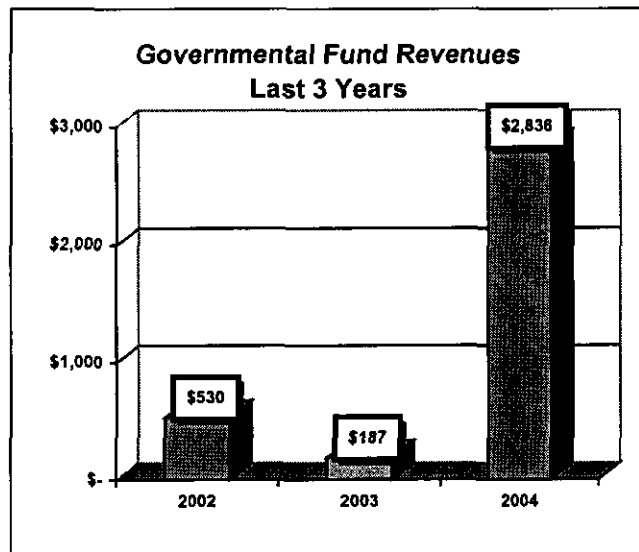
As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's "governmental funds" is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2004, the District's governmental fund (i.e., the General Fund) reported *ending fund balance of \$210, an increase of \$20 or 10.4 percent in comparison with the prior year.* Approximately \$210 or 100.0 percent of this total constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

As noted above, the governmental funds include the general operating funds of the District (i.e., the General Fund). Overall, as the graph shows, revenues of the Governmental Funds significantly increased over the past year. Because of the small size of the operating fund, operating and capital grants can create large swings in revenues when recognized.

As a measure of the General fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 7.5 percent of total general fund expenditures, with the capital grant expenditures included. Without the levee construction costs, the fund balance represents 186.5 percent of operating expenditures.



The fund balance of the District's General fund increased by \$20 during the current fiscal year. Key factors in this change are as follows:

- The General Fund's revenues totaled \$2,836 while expenditures totaled \$2,816.
- Revenues increased by \$2,649 over the prior year, mainly because of:
 - Property taxes increasing \$8 due to increases in the assessed value of property in the parish.

- Intergovernmental revenues increased \$2,641 due to the capital grant received from the National Oceanic Atmospheric Association and \$15 received from the Grand Isle Beautification Committee for restoring Fifi Island.
- Expenditures increased \$2,667 due to the following:
 - Salaries increased by \$2,
 - Travel increased by \$4, to reflect additional costs related to obtaining NOAA funding,
 - Professional services increased by \$15, primarily in engineering fees,
 - Capital outlay for equipment increased by \$3, due to purchase of new computer,
 - Levee construction expenditures increased by \$2,614, due to the Fifi Island restoration project and a FEMA grant related to the removal of debris around the breakwaters.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District made several amendments to its original budget during the fiscal year ended June 30, 2004. Revenues of the General Fund were increased \$2,024 over the original budget. The largest increases were in property taxes (up \$9), intergovernmental – federal grants (up \$2,000), and donations (up \$15). Property taxes were adjusted to reflect the actual assessments; intergovernmental – federal grants was increased to reflect additional funding from NOAA for the Fifi Island restoration project; and donations were increased to reflect a donation received from the Grand Isle Beautification Committee towards the Fifi Island restoration project.

Expenditures of the General Fund were increased \$2,075 over the original budget. Note C.2 provides a breakdown of the major changes. The main increases were:

- \$2,100 for the increased funding from the National Oceanic and Atmospheric Association for the Fifi Island restoration project, offset by a \$100 decrease in professional services (these costs were combined into the same line-item)
- Operating and maintenance was increased \$20 to reflect costs on the debris removal project funded by FEMA

Revenues and other sources (on a budgetary basis) came in \$279 or 9.0 percent under the final budget. Expenditures and other uses were \$314 or 10.0 percent under the final budget. The main cause of both was the delays in completing the Fifi Island project – both revenues and expenditures were significantly under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2004 amounts to \$5,597 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture and fixtures, heavy equipment, vehicles, and infrastructure – levees and breakwaters. The District's investment in capital assets increased by \$2,625 or 88.3 percent this year.

Major capital asset events during the current fiscal year included the following:

- \$3 was spent on equipment, primarily computers.
- \$2,703 was spent on construction in progress, primarily related to the Fifi Island restoration project.
- \$81 was recognized as depreciation expense.

GRAND ISLE INDEPENDENT LEVEE DISTRICT (NET OF DEPRECIATION)

	Governmental Activities
	2004
Land	\$ -
Buildings	1
Furniture and fixtures	2
Heavy equipment	-
Vehicles	-
Infrastructure	2,801
Construction in progress	2,793
Total	<u>\$ 5,597</u>

Additional information on the District's capital assets can be found in Note D.2 on page 28 and Note D.5 on pages 30 and 31.

Long-term Debt. Keeping with the District's longstanding policy of funding operations currently, at year-end, the District had no long-term debt at year-end.

State statutes limit the amount of general obligation debt a governmental unit may issue to 10 percent of its total assessed valuation. The District has no outstanding debt subject to this limitation.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for the Parish of Jefferson is currently 4.9 percent, which is 0.3 percent higher than it was a year ago. In the coastal community of Grand Isle, which is heavily dependent on offshore oil and commercial fisheries (primarily shrimping), the rate is much higher.
- Inflationary trends in the region compare favorably to national indices.
- The ad valorem millage rate levied for the 2004 (next year's) tax roll was 4.75 mills.

All of these factors were considered in preparing the District's budget for the 2004-2005 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the David Camardelle, President, PO Box 757, Grand Isle, Louisiana 70358.

BASIC FINANCIAL STATEMENTS

**GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA**

**STATEMENT OF NET ASSETS
JUNE 30, 2004**

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and cash equivalents	\$ 207,656
Investments	-
Receivables (net of allowance for uncollectibles)	461,760
Capital assets (net of accumulated depreciation)	
Land	-
Buildings	655
Furniture and fixtures	1,677
Heavy equipment	-
Vehicles	-
Infrastructure	2,801,815
Construction in progress	2,792,878
TOTAL ASSETS	<u>6,266,441</u>
LIABILITIES	
Accounts payable and other current liabilities	459,360
Accrued payroll and deductions	-
Deferred revenue	-
Noncurrent liabilities:	
Due within one year	-
Due in more than one year	-
TOTAL LIABILITIES	<u>459,360</u>
NET ASSETS	
Invested in capital assets, net of related debt	5,597,025
Unrestricted	210,056
TOTAL NET ASSETS	<u>\$ 5,807,081</u>

The accompanying notes are an integral part of this statement.

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

FUNCTION	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES
Primary Government					
Governmental Activities:					
Public Works	\$ 110,132	\$ -	\$ 18,028	\$ 2,712,820	\$ 2,620,716
Unallocated depreciation expense	81,484	-	-	-	(81,484)
Interest on long-term debt	-	-	-	-	-
Total governmental activities	<u>\$ 191,616</u>	<u>\$ -</u>	<u>\$ 18,028</u>	<u>\$ 2,712,820</u>	2,539,232
GENERAL REVENUES:					
					102,311
					2,874
					-
					62
TRANSFERS IN (OUT)					
					-
TOTAL GENERAL REVENUE AND TRANSFERS					<u>105,247</u>
CHANGE IN NET ASSETS					2,644,479
NET ASSETS					
			Beginning of year		3,162,602
			End of year		<u>\$ 5,807,081</u>

The accompanying notes are an integral part of this statement.

**GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA**

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2004**

	<u>GENERAL</u>
ASSETS	
Cash and cash equivalents	\$ 207,656
Investments	-
Receivables (net of allowance for uncollectibles)	461,760
TOTAL ASSETS	<u><u>\$ 669,416</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities	
Accounts payable	\$ 459,360
Accrued payroll and deductions	-
Deferred revenue	-
TOTAL LIABILITIES	<u><u>459,360</u></u>
Fund Balances	
Unreserved, reported in:	
General Fund	210,056
TOTAL FUND BALANCES	<u><u>210,056</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 669,416</u></u>

The accompanying notes are an integral part of this statement.

**GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004**

Amounts reported for governmental activities in the Statement of Net Assets (page 14) are different because:

Total Fund Balances at June 30, 2004 - Governmental Funds (page 16)	\$	210,056
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$6,006,557 and the accumulated depreciation is \$409,532.		5,597,025
Total Net Assets of Governmental Activities at June 30, 2004 (page 14)	<u>\$</u>	<u>5,807,081</u>

The accompanying notes are an integral part of this statement.

**GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA**

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>GENERAL</u>
REVENUES	
Taxes	
Property taxes	\$ 102,311
Intergovernmental	
Federal	2,715,848
State	-
Parish/Local	15,000
Interest	2,874
Miscellaneous	62
	<u>2,836,095</u>
EXPENDITURES	
Current	
Public Works	
Personnel	24,125
Employee related benefits	4,844
Travel	13,008
Office	5,957
Professional services	22,921
Operating and maintenance	39,277
Capital outlay	
Property, plant and equipment	2,517
Levee construction projects	2,703,531
	<u>2,816,180</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>19,915</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	-
Transfers out	-
Capital leases	-
Sale of capital assets	-
	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	19,915
FUND BALANCE	
Beginning of year	190,141
End of year	<u>\$ 210,056</u>

The accompanying notes are an integral part of this statement.

**GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA**

**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, 2004**

Amounts reported for governmental activities in the Statement of Activities (page 15) are different because:

Net change in fund balances - total governmental funds (page 18) \$ 19,915

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 capital outlays exceeded depreciation in the current period. 2,624,564

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. -

Change in net assets of governmental activities (page 15) \$ 2,644,479

The accompanying notes are an integral part of this statement.

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes				
Property taxes	\$ 90,000	\$ 99,100	\$ 102,311	\$ 3,211
Intergovernmental				
Federal	999,500	2,999,500	2,715,848	(283,652)
State	-	-	-	-
Parish/Local	-	15,000	15,000	-
Interest	2,000	1,700	2,874	1,174
Miscellaneous	150	100	62	(38)
TOTAL REVENUES	1,091,650	3,115,400	2,836,095	(279,305)
EXPENDITURES				
Current				
Public Works				
Personnel	23,900	23,400	24,125	(725)
Employee Related Benefits	5,000	10,500	4,844	5,656
Travel	6,000	12,000	13,008	(1,008)
Office	6,551	7,700	5,957	1,743
Professional Services	102,600	42,600	22,921	19,679
Operating and Maintenance	11,200	30,995	39,277	(8,282)
Capital outlay				
Property, plant and equipment	-	3,000	2,517	483
Levee construction projects	899,700	2,999,500	2,703,531	295,969
TOTAL EXPENDITURES	1,054,951	3,129,695	2,816,180	313,515
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	36,699	(14,295)	19,915	34,210
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Capital leases	-	-	-	-
Sale of capital assets	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	36,699	(14,295)	19,915	34,210
FUND BALANCE				
Beginning of year	152,685	152,685	190,141	37,456
End of year	\$ 189,384	\$ 138,390	\$ 210,056	\$ 71,666

The accompanying notes are an integral part of this statement.

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

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, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Because of the nature of the District's operations, the District reports only governmental activities.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Funds are used by the District 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. The funds of the District are classified into the "governmental" category. The category, in turn, is divided into separate "fund types".

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital project funds), and the servicing of general long-term debt (debt service funds). The General Fund is used to account for all financial activities of the general government not accounted for in some other fund.

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District reports the following major governmental funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using a *current financial resources measurement focus* and 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 District 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. Property taxes, intergovernmental revenues, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgments, only when payment is due.

4. Assets, Liabilities, and Net Assets or Equity

A. *Cash and Investments*

For reporting purposes, cash and cash equivalents 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.

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. 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.

B. 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, 2004 would not be material to the financial statements.

C. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., levees, rock breakwaters, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$100 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed and are included in construction in progress. The levees and breakwaters are divided into reaches and are capitalized as such. Any major "lifts" or improvements to an existing levee/reach is capitalized as an addition to that levee/reach.

Property, plant, equipment, and infrastructure is depreciated using the straight-line method (with a mid-year convention) over the following estimated useful lives:

Asset Category	Useful Life in Years
Buildings	40
Furniture and fixtures	3
Heavy Equipment	7
Vehicles	5
Infrastructure (levees, breakwaters, etc.)	40

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designated fund balances represent tentative plans for future use of financial resources that are subject to change.

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this \$2,624,564 difference are as follows:

Capital outlay	\$	2,706,048
Depreciation expense		(81,484)

Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets - governmental activities</i>	\$	2,624,564

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budget

Formal budgetary accounting is employed as a management control device during the year for the *General Fund*. 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.

The General Fund's budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). Encumbrances are not recorded for budgetary purposes. Expenditures may not exceed appropriations at the object level within the fund. All annual appropriations which are not expended lapse at year end.

The original budget was adopted on March 20, 2003. The amended budget was adopted on April 2, 2004. The budgeted amounts are included, respectively, as the original and final budgets in the accompanying statements.

2. Amendments to the Budget

The District amended its budget to reflect new revenues and projects. The most significant of the changes are described below:

Revenues of the General Fund were increased \$2,023,750. The largest increase was in Intergovernmental - federal grants, which was increased by \$2,000,000 to reflect additional funding received from NOAA on the Fifi Island restoration project. Donations were increased \$15,000 to reflect the donation from the Grand Isle Beautification Committee towards the same Fifi Island project. Property taxes were increased \$9,100 to reflect actual assessments.

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Expenditures of the General Fund were increased \$2,074,744. The largest increase was for levee construction projects, which was increased \$2,099,800 for the Fifi Island restoration project. Professional services were decreased \$100,000, as these costs were reclassified to the Fifi Island line-item. Employee related benefits were increased \$5,500 to reflect additional workman's compensation costs. Operating and maintenance was increased \$19,795, primarily to account for the costs associated with the debris removal project funded by FEMA.

In summary, the original budget called for a surplus of \$36,699, while the amended budget results in a current year deficiency of \$(14,295). Fund balance is available to fund this deficiency.

3. Expenditures in Excess of Appropriations

For the year ended June 30, 2004, expenditures were within budget at all object levels within the General Fund.

NOTE D - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

1. Deposits and Investments

The carrying amount of the District's deposits at June 30, 2004 was \$207,656 and the bank balance was \$208,083. 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:

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	\$ 198,083	\$ 10,000	\$ 208,083
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	<u>\$ 198,083</u>	<u>\$ 10,000</u>	<u>\$ 208,083</u>

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

NOTE D - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

2. Capital Assets

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

	Balance July 1, 2003	Additions	Deletions	Transfers	Balance June 30, 2004
Governmental activities:					
Capital assets, not being depreciated					
Land	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Construction in progress	89,347	2,703,531	0	0	2,792,878
Total capital assets, not being depreciated	\$ 89,347	\$ 2,703,531	\$ 0	\$ 0	\$ 2,792,878
Capital assets, being depreciated					
Buildings	\$ 2,185	\$ 0	\$ 0	\$ 0	\$ 2,185
Furniture and fixtures	4,736	2,517	0	0	7,253
Heavy equipment	4,667	0	0	0	4,667
Vehicles	9,314	0	0	0	9,314
Infrastructure	3,190,260	0	0	0	3,190,260
Total capital assets, being depreciated	3,211,162	2,517	0	0	3,213,679
Less accumulated depreciation for:					
Buildings	(1,311)	(219)	0	0	(1,530)
Furniture and fixtures	(4,736)	(840)	0	0	(5,576)
Heavy equipment	(4,000)	(667)	0	0	(4,667)
Vehicles	(9,314)	0	0	0	(9,314)
Infrastructure	(308,687)	(79,758)	0	0	(388,445)
Total accumulated depreciation	(328,048)	(81,484)	0	0	(409,532)
Total capital assets being depreciated, net	\$ 2,883,114	\$ (78,967)	\$ 0	\$ 0	\$ 2,804,147
Total governmental activities capital assets, net	\$ 2,972,461	\$ 2,624,564	\$ 0	\$ 0	\$ 5,597,025

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

NOTE D - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

3. Receivables

A breakdown of the District's receivables at year end is as follows:

	General
Receivables:	
Intergovernmental	
State Capital Outlay (# 36-L25-99B-01)	\$ 2,400
NOAA Coastal Impairment Assistance Program (# NA170Z2152)	459,360
Total Governmental Activities	\$ 461,760

See Note D.5 for a discussion of the programs which gave rise to these receivables.

4. 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.

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.

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

NOTE D - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

The number of mills levied for operations on the 2003 and 2002 tax rolls were 4.75 and 4.78, respectively.

5. Intergovernmental Revenues and Grants

FEMA - Hurricane Lili

The District was awarded a grant in 02/03 from the State Office of Emergency Preparedness relating to Hurricane Lili (FEMA-1437-DR-LA). The District was to remove debris from the Cheniere Caminada breakwaters caused by Hurricane Lili. During 03/04, the District spent \$27,094 on this project. The \$18,028, which was received last year, was recognized as revenue in 03/04.

NOAA - Coastal Impairment Assistance Program

The National Oceanic and Atmospheric Administration (NOAA) awarded the Parish of Jefferson a Coastal Impairment Assistance Program grant in the amount of \$249,875. The Parish in-turn dedicated this money to the District to fund the Fifi Island restoration project. In addition, the NOAA awarded the State Department of Natural Resources (LDNR) a similar grant. Through a cooperative agreement (# 2513-02-09), the LDNR dedicated \$749,625 towards the Fifi Island restoration project, bringing the total allocated to \$999,500 at June 30, 2003. An additional \$2,000,000 was dedicated to this program during 03/04, bringing the total budget to \$2,999,500.

A breakdown of the amount spent to date and reimbursed is as follows:

	Actual	Budget	Outstanding
Expended to Date	\$ 2,787,166	\$ 2,999,500	\$ 212,334
Amount Received to Date	(2,327,806)	(2,999,500)	671,694
Accounts Receivable	<u>\$ 459,360</u>	<u>\$ 0</u>	<u>\$ 459,360</u>

This \$459,360 is accrued as a receivable at June 30, 2004 - See Note D.2.

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

NOTE D - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

Breakwaters North of Grand Isle - Planning and Construction

In May 2002, 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 previous 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 - See Note D.2.

NOTE E - 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, 2004.

NOTE F - OTHER INFORMATION

1. Retirement

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 \$1,464. The District does not guarantee the benefits granted by the Social Security System.*

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2004

NOTE G - CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2004, the District has implemented GASB No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*", GASB Statement No. 36, "*Recipient Reporting for Certain Shared Non-exchange Revenues*", GASB Statement No. 37, "*Basic Financial Statement - and Management's Discussion and Analysis -for State and Local Governments - Omnibus*", GASB No. 38, "*Certain Financial Statement Note Disclosures*", and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*".

As restatement of prior financial statements is not practical, the cumulative effect of applying these principles is reported as a restatement of beginning net assets on the Government-wide Statement of Activities . The net effect of \$3,125,146 was added to prior year's reported fund balances to arrive at a net asset balance at June 30, 2003 (i.e., beginning of year) of \$3,162,602.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA

GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Taxes				
Property taxes	\$ 90,000	\$ 99,100	\$ 102,311	\$ 3,211
Intergovernmental				
Federal				
FEMA	-	-	18,028	18,028
NOAA CAIP Grant (#NA170Z2152)	999,500	2,999,500	2,697,820	(301,680)
	<u>999,500</u>	<u>2,999,500</u>	<u>2,715,848</u>	<u>(283,652)</u>
State				
State Capital Outlay (#36-L25-99B-01)	-	-	-	-
State - Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Parish/Local				
Grand Isle Port Commission Donation	-	-	-	-
Grand Isle Beautification Committee Donation	-	15,000	15,000	-
Jefferson Parish Grants	-	-	-	-
	<u>-</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Service charges, fees, and commissions	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest	2,000	1,700	2,874	1,174
Miscellaneous	150	100	62	(38)
TOTAL REVENUES	<u>\$ 1,091,650</u>	<u>\$ 3,115,400</u>	<u>\$ 2,836,095</u>	<u>\$ (279,305)</u>

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA

GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
EXPENDITURES				
Current				
Public Works				
Personnel				
Salaries	\$ 18,000	\$ 18,000	\$ 19,100	\$ (1,100)
Commissioner's per diems	5,400	5,400	5,025	375
Employee expenses	500	-	-	-
Total	23,900	23,400	24,125	(725)
Employee Related Benefits				
Payroll taxes - state - penalties	800	500	-	500
Payroll taxes - federal	4,200	5,000	1,457	3,543
Insurance - workman's compensation	-	5,000	3,387	1,613
Total	5,000	10,500	4,844	5,656
Travel				
Travel	6,000	12,000	13,008	(1,008)
Total	6,000	12,000	13,008	(1,008)
Office				
Advertising	1,500	1,000	227	773
Bank charges	50	-	-	-
Dues and subscriptions	3,400	3,500	3,045	455
Lease - office	1	-	-	-
Office supplies	600	2,000	1,830	170
Postage	300	200	138	62
Telephone	700	1,000	717	283
Total	6,551	7,700	5,957	1,743
Professional Services				
Audit	2,600	2,600	2,600	-
Engineering and other	100,000	40,000	20,321	19,679
Total	102,600	42,600	22,921	19,679
Operating and Maintenance				
Contract labor	-	-	-	-
Debris removal project	-	18,795	27,049	(8,254)
Food and lodging	1,700	2,200	547	1,653
Gas and oil	-	-	-	-
Grass cutting	-	-	-	-
Insurance - general, auto, marine	8,900	10,000	11,681	(1,681)
Licenses and permits	100	-	-	-
Miscellaneous	500	-	-	-
Repairs and maintenance	-	-	-	-
Small tools and equipment	-	-	-	-
Total	11,200	30,995	39,277	(8,282)
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Total	-	-	-	-
Capital outlay				
Property, plant and equipment	-	3,000	2,517	483
Levee and other construction projects				
Breakwater construction	-	-	-	-
Fifi Island restoration	899,500	2,999,500	2,703,531	295,969
FEMA project	-	-	-	-
Miscellaneous projects	200	-	-	-
Total	899,700	3,002,500	2,706,048	296,452
TOTAL EXPENDITURES	\$ 1,054,951	\$ 3,129,695	\$ 2,816,180	\$ 313,515

(THIS PAGE LEFT BLANK INTENTIONALLY)

SUPPLEMENTAL INFORMATION

**GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
For the Year Ended June 30, 2004**

Board Member	Number of Meetings	Amount Paid
Wayne Estay	31	\$ 2,325
Robert "Bobby" Santini	36	2,700
Total		<u>\$ 5,025</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, 2004**

Description of Funding	Amount
State Capital Outlay Program (Project # 36-L25-99B-01)	<u>\$ 0</u>

GRAND ISLE INDEPENDENT LEVEE DISTRICT
STATE OF LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2004

FEDERAL AGENCY/ PROGRAM TITLE	CFDA NUMBER	GRANT/ PROJECT NUMBER	GRANT PERIOD FROM TO	TOTAL GRANT AWARD	ACCRUED (DEFERRED) REVENUE JUNE 30, 2003	CASH/ ASSISTANCE RECEIVED DURING YEAR	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004	TOTAL REVENUE RECOGNIZED	TOTAL FEDERAL EXPENDITURES
PASS-THROUGH AWARDS									
DEPARTMENT OF HOMELAND SECURITY									
Passed through State Department of Military Affairs: Emergency Disaster - Public Assistance Grants	97.036	FEMA-1437-DR-LA	Project Completion	18,028 (1)	\$ (18,028)	\$ -	\$ -	\$ 18,028	\$ 18,028
					(18,028)	-	-	18,028	18,028
DEPARTMENT OF COMMERCE, NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION									
Passed through Jefferson Parish via Louisiana Department of Natural Resources Coastal Impairment Assistance Program -Fifi Island Restoration	11.419	NA17022152/2513-02-09	Project Completion	2,999,500 (2)	22,672	2,261,132	459,360	2,697,820	2,697,820
					22,672	2,261,132	459,360	2,697,820	2,697,820
					\$ 4,644	\$ 2,261,132	\$ 459,360	\$ 2,715,848	\$ 2,715,848
TOTAL FEDERAL ASSISTANCE									

NOTES TO SCHEDULE:

This Schedule of Expenditures of Federal Awards includes the federal grant activity of the Grand Isle Independent Levee District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(1) - Amount represents federal share (75%) and state share (10%). The District provides the remaining 15% as a local match.

(2) - Amount represents \$249,875 received from JP via NOAA Grant NO. NA17022152 and \$3,749,625 from Louisiana Department of Natural Resources via Cooperative Agreement between Jefferson Parish, LA, CNR, and the District.

SINGLE AUDIT 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 financial statements of the governmental activities, each major fund, and the budgetary comparison for the General Fund 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, 2004, which collectively comprise the District's basic financial statements and have issued my report thereon dated December 20, 2004. 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 a certain matter 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 in the accompanying Schedule of Findings and Questioned Costs as item #04-01.

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 reportable condition #04-01 described in the Schedule of Findings and Questioned Costs is a material weakness.

This report is intended for the information of the Board of Commissioners, the District's management, the Louisiana Legislative Auditor, all applicable Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, the report is distributed by the Legislative Auditor as a public document.

Paul C. Riney, CPA

December 20, 2004

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

I have audited the compliance of the Grand Isle Independent Levee District (the "District"), a component unit of the State of Louisiana, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. My responsibility is to express an opinion on the District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the District's compliance with those requirements.

In my opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended for the information of the Board of Commissioners, the District's management, the Louisiana Legislative Auditor, all applicable Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, the report is distributed by the Legislative Auditor as a public document.

Paul C. Brine, CPA

December 20, 2004

GRAND ISLE INDEPENDENT LEVEE DISTRICT
State of Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2004

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the basic 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, 2004.
2. A reportable condition, which is also considered to be a material weakness, in internal control relating to the audit of the financial statements was noted during the audit of the District and is described below.
3. No instances of noncompliance material to the financial statements of the District are reported in the Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit Performed in Accordance With *Government Auditing Standards*.
4. No material weaknesses or reportable conditions in internal control relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Controls Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the District expresses an unqualified opinion on all major federal programs.
6. There are no findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major federal award programs include:

<u>CFDA</u>	<u>Program Name</u>
11.419	Coastal Zone Management - Fifi Island Restoration

8. The threshold for distinguishing Type A and Type B programs was \$300,000.
9. The District is not considered to be a "low-risk" auditee.

GRAND ISLE INDEPENDENT LEVEE DISTRICT
State of Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Fiscal Year Ended June 30, 2004

Findings Relating to the Financial Statements

COMPLIANCE WITH LAWS AND REGULATIONS

NONE

REPORTABLE CONDITIONS

04-01 Lack of Segregation of Duties

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.

Findings and Questioned Costs - Major Federal Award Program Audit

NONE

Status of Prior Year Findings and Questioned Costs

THERE WERE NO FINDINGS IN PRIOR YEAR

**GRAND ISLE INDEPENDENT LEVEE DISTRICT
PO BOX 757
GRAND ISLE, LOUISIANA 70358**

CORRECTIVE ACTION PLAN

December 20, 2004

Legislative Auditor's Office
1600 North Third Street
PO Box 94397
Baton Rouge, LA 70804-9397

Gentlemen:

The Grand Isle Independent Levee District respectfully submits the following corrective action plan for the fiscal year ended June 30, 2004.

Name and Address of Auditing Firm:

Paul C. Rivera, CPA, 2612 Crestway Road, Marrero, LA 70072

Audit Period:

July 1, 2003 to June 30, 2004

The findings and conditions noted during the audit are discussed below. The findings and conditions are numbered consistently with the numbers assigned in the schedule.

FINDINGS - FINANCIAL STATEMENT AUDIT

Reportable Conditions

Condition: Small size of District does not allow for a proper segregation of duties.

Recommendation: The District Commissioners should be cognizant of the lack of segregation of duties and should monitor activity closely. Cost/benefit is not favorable for hiring additional personnel.

Response: We concur with this comment and will continue monitoring the situation.

FINDINGS - FEDERAL AWARD PROGRAM AUDITS

None were noted.

If you have any questions regarding this plan, please do not hesitate to contact me at (504) 787-3955.

Sincerely,

A handwritten signature in cursive script, appearing to read "D. Camardelle".

David Camardelle, President
Grand Isle Independent Levee District