

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON JANUARY 9, 2009**

PRESENT: George Losonsky, Chairman
Timothy Doody, Committee Member
Thomas L. Jackson, Committee Member

ABSENT: Sara Lee St. Vincent, Committee Member

The Finance Committee met on January 9, 2009, in the Second Floor Hall of the Lake Vista Community Center, 6500 Spanish Fort Blvd., New Orleans, Louisiana. Chairman Losonsky called the meeting to order at 2:00 p.m.

Opening Comments: None.

Adoption of Agenda: The agenda was adopted with the addition of an item for the discussion of a common chart of accounts.

Public Comments: None.

New Business:

D. Discussion of billings by O.L.D. Flood Division to Non Flood Division.

James Bollinger, Comptroller for the Orleans Levee District (O.L.D.), advised that an invoice for over \$400,000 was sent last year to the Non-Flood Division. This invoice included salaries/benefits for Gerry Gillen and one accountant for FEMA project management and accounting (\$230,000), mechanical maintenance and other work, and supplies. Two additional invoices approaching \$30,000-\$40,000 per quarter are ready to be sent for mechanical maintenance, materials and supplies. Salaries/benefits will not be invoiced for this year until a system is put in place to support in detail time billed. He pointed out that this invoicing of the Non-Flood Division needs to continue in order to have a recognition of these expenses so that the Non-Flood Division's cost of doing business will not be under estimated in its financial statements. He asked for guidance from the Committee on whether the liability should be allowed to grow and accrue as long term assets or cash payment should be demanded.

It was noted that the Flood Division receives no financial reports from the Non-Flood Division. The Non-Flood Division's resources and cash flow problems were discussed. The Cooperative Endeavor Agreement between SLFPA-E and the Division of Administration provided for a \$2.4 million payment from the Flood Division to the Non-Flood Division. The O.L.D. Flood Division will send \$600,000 to the Flood Division this year; \$1.8 million was provided last year to the Non-Flood Division.

A meeting will be scheduled with the Division of Administration and the O.L.D. Non-Flood Division to discuss this issue.

A. Renewal of East Jefferson Levee District Property Insurance Coverage with Lloyds at a premium of \$18,688.95.

Hardie Edgecombe with Arthur J. Gallagher Risk Management explained that last year coverage was split into two policies; i.e., one policy for all risks except wind and hail, and a second policy for wind and hail. This year one policy was obtained for both coverages with better terms at a savings of \$300. The named wind storm deductible last year was 5% and 2% wind deductible. This year there is a straight \$2,500 deductible with a 3% named wind storm deductible.

A motion was offered by Mr. Jackson and unanimously approved by the Committee to recommend to the Board the approval of the procurement of coverage from Lloyd's.

B. Review of 2008 results and implications for 2009 budget. (East Jefferson Levee District, Lake Borgne Basin Levee District and Orleans Levee District)

Orleans Levee District (O.L.D.): Jim Bollinger advised that the O.L.D.'s ad valorem tax collection in 2008 amounted to 81% of the assessed taxes. The Board of Liquidations has reported a collection rate of 85% and a City of New Orleans' economist reported a rate of 87%. This issue will be investigated further to determine the accuracy of the collection rate and whether additional monies are due. In November, 2008, millage rates were recommended for the 2009 tax year based on a collection rate of 92%. Implications were reviewed for the FY 2009 budget based on audited results for FY 2008. The reduced revenues reflected an ad valorem tax collection rate of 87%.

Mr. Bollinger pointed out that Page 7 of the audit report presented a view of the entire organization on a full accrual basis broken between Government and Business and that the Government Funds on a near cash basis were shown on page 9. The financial statements were converted to full accrual and the net income of the districts was provided. He explained that the O.L.D. Real Estate Division's (Non-Flood Division) income flows from FEMA, FFA and FHWA grants and flows back into the assets.

The Committee discussed the resources of the auditor that were dedicated to the audit, the information provided by the levee districts to the auditor, the reconciliation between the O.L.D. Flood and Non-Flood Divisions, and the audit process. Mr. Bollinger suggested that the levee districts collaborate concerning the audit process for next year.

Mr. Doody requested that a reconciliation between the Flood and Non-Flood Divisions be completed for the months of July through October.

Mr. Bollinger reported that a clean or unqualified opinion was received; i.e., the auditors expressed the opinion that the financial statements present fairly the financial position

and the results of operations. No audit adjustments were made. A single audit was completed on Federal grant programs for the O.L.D. and the auditors found no problems with the accounting for Federal grants.

C. 2008 Audit Post Mortem and fixes needed.

Mr. Bollinger reviewed the Post Mortem on the FY 2008 audit process. The legal deadline for completion of the audit report under State law is December 31st; however, the Division of Administration's deadline is September 1st. The audit report was filed on December 15th. Factors and issues causing the delay in filing the financials were discussed and included: the preparation of the Audit Report which was contractually assigned to the auditor; a program corruption that resulted in an imbalance which occurred during changes to separate the O.L.D Flood and Non-Flood Divisions in the General Ledger; the Legislative Auditor's award of the audit contract after June 30th which delayed the start of interim work for the audit; the selection of a new audit firm; the failure of the Non-Flood Division to record journal entries that needed to correspond with Flood Division entries, and the failure of the Flood Division to follow up on the transmittal of journal entries to the Non-Flood Division to assure those entries were made; auditor resource limitations and the loss of a manager in mid-stream; the separation of the general ledger; inadequate Non-Flood Division staffing; and a problem with the equity on the books.

The Committee discussed setting up an exit interview with the auditor.

Discussion of Chart of Accounts.

Mr. Bollinger pointed out the need for consistency in the levee districts' charts of accounts for the preparation of the FY 2010 Budget. He suggested that the districts collaborate in drafting a common chart of accounts. In addition, the O.L.D. will be preparing soon for a software conversion and a change in its chart of accounts is anticipated.

The charts of accounts currently used by the levee districts and the level of consistency needed for future efficiencies were discussed. Mr. Bollinger pointed out that the Legislative Auditor has a recommended chart of accounts.

The Committee designated Fran Campbell to chair a meeting of the districts' accounting personnel on this matter. Mr. Doody suggested that the levee districts provide a copy of their charts of accounts to Ms. Campbell for evaluation.

E. SLFPA-East budget status.

Mr. Bollinger provided the Committee with a copy of the Authority's year-to-date income statement comparing actual income, the budget and budget variance. He explained that he had not had an opportunity to meet with Robert Turner, SLFPA-E Regional Director, to discuss this statement.

B. (continued) Review of 2008 results and implications for 2009 budget.

East Jefferson Levee District (EJLD): Fran Campbell, EJLD Executive Director, reported that the EJLD collected \$6.8 million in ad valorem taxes last year and anticipates collecting \$8.6 million next year. She discussed anticipated expenses for next year. The EJLD has received \$968,000 from FEMA thus far and will receive an additional \$8 to \$9 million for foreshore protection. Administrative, Maintenance and Police Expenses were reviewed.

Lake Borgne Basin Levee District (LBBLD): Charles Doize, Accountant for the LBBLD, explained that the LBBLD receives 95% of its taxes which are collected by the Sheriff in January. The actual amount of ad valorem taxes collected cannot be reported until received. He advised that expenses are currently under budget.

There was no further business, therefore, the meeting was adjourned at 4:03 p.m.