

2017

**PONTCHARTRAIN LEVEE DISTRICT
LOUISIANA.**

FINANCIAL REPORT

For the Year Ended June 30, 2007

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 10/10/07

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REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A PROFESSIONAL CORPORATION

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pontchartrain Levee District (the "Levee District"), a component unit of the State of Louisiana, as of and for the year ended June 30, 2007, 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 respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2007, 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*, we have also issued our report dated August 29, 2007, on our consideration of the District's internal control over financial reporting and on 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 conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 3 through 7 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information on pages 31 through 36 is 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 our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Annual Financial Statement Reporting Package, presented as supplementary information on pages 41 through 66, is not a required part of the basic financial statements, but is supplementary information required by Louisiana's Office of Statewide Reporting and Accounting Policy. This information has been subjected to the auditing procedures applied in the audit of the accompanying financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the accompanying financial statements taken as a whole.

Rebowe & Company

August 29, 2007

**PONTCHARTRAIN LEVEE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF JUNE 30, 2007**

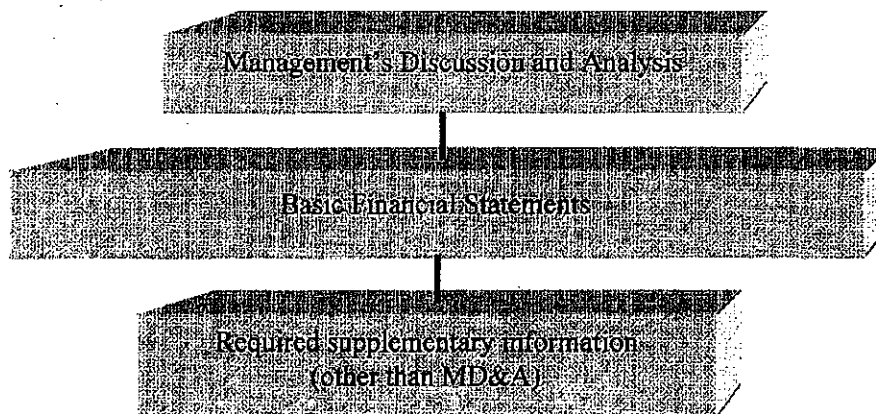
The Management's Discussion and Analysis of the Pontchartrain Levee District's (the "Levee District") financial performance presents a narrative overview and analysis of the Levee District's financial activities for the year ended June 30, 2007. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the Levee District's financial statements.

FINANCIAL HIGHLIGHTS

- ★ The Levee District accrued \$1,793,000 million in claims payable, which is the result of a judgment, pending claims, and unasserted claims associated with an expropriation of land dispute. This represents a decrease of approximately \$3,537,000, primarily due to payments on previously awarded judgments.
- ★ The Levee District's assets exceeded its liabilities at the close of fiscal year 2007 by approximately \$27.7 million, which represents a 7.5% increase from the last fiscal year.
- ★ The Levee District's revenue increased \$2,506,059 or 38.2%. The Levee District had property tax revenues of \$6,012,134 for the current year ended June 30, 2007, an increase of \$747,785 or 14% over prior year. Property tax revenues represent 70% of all revenues. Other increases resulted from higher yields on investments.
- ★ Accounts payable totaled \$103,020 at June 30, 2007 representing a decrease of approximately \$2.8 million due primarily the Levee District assisting other levee districts in procuring pumps for the purpose of dewatering flooded areas after Hurricane Katrina in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



**PONTCHARTRAIN LEVEE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF JUNE 30, 2007**

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

Basic Financial Statements

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

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

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

FINANCIAL ANALYSIS OF THE ENTITY

	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 27,986,559	\$ 32,159,884
Capital assets	<u>1,772,161</u>	<u>1,825,179</u>
Total assets	<u>29,758,720</u>	<u>33,985,063</u>
Other liabilities	305,929	2,927,474
Long-term debt outstanding	<u>1,793,000</u>	<u>5,330,000</u>
Total liabilities	<u>2,098,929</u>	<u>8,257,474</u>
Net assets:		
Invested in capital assets, net of debt	1,772,161	1,825,179
Unrestricted	<u>25,887,630</u>	<u>23,902,409</u>
Total net assets	<u>\$ 27,659,791</u>	<u>\$ 25,727,588</u>

**PONTCHARTRAIN LEVEE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF JUNE 30, 2007**

FINANCIAL ANALYSIS OF THE ENTITY (CONTINUED)

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

Net assets of Levee District increased by \$1,932,203 or 7.5%, from June 30, 2006 to June 30, 2007. In prior years there had been a decrease in net assets, due primarily to legal judgments and pending unasserted claims in a land expropriation dispute.

	Total	
	2007	2006
Operating revenues	\$ 548,558	\$ 146,110
Operating expenses	<u>7,132,782</u>	<u>8,089,008</u>
Operating income (loss)	<u>(6,584,224)</u>	<u>(7,942,898)</u>
Non-operating revenues (expenses)	<u>8,516,427</u>	<u>6,389,854</u>
Net increase (decrease) in net assets	<u>\$ 1,932,203</u>	<u>\$ (1,553,044)</u>

The Levee District's total revenues increased by \$2,529,021 from the previous year. Expenses decreased by \$956,226 from previous year because the claims payable resulting from the expropriation dispute was accrued in the previous year. Aside from the affects of the legal claims, the decrease in net assets was the result of increased spending on hurricane protection and flood control studies.

**PONTCHARTRAIN LEVEE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF JUNE 30, 2007**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the Levee District had \$1,772,161 invested in a broad range of capital assets, including land, building, and equipment. (See Table below.) This amount represents a decrease (including additions and deductions) of \$53,018 or 3%, over last year.

Capital Assets at June 30
(Net of Depreciation)

	2007	2006
Land	\$ 764,942	\$ 764,942
Buildings	172,036	187,522
Equipment	835,183	872,715
Totals	\$ 1,772,161	\$ 1,825,179

This year's additions totaled \$233,919. Major additions included:

- Two pickup trucks for \$40,153
- Eight mowers for \$108,285
- Two tractors for \$85,481

Debt

The Levee District had no bonded debt at June 30, 2007. The Levee District has accrued approximately \$1.8 million in claims payable. This is an estimate of claims that will likely result in judgments associated with an ongoing land expropriation dispute.

**PONTCHARTRAIN LEVEE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF JUNE 30, 2007**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- Property tax millages are 3.67.

CONTACTING THE LEVEE DISTRICT'S MANAGEMENT

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

PONTCHARTRAIN LEVEE DISTRICT
STATEMENT OF NET ASSETS
June 30, 2007

ASSETS

CURRENT ASSETS:

Cash	\$ 18,732,921
Investments	8,981,288
Receivables	101,630
Prepaid insurance	156,150
Inventories	14,570
Total current assets	<u>27,986,559</u>

NONCURRENT ASSETS:

Capital assets - Net of accumulated depreciation	<u>1,772,161</u>
Total noncurrent assets	<u>1,772,161</u>
Total assets	<u><u>\$ 29,758,720</u></u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 103,020
Salary and wages payable	<u>60,991</u>
Total current liabilities	<u>164,011</u>

NONCURRENT LIABILITIES:

Compensated absences payable	141,918
Claims payable	<u>1,793,000</u>
Total long term liabilities	<u>1,934,918</u>
Total Liabilities	<u>2,098,929</u>

NET ASSETS

Invested in capital assets, net of related debt	1,772,161
Unrestricted	<u>25,887,630</u>
Total Net Assets	<u>27,659,791</u>
Total Liabilities and Net Assets	<u><u>\$ 29,758,720</u></u>

The accompanying notes are an integral part of this statement.

PONTCHARTRAIN LEVEE DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue And Changes In Net Assets
		Charges For Services	Operating Grants and Contributions	
Governmental activities:				
Claims Expense	\$ 380,481	\$ -	\$ -	\$ (380,481)
Levee Maintenance	6,752,301	-	548,558	(6,203,743)
Total Governmental Activities	\$ 7,132,782	\$ -	\$ 548,558	\$ (6,584,224)
General Revenues:				
				6,012,134
				1,277,972
				1,189,570
				36,751
			Total general revenues	8,516,427
			Change in net assets	1,932,203
			Net assets - beginning of year	25,727,588
			Net assets - end of year	\$ 27,659,791

The accompanying notes are an integral part of this statement.

PONTCHARTRAIN LEVEE DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2007

	Major Funds		Non-Major Funds	
	General Fund	Special Construction Fund	Total Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 3,761,127	\$ 11,331,307	\$ 3,640,487	\$ 18,732,921
Investments	3,075,254	5,906,034	-	8,981,288
Receivables - net	45,573	56,057	-	101,630
Due from other funds	2,483,600	-	-	2,483,600
Prepaid insurance	156,150	-	-	156,150
Inventories	14,570	-	-	14,570
Total assets	\$ 9,536,274	\$ 17,293,398	\$ 3,640,487	\$ 30,470,159
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 67,374	\$ 26,046	\$ 9,600	\$ 103,020
Due to other funds	-	2,200,000	283,600	2,483,600
Salaries and wages payable	60,991	-	-	60,991
Total liabilities	128,365	2,226,046	293,200	2,647,611
Fund balances:				
Reserved for inventory	14,570	-	-	14,570
Reserved for emergencies	25,000	-	-	25,000
Reserved for flood flight/contingencies	50,000	-	-	50,000
Unreserved, undesignated	9,318,339	15,067,352	3,347,287	27,732,978
Total fund balances	9,407,909	15,067,352	3,347,287	27,822,548
Total liabilities and fund balances	\$ 9,536,274	\$ 17,293,398	\$ 3,640,487	\$ 30,470,159

The accompanying notes are an integral part of this statement.

**PONTCHARTRAIN LEVEE DISTRICT
RECONCILIATION OF THE
GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007**

Total Fund Balances at June 30, 2007 - Governmental Funds		\$ 27,822,548
Cost of capital assets at June 30, 2007	\$ 3,875,102	
Less: Accumulated depreciation	<u>(2,102,941)</u>	1,772,161
Elimination of interfund assets and liabilities:		
Due from other funds	(2,483,600)	
Due to other funds	<u>2,483,600</u>	-
Long - term liabilities at June 30, 2007:		
Claims payable	(1,793,000)	
Compensated absences payable	<u>(141,918)</u>	<u>(1,934,918)</u>
Net Assets at June 30, 2007		<u>\$ 27,659,791</u>

The accompanying notes are an integral part of this statement.

PONTCHARTRAIN LEVEE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	Major Funds		Non-Major Funds	
	General Fund	Special Construction Fund	Total Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 6,012,134	\$ -	\$ -	\$ 6,012,134
Intergovernmental Revenues	332,472	548,558	945,500	1,826,530
Investment Income	305,796	864,785	18,989	1,189,570
Other	36,751	-	-	36,751
Total revenues	6,687,153	1,413,343	964,489	9,064,985
Expenditures				
Current:				
Operational				
Executive	88,171	1,000	-	89,171
General Administrative	1,093,724	-	-	1,093,724
Levee Maintenance	2,675,345	5,076,417	1,159,804	8,911,566
Police Department	429,143	-	-	429,143
Capital Outlay	74,699	-	-	74,699
Total expenditures	4,361,082	5,077,417	1,159,804	10,598,303
Excess (deficiency) of revenues over expenditures	2,326,071	(3,664,074)	(195,315)	(1,533,318)
Other Financing Sources (Uses)				
Operating transfers in	2,700,000	4,046,000	3,100,000	9,846,000
Operating transfers out	(7,146,000)	(2,000,000)	(700,000)	(9,846,000)
Total other financing sources (uses)	(4,446,000)	2,046,000	2,400,000	-
Excess of revenues and other sources over (under) expenditures and other uses	(2,119,929)	(1,618,074)	2,204,685	(1,533,318)
Fund balances, beginning of year	11,527,838	16,685,426	1,142,602	29,355,866
Fund balances, end of year	\$ 9,407,909	\$ 15,067,352	\$ 3,347,287	\$ 27,822,548

The accompanying notes are an integral part of this statement.

**PONTCHARTRAIN LEVEE DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007**

Total Net Changes in Fund Balance for year ended June 30, 2007	\$	(1,533,318)
Add: Capital outlay which is considered expenditures		249,287
Less: Depreciation expense for year ended June 30, 2007		(302,305)
Less: Insurance Claims for Disposal of Fixed Assets		(13,975)
Plus: Gain Recognized on Insurance Claim		13,975
Less: Excess of compensated absences earned over compensated absences used		(18,462)
Plus: Payment of Claims Previously Accrued		3,917,482
Less: Increase in Claims Payable		(380,481)
		(380,481)
Total Change in Net Assets for the year ended June 30, 2007	\$	1,932,203

The accompanying notes are an integral part of this statement.

PONTCHARTRAIN LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

INTRODUCTION

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report has been prepared in conformity with the standards established by the Governmental Accounting Standards Board (GASB). The following is a summary of the Levee District's significant policies:

A. Basis of Presentation

In accordance with GASB, the accompanying financial statements have been prepared in accordance with such principles.

B. Reporting Entity

The governmental reporting entity is the State of Louisiana. The Levee District is considered a component unit of the State of Louisiana because the state exercises oversight responsibility in that the governor appoints the commissioners, and public service is rendered within the state's boundaries. The accompanying statements present information only as to the transactions of the Pontchartrain Levee District, a component unit of the State of Louisiana. Annually, the State of Louisiana issues basic financial statements, which include the activity contained in the accompanying financial statements.

C. Fund Accounting

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

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

Funds of the Levee District that are presented in the financial statements are classified as governmental funds.

**PONTCHARTRAIN LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Accounting (continued)

Governmental funds account for the Levee District's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. Governmental funds of the Levee District include:

1. **General Fund** - the general operating fund of the Levee District and accounts for all financial resources, except those required to be accounted for in other funds.
2. **Capital Projects Fund** - accounts for financial resources received and used for the acquisition, construction, or improvements of capital facilities not reported in the other governmental funds.

D. Basis of Accounting/Measurement Focus

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

Program Revenues

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

Fund Financial Statements (FFS)

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

**PONTCHARTRAIN LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting/Measurement Focus (continued)

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

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

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

E. Budget Practices

The proposed General Fund budget for the fiscal year ended June 30, 2007 was completed and made available for public inspection at the Levee District's main office and formally adopted. The budget, which included proposed expenditures and the means of financing them for the General Fund, was published in the official journal. In addition to the budget, the official journal published a solicitation for comments and questions that could be addressed in the public meeting.

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

F. Cash and Certificates of Deposit

Cash includes petty cash, money market accounts, and cash in the state treasury. Under state law, the Levee District may deposit funds and invest in certificates of deposit within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States.

PONTCHARTRAIN LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Investments

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

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

H. Inventories

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

I. Capital Assets

All capital assets are capitalized at historical cost, or estimated historical costs for assets where actual cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Levee District maintains a threshold level of \$5,000 or more for capitalizing capital assets.

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

J. Compensated Absences

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

PONTCHARTRAIN LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

K. Postemployment Health Care and Life Insurance Benefits

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

L. Use of Estimates

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

NOTE 2 - DEPOSITS 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 Levee District may deposit funds within a fiscal agent bank selected and designated by the Interim Emergency Board. Further, the Levee District may invest in time certificates of deposit in any bank domiciled or having a branch 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.

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.

**PONTCHARTRAIN LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007**

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

The deposits at June 30, 2007 consisted of the following:

	<u>Cash</u>
Deposits in Bank Accounts per Balance Sheet	\$ <u>7,570,732</u>
Bank Balances of Deposits Exposed to Custodial Credit Risk:	
Uninsured and collateralized with securities held by the pledging institution	\$ 7,487,534
FDIC Insured	<u>100,000</u>
Total Bank Balances - All Deposits	<u>\$ 7,587,534</u>

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

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

<u>Banking Institution</u>	<u>Governmental Fund</u>	<u>Amount</u>
1. Regions Bank	General Fund	\$3,775,518
2. Regions Bank	General Fund	1,362
3. Regions Bank	Special Construction Fund	377,796
4. Regions Bank	Westshore Feasibility Study Fund	411,438
5. Regions Bank	Amite Rivers and Tributaries	
	Bayou Manchac	456,938
6. Regions Bank	St. Charles Parish Urban Food Control	1,692,808
7. Regions Bank	St. James Hurricane Protection	676,107
9. Regions Bank	Amite Rivers and Tributaries	
	Ecosystem Restoration	<u>195,567</u>
Total Bank Balances – All Deposits		<u>\$7,587,534</u>

**PONTCHARTRAIN LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2007

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash in petty cash and in escrow is 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, shown below is any additional cash that is included on the balance sheet.

Petty Cash	\$	50
Cash in Escrow		<u>11,162,139</u>
Total Petty Cash and Escrow		<u>\$ 11,162,189</u>

2. INVESTMENTS

The Levee District maintains investment accounts as authorized by Louisiana Revised Statute 33:2955.

Custodial Credit Risk

Investments can be exposed to custodial credit risk if the securities underlying the investment are uninsured, not registered in the name of the entity, and are either held by the counterparty or the counterparty's trust department or agent but not in the entity's name. The following table, shows each type of investment and discloses the total carrying amounts and market values. All investments listed below are registered in the name of the District.

Type of Investment	Reported Amount	Fair Value
U.S. Government Securities	<u>\$ 8,981,287</u>	<u>\$ 8,981,287</u>

PONTCHARTRAIN LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

3. CREDIT RISK, CONCENTRATION OF CREDIT RISK AND INTEREST RATE RISK DISCLOSURES

A. Credit Risk of Debt Investments

All investments are obligations of or guaranteed by the U.S. Government.

Rating

AAA by Standard and Poors, Moody's
Investors Service, and Fitch Ratings \$ 8,981,287

B. Interest Rate Risk

In accordance with its investment policy, the Levee District manages its exposure to declines in fair values by permitting shifts along the yield curve and between sectors of the fixed income market. The Levee District minimizes risk through diversification, thus the portfolio may not hold more than thirty percent (30%) at cost of any single bond issue.

Type of Debt Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	Greater Than 10
U.S. Government obligations	<u>\$8,981,287</u>	<u>\$2,595,138</u>	<u>\$6,383,149</u>	<u>\$ -</u>	<u>\$ -</u>

C. Concentration of Credit Risk

The Levee District's investment policy does not allow for funds contracted with an investment advisor, for management purposes to exceed ten percent (10%) of the advisor's assets under management.

4. POLICIES

Per the Louisiana Revised Statute 33:2955, the Levee District may only invest in specified obligations. The current investment obligations are in accordance with the State statute and rated AAA by Standard and Poor's, Moody's Investors Service, and Fitch Ratings.

PONTCHARTRAIN LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 3 - RECEIVABLES

The following is a summary of receivables at June 30, 2007:

	<u>General Fund</u>	<u>Special Construction Fund</u>	<u>Total</u>
Ad valorem taxes	\$ 14,350	\$ -	\$ 14,350
Use of money and property Interest earnings	<u>31,223</u>	<u>56,057</u>	<u>87,280</u>
Total	<u>\$ 45,573</u>	<u>\$ 56,057</u>	<u>\$ 101,630</u>

NOTE 4 - CAPITAL ASSETS

	<u>Land</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Cost of Capital Assets, June 30, 2006	\$ 764,942	\$ 474,325	\$ 2,458,755	\$ 3,698,022
Accumulated Depreciation June 30, 2006	<u>-</u>	<u>(286,803)</u>	<u>(1,586,040)</u>	<u>(1,872,843)</u>
Capital Assets, net of Accumulated Depreciation, at June 30, 2006	<u>\$ 764,942</u>	<u>\$ 187,522</u>	<u>\$ 872,715</u>	<u>\$ 1,825,179</u>
Cost of Capital Assets, June 30 2006	\$ 764,942	\$ 474,325	\$ 2,458,755	\$ 3,698,022
Additions	-	-	249,287	249,287
Deletions	<u>-</u>	<u>-</u>	<u>(72,207)</u>	<u>(72,207)</u>
Cost of Capital Assets, June 30, 2007	764,942	474,325	2,635,835	3,875,102
Accumulated Depreciation, June 30, 2007	<u>-</u>	<u>(302,289)</u>	<u>(1,800,652)</u>	<u>(2,102,941)</u>
Capital Assets, net of Accumulated Depreciation, at June 30, 2007	<u>\$ 764,942</u>	<u>\$ 172,036</u>	<u>\$ 835,183</u>	<u>\$ 1,772,161</u>

NOTE 5 - PENSION PLAN

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

**PONTCHARTRAIN LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007**

NOTE 5 - PENSION PLAN (CONTINUED)

Plan members are required to contribute 8.0% of their annual covered salary and the Levee District is required to contribute at an actuarially determined rate.

The current rate is 19.1% of annual covered payroll. The contribution requirements of plan members are established by Louisiana Revised Statute 11:61. The contribution requirements of the Levee District are established under Louisiana Revised Statute 11:101 - 11:104 annually by the Actuarial Forecasting Committee. The Levee District's contributions for the years ending June 30, 2007, 2006 and 2005 were \$277,001, \$241,999, and \$249,004 respectively, equal to the required contributions each year.

NOTE 6 - POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Levee District provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of the Levee District's employees become eligible for these benefits if they reach normal retirement age while working for the Levee District. These benefits for retirees and similar benefits for active employees are provided through the State Employees Group Benefits Program whose monthly premiums are paid jointly by the employee and the Levee District. The Levee District recognizes the cost of providing these benefits as expenditures when paid during the year. For the year ended June 30, 2007 the cost of providing benefits for 50 retirees totaled \$142,049.

NOTE 7 - COMPENSATED ABSENCES

At June 30, 2007, employees of the Levee District have accumulated and vested \$141,918 of employee leave benefits, which was computed in accordance with GASB Codification Section C60.

The following is a summary of the long-term obligation transactions for the year ended June 30, 2007:

	Long-Term Obligations Payable at <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Long-Term Obligations Payable at <u>June 30, 2007</u>
Compensated absences	<u>\$ 123,456</u>	<u>\$110,814</u>	<u>\$92,352</u>	<u>\$141,918</u>

PONTCHARTRAIN LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 8 - LITIGATION AND CLAIMS

At June 30, 2006, the Levee District was a defendant or co-defendant in various lawsuits principally arising from the normal course of operations. The Levee District's legal counsel has reviewed the claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the Levee District and to arrive at the estimate, if any, of the amount or range of potential claims and lawsuits that have been categorized into "probable," "reasonably possible", or "remote," as defined by the GASB Codification Section C50.

A judgment of approximately \$6.5 million was rendered in 2005 against the Levee District in an expropriation proceeding concerning the construction of the Lake Pontchartrain and Vicinity Hurricane Protection Levee in St. Charles Parish, Louisiana. The Levee District paid the remaining balance of approximately \$3.4 million during the current year.

The Levee District is a defendant in several lawsuits arising from the same expropriation. Further, there are several unasserted claims arising from the same expropriation that will likely be asserted. In the opinion of legal counsel for the Levee District, these lawsuits and unasserted claims will likely result in judgments against the Levee District of between approximately \$1.8 million and \$26 million. Approximately \$1.8 million has been recorded in the government-wide Statement of Net Assets included under the caption "Claims Payable".

The Levee District is a defendant or co-defendant in two (2) other personal injury lawsuits. In both cases the Levee District is a defendant behind other defendants and in the opinion of legal counsel for the Levee District, it is too early to determine the potential losses associated with these cases.

**PONTCHARTRAIN LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007**

NOTE 9 - INTERGOVERNMENTAL REVENUES

The following is a summary of intergovernmental revenues at June 30, 2007:

	General <u>Fund</u>	Special Construction <u>Fund</u>	St. Charles Urban Flood <u>Fund</u>	<u>Total</u>
State revenue sharing	\$ 332,472	\$ -	\$ -	\$ 332,472
St. Charles Parish	<u>-</u>	<u>548,558</u>	<u>945,500</u>	<u>1,494,058</u>
Total	<u>\$ 332,472</u>	<u>\$ 548,558</u>	<u>\$ 945,500</u>	<u>\$ 1,826,530</u>

NOTE 10 - CONSTRUCTION AND FEASIBILITY STUDY COMMITMENTS

Lake Pontchartrain and Vicinity Hurricane Protection Project

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

The local and non-federal portion of the project is estimated to be approximately \$31 million. The Pontchartrain Levee District has entered into an agreement with St. Charles Parish whereby the Pontchartrain Levee District will pay 80 percent of the non-federal portion of project costs, and St. Charles Parish will provide the remaining 20 percent.

St. Charles Parish's 20 percent commitment will be paid in 25 annual installments due and payable before the 15th day of June of each year, commencing on June 15, 1991. In August 2007 Levee District requested approximately \$549,000 from St. Charles Parish.

On February 9, 1996, the Pontchartrain Levee District entered into a cooperative endeavor agreement with the Louisiana Department of Transportation and Development (DOTD). These funds were used to provide the required local match for the cost of the Lake Pontchartrain and Vicinity Hurricane Protection Project. From inception through June 30, 2007, the Pontchartrain Levee District's total accumulated expenditures for this project were approximately \$33,780,000.

PONTCHARTRAIN LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 10 - CONSTRUCTION AND FEASIBILITY STUDY COMMITMENTS
(CONTINUED)

The expenditures incurred by the Levee District exceed their portion of the estimated total cost of the project. Therefore, no commitment is estimated for the Levee District as of June 30, 2007.

West Shore Feasibility Study

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

The local non-federal portion of the study is estimated to be \$1,500,000. The Pontchartrain Levee District has entered into a cooperative agreement with St. John the Baptist Parish whereby the Pontchartrain Levee District will pay 77.5% of the nonfederal portion of the study cost, and St. John the Baptist Parish will provide the remaining 22.5%.

From inception through June 30, 2007, the Pontchartrain Levee District's total accumulated expenditures for this project were approximately \$1,630,000. The estimated remaining cost to be incurred by the Pontchartrain Levee District is \$100,000. These study costs are estimates and as such, the amounts could change.

St. Charles Parish Urban Flood Control Feasibility Study

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

The local non-federal portion of the study is estimated to be \$2,745,500. The Pontchartrain Levee District has entered into a cooperative agreement with St. Charles Parish whereby the Pontchartrain Levee District will pay \$1,800,000 of that amount and St. Charles Parish will pay the remaining \$945,500.

PONTCHARTRAIN LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 10 - CONSTRUCTION AND FEASIBILITY STUDY COMMITMENTS
(CONTINUED)

Amite River and Tributaries, Bayou Manchac, LA Feasibility Study

The Pontchartrain Levee District has entered into a Feasibility Study with the U.S. Corps of Engineers on November 29, 2001 to develop alternatives to provide for ecosystem restoration and flood damage reduction for the Bayou Manchac Watershed. Various alternatives are being evaluated including, watershed management, water-control structure improvements, channel improvements, fresh water diversion, and exotic weed control.

Funding cost share for this feasibility phase is 50% Federal and 50% Non-Federal. The local non-federal portion of the study is estimated to be \$2 million. From inception through June 30, 2007, the Pontchartrain Levee District's total accumulated expenditures for this project have been approximately \$1.55 million.

The feasibility study phase would be completed in the fiscal year ending June 30, 2007, provided adequate funding is received from both the Federal and Non-Federal sponsors. Construction could begin as early as the fiscal year ending June 30, 2008, provided a recommended plan is authorized by Congress and the non-federal sponsor executes the Project Cooperation Agreement. The cost share for the construction would be a 65% Federal and 35% Non-Federal.

Amite River and Tributaries, Ecosystem Restoration, LA Feasibility Study

The Pontchartrain Levee District has entered into a Feasibility Study with the U.S. Corps of Engineers on March 4, 2005 to develop and recommend alternatives to restore the Amite River ecosystem to provide for flood-damage reduction, fish and wildlife habitat, improved water quality, reduced erosion, and develop recreational opportunities. About 25 miles of river has been degraded and channelized such that 12,000 acres of forested habitat and 60 miles of riparian habitat have been lost. This river degradation is believed to be increasing flood stages along the Amite River in East Baton Rouge, Livingston, Iberville and Ascension Parishes.

Funding cost share for this feasibility phase is 50% Federal and 50% Non-Federal. The local non-federal portion of the study is estimated to be \$2.6 million. Topographic surveys and hydrologic modeling began in 2005. The feasibility study phase would be completed in the fiscal year ending June 30, 2009, provided adequate funding is received from both the Federal and Non-Federal sponsors. Construction could begin in fiscal year 2011, provided a recommended plan is authorized by Congress and the non-federal sponsor executes the Project Cooperation Agreement. The cost share for the construction would be a 65% Federal and 35% Non-Federal. From inception through June 30, 2007, the Levee District's total accumulated expenditures for this project have been approximately \$100,000.

PONTCHARTRAIN LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 10 - CONSTRUCTION AND FEASIBILITY STUDY COMMITMENTS
(CONTINUED)

St. James Hurricane Protection Levee and Study Project Feasibility Study

This study is the result of recommendations from earlier work by the U.S. Army Corps of Engineers and others to evaluate the need and costs for flood control and hurricane protection in the areas upstream of the Lake Pontchartrain Hurricane Protection Levee. The initial study yielded three (3) potential routes and approximate construction costs in order to evaluate the potential routes. After careful consideration, the chosen route was along and north of I-10. This route not only protects the residents but closes the gap between Reserve and Sorrento. This route also protects the interstate travel lanes during hurricane situations, and also allows a much faster response time for emergency personnel and repopulation.

The work on the initial study report has been completed, and the final conceptual route has been chosen by the Levee District. The current phase of the project is to finalize and detail the approved route. This will include survey, geotechnical, hydrological, and land ownership considerations. Preliminary environmental, wetlands, and endangered species reports were done in the previous portion of the study. The purpose of this phase is to revise and update the Estimate of Probable Construction Cost.

The initial study was begun and completed in the fiscal year ending June 30, 2006. The second phase (the Final Alignment) was begun in the fiscal year ending June 30, 2006, and should be completed in 1st quarter of fiscal year ending June 30, 2007. The modeling of the drainage area should begin in FY07. Funding for this project has been entirely borne by the Levee District, 100%. It is the intention of the Levee District to seek federal reimbursement for portions of this project at the appropriate time. The Levee District has allocated approximately \$1 million for this project. From inception through June 30, 2007, the Levee District's total accumulated expenditures for this project have been approximately \$360,000.

NOTE 11 - LEVEE DISTRICT TAXES

Article 6, Section 39 of the 1974 Louisiana Constitution provides that for the purpose of constructing and maintaining levees, levee drainage, flood protection, hurricane flood protection, and for all other purposes incidental thereto, the Levee District may levy annually a tax not to exceed five mills. If the Levee District needs to raise additional funds in excess of the amount collected constitutionally, the taxes in excess of five mills must be approved by a majority vote of the electors. The Levee District has levied a tax of 3.74 mills.

NOTE 12 - INFRASTRUCTURE

The Pontchartrain Levee District does not own any infrastructure. The United States Corps of Engineers owns the levees and provides the major maintenance to the levees. The levees along

PONTCHARTRAIN LEVEE DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2007

NOTE 12 - INFRASTRUCTURE (CONTINUED)

corridor along the river. The Pontchartrain Levee District provides minor maintenance such as grass cutting along the east bank of the levee from East Baton Rouge Parish to St. Charles Parish which is approximately 115 miles long. The approximate cost of the levees as determined by the Corps of Engineers is \$484,064 per mile for the total cost of \$55,667,360. As such, the levees provide vital protection to the large petro-chemical industries located along the river from the annual spring rise in river levels.

NOTE 13 - EXPENDITURES IN EXCESS OF REVENUES AND DEFICIT FUND BALANCES

The following funds had expenditures in excess of revenues. There were no funds with deficit fund balances for the year ended June 30, 2007:

	<u>Expenditures Over Revenues</u>
General Fund	\$ (2,119,929)
Special Construction Fund	(1,618,074)
West Shore Feasibility Study	(513,078)

REQUIRED SUPPLEMENTAL INFORMATION - PART II

**PONTCHARTRAIN LEVEE DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2007**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive/ (Negative)
REVENUES				
Local Sources:				
Taxes	\$ 5,440,070	\$ 5,440,070	\$ 6,012,134	\$ 572,064
Intergovernmental Revenues	328,200	328,200	332,472	4,272
Interest Earnings	248,500	248,500	305,796	57,296
Other	-	-	36,751	36,751
Total revenues	<u>6,016,770</u>	<u>6,016,770</u>	<u>6,687,153</u>	<u>670,383</u>
EXPENDITURES				
Executive	98,000	98,000	88,171	9,829
General Administrative	906,350	906,350	1,093,724	(187,374)
Levee Maintenance	2,922,650	2,922,650	2,675,345	247,305
Police Department	651,500	651,500	429,143	222,357
Capital Outlay	639,560	639,560	74,699	564,861
Total expenditures	<u>5,218,060</u>	<u>5,218,060</u>	<u>4,361,082</u>	<u>856,978</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>798,710</u>	<u>798,710</u>	<u>2,326,071</u>	<u>1,527,361</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,700,000	2,700,000
Transfers out	(1,200,000)	(1,200,000)	(7,146,000)	(5,946,000)
Total other financing sources (uses)	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>(4,446,000)</u>	<u>(3,246,000)</u>
NET CHANGES IN FUND BALANCE				
	<u>(401,290)</u>	<u>(401,290)</u>	<u>(2,119,929)</u>	<u>(1,718,639)</u>
FUND BALANCE - BEGINNING OF YEAR				
	<u>8,814,043</u>	<u>8,814,043</u>	<u>11,527,838</u>	<u>2,713,795</u>
FUND BALANCE - END OF YEAR				
	<u>\$ 8,412,753</u>	<u>\$ 8,412,753</u>	<u>\$ 9,407,909</u>	<u>\$ 995,156</u>

OTHER SUPPLEMENTARY INFORMATION

PONTCHARTRAIN LEVEE DISTRICT
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
For the Year Ended June 30, 2007

The schedule of per diem paid to the board members of the Pontchartrain Levee District is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Per diem payments are authorized by Louisiana Revised Statute 38:308 and are included in the general administrative expenditures of the General Fund. Board members are paid \$75 per meeting for up to 36 meetings each year, except the Board President who receives a per diem of \$1,000 per month.

<u>Name</u>	<u>Amount</u>
Geri Broussard-Baloney	\$ 2,400
Jesse Bartley	2,700
William "Tony" A. Cunningham	2,250
Webb L. Harelson	2,700
Robert "Poncho" Roussel	2,550
Blaine Sheets	2,700
Chucky Tillis	450
Michael Delaune	<u>1,500</u>
Total	<u>\$ 17,250</u>

PONTCHARTRAIN LEVEE DISTRICT

NON-MAJOR FUNDS DESCRIPTIONS

CAPITAL PROJECTS FUNDS

Capital Projects Funds account for the acquisition or construction of major capital facilities.

West Shore Feasibility Study Fund

The West Shore Feasibility Study Fund is used to account for expenditures made for the purpose of building and maintaining the levee on the West shore of the Mississippi river in St. John the Baptist Parish.

St. Charles Urban Flood Control Fund

The St. Charles Urban Flood Control Fund is used to account for expenditures made for the purpose of building and maintaining flood prevention measures in urban and residential areas in St. Charles Parish.

Amite River and Tributaries Fund

The Amite River and Tributaries Fund is used to account for expenditures made for the purpose of building and maintaining flood prevention measures in urban and residential areas near the Amite River in Ascension Parish.

St. James Hurricane Protection Fund

The St. James Hurricane Protection Fund is used to account for expenditures made for the purpose of conducting a preliminary study to determine necessary hurricane protection measures in St. James Parish.

**PONTCHARTRAIN LEVEE DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2007**

	Non-Major Funds		
	West Shore Feasibility Study Fund	St. Charles Urban Flood Control	Amite River & Tributaries
Assets			
Cash	\$ 619,066	\$ 1,692,809	\$ 456,938
Total assets	<u>\$ 619,066</u>	<u>\$ 1,692,809</u>	<u>\$ 456,938</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 582	\$ -	\$ 9,018
Due to other funds	-	100,000	-
Total liabilities	<u>582</u>	<u>100,000</u>	<u>9,018</u>
Fund balances:			
Reserved	-	-	-
Unreserved, undesignated	618,484	1,592,809	447,920
Total fund balances	<u>618,484</u>	<u>1,592,809</u>	<u>447,920</u>
Total liabilities and fund balances	<u>\$ 619,066</u>	<u>\$ 1,692,809</u>	<u>\$ 456,938</u>

The accompanying notes are an integral part of this statement.

<u>St. James Hurricane Protection</u>	<u>AR&T Ecosystem Restoration</u>	<u>Total Other Governmental Funds</u>
<u>\$ 676,107</u>	<u>\$ 195,567</u>	<u>\$ 3,640,487</u>
<u>\$ 676,107</u>	<u>\$ 195,567</u>	<u>\$ 3,640,487</u>
\$ -	\$ -	\$ 9,600
<u>183,600</u>	<u>-</u>	<u>283,600</u>
<u>183,600</u>	<u>-</u>	<u>293,200</u>
-	-	-
<u>492,507</u>	<u>195,567</u>	<u>3,347,287</u>
<u>492,507</u>	<u>195,567</u>	<u>3,347,287</u>
<u>\$ 676,107</u>	<u>\$ 195,567</u>	<u>\$ 3,640,487</u>

PONTCHARTRAIN LEVEE DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	Non-Major Funds		
	West Shore Feasibility Study Fund	St. Charles Urban Flood Control	Amite River & Tributaries
Revenues			
Taxes	\$ -	\$ -	\$ -
Intergovernmental revenues	-	945,500	-
Investment Income	17,866	423	198
Other	-	-	-
Total revenues	<u>17,866</u>	<u>945,923</u>	<u>198</u>
Expenditures			
Current:			
Operational			
Executive	-	-	-
General administrative	-	-	-
Levee maintenance	530,944	11,382	153,429
Police department	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>530,944</u>	<u>11,382</u>	<u>153,429</u>
Excess (deficiency) of revenues over expenditures	<u>(513,078)</u>	<u>934,541</u>	<u>(153,231)</u>
Other Financing Sources (Uses)			
Operating transfers in	-	700,000	300,000
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>700,000</u>	<u>300,000</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(513,078)</u>	<u>1,634,541</u>	<u>146,769</u>
Fund balances, beginning of year	<u>1,131,562</u>	<u>(41,732)</u>	<u>301,151</u>
Fund balances, end of year	<u>\$ 618,484</u>	<u>\$ 1,592,809</u>	<u>\$ 447,920</u>

The accompanying notes are an integral part of this statement.

St. James Hurricane Protecton	AR&T Ecosystem Restoration	Total Other Governmental Funds
\$ -	\$ -	\$ -
-	-	945,500
405	97	18,989
-	-	-
405	97	964,489
-	-	-
-	-	-
359,519	104,530	1,159,804
-	-	-
-	-	-
359,519	104,530	1,159,804
(359,114)	(104,433)	(195,315)
1,800,000	300,000	3,100,000
(700,000)	-	(700,000)
1,100,000	300,000	2,400,000
740,886	195,567	2,204,685
(248,379)	-	1,142,602
\$ 492,507	\$ 195,567	\$ 3,347,287

**OTHER REPORTS REQUIRED
BY
*GOVERNMENT AUDITING STANDARDS***

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A PROFESSIONAL CORPORATION

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

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Pontchartrain Levee District (the "Levee District"), a component unit of the State of Louisiana, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 29, 2007. 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 District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 management, the Board of Directors, others within the organization, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Reboue & Company

August 29, 2007

PONTCHARTRAIN LEVEE DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expressed an unqualified opinion of the financial statements of the Pontchartrain Levee District.
2. There are no significant deficiencies reported relating to the audit of the financial statements.
3. No instance of noncompliance material to the financial statements of the Pontchartrain Levee District was disclosed during the audit.
4. There was no management letter issued for the year ended June 30, 2007.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

There were no findings related to the financial statements for the year ended June 30, 2007.

PONTCHARTRAIN LEVEE DISTRICT

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Year Ended June 30, 2007

A. INTERNAL CONTROL AND COMPLIANCE

There were no findings related to the internal control and compliance reported for the year ended June 30, 2006.

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of June 30, 2007

The Management's Discussion and Analysis of the Pontchartrain Levee District's (BTA) (the "Levee District") financial performance presents a narrative overview and analysis of the Levee District's financial activities for the year ended June 30, 2007. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the Levee District's financial statements.

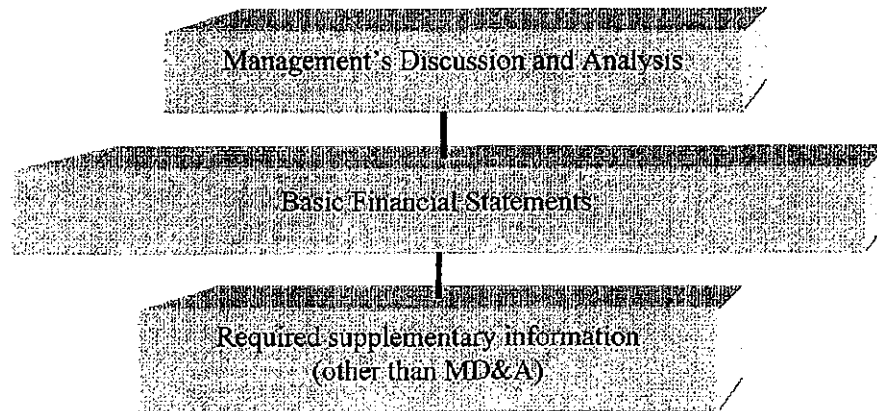
FINANCIAL HIGHLIGHTS

- ★ The Levee District accrued approximately \$1,793,000 million in claims payable, which is the result of a judgment, pending claims, and unasserted claims associated with an expropriation of land dispute. This represents a decrease of approximately \$3,537,000, primarily due to payments on previously awarded judgments.
- ★ The Levee District's assets exceeded its liabilities at the close of fiscal year 2007 by approximately \$27.7 million, which represents a 7.5% increase from the last fiscal year.
- ★ The Levee District's revenue increased \$2,506,059 or 38.2%. The Levee District had property tax revenues of \$6,012,134 for the current year ended June 30, 2007, an increase of \$747,785 or 14% over prior year. Property tax revenues represent 70% of all revenues. Other increased resulted from higher yields on investments.
- ★ Accounts payable totaled \$103,020 at June 30, 2007 representing a decrease of approximately \$2.8 million due primarily the Levee District assisting other levee districts in procuring pumps for the purpose of dewatering flooded areas after Hurricane Katrina in the prior year.

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
As of June 30, 2007

OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

Basic Financial Statements

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

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

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

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
As of June 30, 2007**

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

FINANCIAL ANALYSIS OF THE ENTITY

	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 27,986,559	\$ 32,159,884
Capital assets	<u>1,772,161</u>	<u>1,825,179</u>
Total assets	<u>29,758,720</u>	<u>33,985,063</u>
Other liabilities	305,929	2,927,474
Long-term debt outstanding	<u>1,793,000</u>	<u>5,330,000</u>
Total liabilities	<u>2,098,929</u>	<u>8,257,474</u>
Net assets:		
Invested in capital assets, net of debt	1,772,161	1,825,179
Unrestricted	<u>25,887,630</u>	<u>23,902,409</u>
Total net assets	<u>\$ 27,659,791</u>	<u>\$ 25,727,588</u>
Net increase (decrease) in net assets	<u>\$ 1,932,203</u>	<u>\$ (1,553,044)</u>

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

Net assets of Levee District increased by \$1,932,203 or 7.5%, from June 30, 2006 to June 30, 2007. In prior years there had been a decrease in net assets, due primarily to legal judgments and pending and unasserted claims in a land expropriation dispute.

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
As of June 30, 2007**

	Total	
	2007	2006
Operating revenues	\$ 548,558	\$ 146,110
Operating expenses	<u>7,132,782</u>	<u>8,089,008</u>
Operating income (loss)	<u>(6,584,224)</u>	<u>(7,942,898)</u>
Non-operating revenues (expenses)	<u>8,516,427</u>	<u>6,389,854</u>
Net increase (decrease) in net assets	<u>\$ 1,932,203</u>	<u>\$ (1,553,044)</u>

The Levee District's total revenues increased by \$2,529,021 from the prior year. Expenses decreased by \$956,226 from previous year because the claims payable resulting from the expropriation dispute was accrued in the previous year. Aside from the affects of the legal claims, the decrease in net assets was the result of increased spending on hurricane protection and flood control studies.

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
As of June 30, 2007**

STATEMENT OF CASH FLOWS

Another way to assess the financial health of BTA is to look at the Statement of Cash Flows. The Statement of Cash Flows assists readers of this statement to assess:

- The ability to generate future cash flows
- The ability to meet obligations as they come due
- A need for external financing

	Total	
	2007	2006
Cash and cash equivalents provided (used) by:		
Operating activities	\$(12,942,260)	\$ (6,230,793)
Non-Capital Financing Activities	7,869,440	5,697,660
Capital Activities	(249,287)	(494,373)
Investing Activities	5,073,090	515,155
Net increase in cash and cash equivalents	\$ (249,017)	\$ (512,351)
Cash and cash equivalents:		
Beginning of year	18,981,938	19,494,289
End of year	\$ 18,732,921	\$ 18,981,938

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
As of June 30, 2007**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the Levee District had \$1,772,161 invested in a broad range of capital assets, including land, building, and equipment. (See Table below.) This amount represents a decrease (including additions and deductions) of \$53,018, or 3%, since last year.

Capital Assets at June 30
(Net of Depreciation)

	2007	2006
Land	\$ 764,942	\$ 764,942
Buildings	172,036	187,522
Equipment	835,183	872,715
Totals	\$ 1,772,161	\$ 1,825,179

This year's additions totaled \$233,919. Major additions included:

- Two pickup trucks for \$40,153
- Eight mowers for \$108,285
- Two tractors for \$85,481

Debt

The Levee District had no bonded debt at June 30, 2007. The Levee District has accrued \$1,793,000 in claims payable. This is an estimate of claims that will likely result in judgments associated with an ongoing land expropriation dispute.

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
As of June 30, 2007

VARIATIONS BETWEEN ACTUAL AND FINAL BUDGET

Revenues were approximately \$670,000 over budget and expenditures were approximately \$2.5 million under budget for the General Fund.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- Property tax millages are 3.67.

CONTACTING THE LEVEE DISTRICT'S MANAGEMENT

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

**REQUIRED SUPPLEMENTAL INFORMATION
DIVISION OF ADMINISTRATION:
OFFICE OF STATEWIDE REPORTING AND
ACCOUNTING POLICY-REPORTING
PACKAGE**

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
BALANCE SHEET
June 30, 2007**

ASSETS

CURRENT ASSETS:

Cash	\$ 18,732,921
Investments	8,981,288
Receivables	101,630
Prepaid insurance	156,150
Inventories	14,570
Total current assets	<u>27,986,559</u>

NONCURRENT ASSETS:

Capital assets - Net of accumulated depreciation	1,772,161
Total noncurrent assets	<u>1,772,161</u>

Total assets	<u>\$ 29,758,720</u>
--------------	----------------------

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 103,020
Salary and wages payable	60,991
Current portion of claims payable	-
Total current liabilities	<u>164,011</u>

NONCURRENT LIABILITIES:

Compensated absences payable	141,918
Claims payable	1,793,000
Total long term liabilities	<u>1,934,918</u>

Total Liabilities	<u>2,098,929</u>
-------------------	------------------

NET ASSETS

Invested in capital assets, net of related debt	1,772,161
Unrestricted	<u>25,887,630</u>

Total Net Assets	<u>27,659,791</u>
------------------	-------------------

Total Liabilities and Net Assets	<u>\$ 29,758,720</u>
----------------------------------	----------------------

The accompanying notes are an integral part of this statement.

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Changes In Net Assets
		Charges For Services	Operating Grants and Contributions	Capital Grants And Contributions	
Governmental activities:					
Claims Expense	\$ 380,481	\$ -	\$ -	\$ -	\$ (380,481)
Levee Maintenance	6,752,301	-	548,558	-	(6,203,743)
Total Governmental Activities	\$ 7,132,782	\$ -	\$ 548,558	\$ -	(6,584,224)
General Revenues:					
Taxes					6,012,134
State appropriations					1,277,972
Investment income					1,189,570
Miscellaneous revenue					36,751
					<u>8,516,427</u>
					1,932,203
					<u>25,727,588</u>
					<u>\$ 27,659,791</u>

The accompanying notes are an integral part of this statement.

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2007**

<u>Operating Revenues</u>	\$ <u> -</u>
Operating Expenses	
Cost of services	5,267,101
Administrative	1,182,895
Claim Expense	380,481
Depreciation	302,305
Total operating expenses	<u>7,132,782</u>
Operating Loss	<u>(7,132,782)</u>
Non-Operating Revenues	
Intergovernmental revenues	1,826,530
Taxes	6,012,134
Use of money and property	1,189,570
Other	36,751
Total non-operating revenues	<u>9,064,985</u>
Change in net assets	1,932,203
Total beginning net assets	<u>25,727,588</u>
Total ending net assets	<u>\$ 27,659,791</u>

The accompanying notes are an integral part of this statement.

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007**

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to Vendors	\$ (6,181,362)
Payments to Employees	(2,393,416)
Claims paid to outsiders	<u>(4,367,482)</u>
Net Cash Used By Operating Activities	<u>(12,942,260)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Intergovernmental revenues	1,826,530
Taxes	6,012,134
Judicial interest paid on legal settlement	(366,945)
Other	<u>397,721</u>
	<u>7,869,440</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases and construction of capital assets	(249,287)
Proceeds from disposal of capital assets	<u>-</u>
	<u>(249,287)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(1,153,767)
Maturities of investments	5,031,311
Interest Income	<u>1,195,546</u>
	<u>5,073,090</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(249,017)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>18,981,938</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 18,732,921</u>

(Continued)

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended June 30, 2007**

CASH FLOW FROM OPERATING ACTIVITIES	
Operating Loss	\$ (7,132,782)
Adjustments to Reconcile Operating Loss to	
Net Cash Provided by (Used In) Operating Activities:	
Depreciation	302,305
Gain on disposal of capital assets	-
Change in Assets and Liabilities:	
	55,069
Decrease in Accounts Receivable from Tenants	3,652
	(11,957)
	(3,537,001)
Increase in Accounts Payable and Accrued Expenses	(2,640,007)
	<u>18,462</u>
	<u>\$ (12,942,260)</u>

The accompanying notes are an integral part of this statement.

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
NOTES TO THE FINANCIAL STATEMENTS
As of June 30, 2007

INTRODUCTION

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governments 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 the Levee District present information only as to the transactions of the programs of the Levee District as authorized by Louisiana statutes and administrative regulations. Basis of accounting refers to when revenues and expenses are reorganized 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 Levee District are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration - Office of Statewide Reporting and Accounting Policy as follows:

Revenue Recognition

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

Expense Recognition

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

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As of June 30, 2007**

B. BUDGETARY ACCOUNTING

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

1. The budgetary process is an annual appropriation valid for one year.
2. The agency is prohibited by statute from over expending the categories established in the budget.
3. Budget revisions are granted by the Joint Legislative Committee on the Budget, 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 includes the original appropriation plus subsequent amendments as follows:

	<u>APPROPRIATIONS</u>
Original approved budget	\$ <u>6,418,060</u>
Amendments:	_____
Final approved budget	\$ <u><u>6,418,060</u></u>

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 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 in any bank domiciled or having a branch office in the state of Louisiana; in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

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

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As of June 30, 2007

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS
(CONTINUED)

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

The deposits at June 30, 2007 consisted of the following:

	<u>Cash</u>
Deposits in Bank Accounts per Balance Sheet	<u>\$ 7,570,732</u>
Bank Balances of Deposits Exposed to Custodial Credit Risk:	
Uninsured and collateralized with securities held by the pledging institution	\$ 7,487,534
FDIC Insured	<u>100,000</u>
Total Bank Balances - All Deposits	<u>\$ 7,587,534</u>

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

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

<u>Banking Institution</u>	<u>Governmental Fund</u>	<u>Amount</u>
1. Regions Bank	General Fund	\$3,775,518
2. Regions Bank	General Fund	1,362
3. Regions Bank	Special Construction Fund	377,796
4. Regions Bank	Westshore Feasibility Study Fund	411,438
5. Regions Bank	Amite Rivers and Tributaries	
	Bayou Manchac	456,938
6. Regions Bank	St. Charles Parish Urban Food Control	1,692,808
7. Regions Bank	St. James Hurricane Protection	676,107
9. Regions Bank	Amite Rivers and Tributaries	
	Ecosystem Restoration	<u>195,567</u>
Total Bank Balances – All Deposits		<u>\$7,587,534</u>

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As of June 30, 2007**

**NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS
(CONTINUED)**

Cash in petty cash and in escrow is 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, shown below is any additional cash that is included on the balance sheet.

Petty Cash	\$	50
Cash in Escrow		<u>11,162,139</u>
Total Petty Cash and Escrow		<u>\$ 11,162,189</u>

2. INVESTMENTS

The Pontchartrain Levee District maintains investment accounts as authorized by Louisiana Revised Statute 33:2955.

Custodial Credit Risk

Investments can be exposed to custodial credit risk if the securities underlying the investment are uninsured, not registered in the name of the entity, and are either held by the counterparty or the counterparty's trust department or agent but not in the entity's name. The following table, shows each type of investment and discloses the total carrying amounts and market values. All investments listed below are registered in the name of the Levee District.

<u>Type of Investment</u>	<u>Reported Amount</u>	<u>Fair Value</u>
U.S. Government Securities	<u>\$ 8,981,287</u>	<u>\$ 8,981,287</u>

**3. CREDIT RISK, CONCENTRATION OF CREDIT RISK AND INTEREST RATE RISK
DISCLOSURES.**

A. Credit Risk of Debt Investments

All investments are obligations of or guaranteed by the U.S. Government.

<u>Rating</u>	
AAA by Standard and Poors, Moody's Investors Service, and Fitch Ratings	<u>\$ 8,981,287</u>

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As of June 30, 2007**

**NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS
(CONTINUED)**

B. Interest Rate Risk

In accordance with its investment policy, the Levee District manages its exposure to declines in fair values by permitting shifts along the yield curve and between sectors of the fixed income market. The Levee District minimizes risk through diversification, thus the portfolio may not hold more than thirty percent (30%) at cost of any single bond issue.

Type of Debt Investment	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	Greater Than 10
U.S. Government obligations	<u>\$8,981,287</u>	<u>\$2,595,138</u>	<u>\$6,383,149</u>	<u>\$ -</u>	<u>\$ -</u>

C. Concentration of Credit Risk

The Levee District's investment policy does not allow for funds contracted with an investment advisor, for management purposes to exceed ten percent (10%) of the advisor's assets under management.

4. POLICIES

Per the Louisiana Revised Statute 33:2955, the Levee District may only invest in specified obligations. The current investment obligations are in accordance with the State statute and rated AAA by Standard and Poor's, Moody's Investors Service, and Fitch Ratings.

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As of June 30, 2007

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.

	Balance 6/30/2006	Additions	Retirements	Balance 6/30/2007
Capital assets not being depreciated:				
Land	\$ 764,942	\$ -	\$ -	\$ 764,942
Total capital assets not being Depreciated	<u>\$ 764,942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>764,942</u>
Other capital assets:				
Equipment	\$ 2,458,755	\$ 249,287	\$ (72,207)	\$ 2,635,835
Less accumulated depreciation	<u>(1,586,040)</u>	<u>(286,819)</u>	<u>72,207</u>	<u>(1,800,652)</u>
Total furniture, fixtures, and Equipment	<u>\$ 872,715</u>	<u>\$ (37,532)</u>	<u>\$ -</u>	<u>\$ 835,183</u>
Buildings and improvements	\$ 474,325	\$ -	\$ -	\$ 474,325
Less accumulated depreciation	<u>(286,803)</u>	<u>(15,486)</u>	<u>-</u>	<u>(302,289)</u>
Total buildings and improvements	<u>\$ 187,522</u>	<u>\$ (15,486)</u>	<u>\$ -</u>	<u>\$ 172,036</u>
Total other capital assets	<u>\$ 2,933,080</u>	<u>\$ 249,287</u>	<u>\$ (72,207)</u>	<u>\$ 3,110,160</u>
Capital Asset Summary:				
Capital assets not being depreciated	\$ 764,942	\$ -	\$ -	\$ 764,942
Other capital assets, at cost	<u>2,933,080</u>	<u>249,287</u>	<u>(72,207)</u>	<u>3,110,160</u>
Total cost of capital assets	3,698,022	249,287	(72,207)	3,875,102
Less accumulated depreciation	<u>(1,872,843)</u>	<u>(302,305)</u>	<u>72,207</u>	<u>(2,102,941)</u>
Capital assets, net	<u>\$ 1,825,179</u>	<u>\$ (53,018)</u>	<u>\$ -</u>	<u>\$ 1,772,161</u>

E. INVENTORIES

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

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As of June 30, 2007

F. LEAVE

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

G. RETIREMENT SYSTEM

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

All full-time (BTA) employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are eligible 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 life insurance and 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 8% of gross salary, and the (BTA) is required to contribute at an actuarially determined rate as required by RS. 11:102. The contribution rate was 19.1% for the fiscal year ended June 30, 2007, 19.1% for the fiscal year ended June 30, 2006, and 17.8% for the fiscal year ended June 30, 2005, respectively. The (BTA) contributions to the System for the years ending June 30, 2007, 2006, and 2005, were \$277,001, \$241,999, and \$249,004, respectively, equal to the required contributions for each year.

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As of June 30, 2007**

H. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

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

The Pontchartrain Levee District (BTA) provides certain continuing health care and life insurance benefits for its retired employees. Substantially all (BTA) employees become eligible for those benefits if they reach normal retirement age while working for the (BTA). Those benefits for retirees and similar benefits for active employee's are provided through an insurance company whose monthly premiums are paid health insurance for active employees is paid 100% by Pontchartrain Levee District and by the (BTA). The (BTA)'s cost of providing retiree health care and life insurance benefits are recognized as expenditures when the monthly premiums are paid. For the year ended June 30, 2007, the cost of providing benefits for 50 retirees totaled \$142,049.

I. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the entity for the year ended June 30, 2007:

	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2007</u>
Other Liabilities:				
Compensated absences payable				
Total	<u>\$ 123,456</u>	<u>\$110,814</u>	<u>\$92,352</u>	<u>\$141,918</u>

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As of June 30, 2007

J. LITIGATION

At June 30, 2006, the Levee District was a defendant or co-defendant in various lawsuits principally arising from the normal course of operations. The Levee District's legal counsel has reviewed the claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the Levee District and to arrive at the estimate, if any, of the amount or range of potential claims and lawsuits that have been categorized into "probable", "reasonably possible", or "remote", as defined by the GASB Codification Section C50.

A judgment of approximately \$6,500,000 was rendered against the Levee District in an expropriation proceeding concerning the construction of the Lake Pontchartrain and Vicinity Hurricane Protection Levee in St. Charles Parish, Louisiana. The Levee District paid the remaining balance of approximately \$3.4 million during the current year.

The Levee District is a defendant in several lawsuits arising from the same expropriation. Further, there are several unasserted claims arising from the same expropriation that will likely be asserted. In the opinion of legal counsel for the Levee District, these lawsuits and unasserted claims will likely result in judgments against the Levee District of between approximately \$1.8 million and \$26 million. Approximately \$1.8 million has been recorded in the government-wide Statement of Net Assets included under the caption "Claims Payable".

The Levee District is a defendant or co-defendant in two (2) other personal injury lawsuits. In both cases the Levee District is a defendant behind other defendants and in the opinion of legal counsel for the Levee District, it is too early to determine the potential losses associated with these cases.

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As of June 30, 2007**

K. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at June 30, 2007 were as follows:

	General <u>Fund</u>	Special Construction <u>Fund</u>	<u>Total</u>
Ad valorem taxes	\$ 14,350	\$ -	\$ 14,350
Use of money and property			
Interest earnings	<u>31,223</u>	<u>56,057</u>	<u>87,280</u>
Total	<u>\$ 45,573</u>	<u>\$ 56,057</u>	<u>\$ 101,630</u>

L. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 2007 were as follows:

<u>Activity</u>	<u>Vendors</u>	Salaried and Benefits	<u>Total Payables</u>
General Fund	\$ 67,374	\$ 60,991	\$ 117,139
Special Construction Fund	26,046	-	26,046
Westshore Feasibility Study Fund	582	-	582
St. Charles Urban Flood Control Fund	-	-	-
Amite River & Tributaries Fund	9,018	-	9,018
Amite River & Tributaries Ecosystem	-	-	-
St. James Hurricane Protection Fund	-	-	-
Total payables	<u>\$ 103,020</u>	<u>\$ 60,991</u>	<u>\$ 164,011</u>

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As of June 30, 2007**

M. DUE TO/DUE FROM AND TRANSFERS

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

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
General Fund	General Fund	<u>\$ 2,483,600</u>

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

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
Capital Projects Fund	Special Construction Fund	\$ 2,200,000
Capital Projects Fund	St. James Hurricane Protection Fund	183,600
Capital Projects Fund	St. Charles	<u>100,000</u>
		<u>\$ 2,483,600</u>

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

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
Capital Projects Fund	Special Construction Fund	\$ 4,046,000
Capital Projects Fund	St. Charles Urban Flood Control	700,000
Capital Projects Fund	Amite River & Tributaries Fund	300,000
Capital Projects Fund	St. James Hurricane Protection Fund	1,800,000
Capital Projects Fund	Amite River & Tributaries Ecosystem	<u>300,000</u>
		<u>\$ 7,146,000</u>

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

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
General Fund	General Fund	<u>\$ 7,146,000</u>

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
As of June 30, 2007**

N. EXPENDITURES IN EXCESS OF REVENUES AND DEFICIT FUND BALANCES

The following funds had expenditures in excess of revenues. There were no funds with deficit fund balances for the year ended June 30, 2007:

	<u>Expenditures Over Revenues</u>
General Fund	\$ (2,119,929)
Special Construction Fund	(1,618,074)
West Shore Feasibility Study	(513,078)

STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
As of June 30, 2007

<u>Name</u>	<u>Amount</u>
Geri Broussard-Baloney	\$ 2,400
Jesse Bartley	2,700
William "Tony" A. Cunningham	2,250
Webb L. Harelson	2,700
Robert "Poncho" Roussel	2,550
Blaine Sheets	2,700
Chucky Tillis	450
Michael Delaune	<u>1,500</u>
Total	<u>\$ 17,250</u>

**STATE OF LOUISIANA
PONTCHARTRAIN LEVEE DISTRICT (BTA)
SCHEDULE OF STATE FUNDING
As of June 30, 2007**

<u>Description of Funding</u>	<u>Amount</u>
State Revenue Sharing	<u>\$ 332,472</u>
Total	<u>\$ 332,472</u>