

**MINUTES OF
SOUTHEAST LOUISIANA FLOOD PROTECTION AUTHORITY-EAST
FINANCE COMMITTEE MEETING
HELD ON SEPTEMBER 3, 2009**

PRESENT: Stephen Estopinal, Chair
Timothy Doody, Committee Member
George Losonsky, Committee Member

The Finance Committee met on September 3, 2009, in the Second Floor Hall of the Lake Vista Community Center, 6500 Spanish Fort Blvd., New Orleans, Louisiana. Chairman Stephen Estopinal called the meeting to order at 8:37 a.m.

Opening Comments: None.

Adoption of Agenda: The agenda was adopted as presented.

Approval of Minutes: The minutes of the August 7, 2009 Finance Committee meeting were approved.

Public Comments: None.

New Business:

A. Discussion of early payment of Orleans Levee District bonds.

Mr. Doody explained that the Orleans Levee District (O.L.D.) currently has \$29.7 million of Special Levee Improvement (SLIP) Fund Bonds that are outstanding. The O.L.D. also has General Obligation Bonds that are outstanding. The O.L.D. cannot pay off all of the outstanding bonds at this time; however, the O.L.D. can pay off a portion of the SLIP Fund Bonds. Early calculations indicate a possible savings of \$6 million of tax payers' dollars. Savings will lessen the closer the bonds come to maturity. The O.L.D. would attempt to seek to pay off the bonds without damaging the prospect for obtaining forgiveness of the CDL and GO Zone bonds. He advised that he would like to inform the Board about these discussions.

Mr. Losonsky asked whether an analysis has been performed to determine which bonds would present the greatest savings based on interest. Mr. Doody responded that a preliminary analysis has been done by Bond Counsel. Two bond issues are involved.

Mr. Estopinal summarized that the Committee's recommendation is that a report be obtained from Jarrell Godfrey, Bond Counsel, concerning the retirement of the SLIP Fund Bond debt. Mr. Godfrey would also be requested to provide a recommendation to the Board on how to proceed with this retirement of debt.

B. Update on FY 09 Audit.

Paul Lawrence, Senior Auditor with Rebowe & Company, advised that the audit of the Authority and levee districts for the fiscal year end June 30, 2009 has been completed. He distributed copies of the Financial Report dated June 30, 2009, the Summary of Findings and the Memorandum of Advisory Comment.

Mr. Lawrence stated that he did not find anything material to report. One comment was made concerning the inventory of equipment. He explained that he was made aware through several discussions with the O.L.D. Non-Flood Division personnel that some smaller equipment items were displaced or could not be located. Jim Bollinger, O.L.D. Comptroller, pointed out that the Non-Flood Division's lack of resources could have been the reason these items had not been located at that time.

Philip Rebowe participated in the Committee meeting via telephone. He advised that the audit was filed yesterday morning with the State, the Legislative Auditor and the Office of State Reporting.

Mr. Rebowe reviewed the Summary of Audit Findings (copy appended to minutes). He stated that four unqualified audit reports were issued on the Authority. A clean opinion was issued. There were no exceptions to financial reporting nor any internal control deficiencies of the Authority. The two significant deficiencies that were reported in the single audit finding last year have been corrected and are no longer a finding.

Mr. Rebowe reviewed the Change in Net Assets for the Year Ended June 30, 2009, Revenues by Source Comparison and Expenditures by Type Comparison. He pointed out that the increase in net assets for the past two years is a positive trend. Ad valorem taxes have increased by 10 percent. Federal grants have increased from \$8.2 million to approximately \$21.5 million. Revenues from royalties, leases and permits, and interest earnings have declined. Although operating expenses increased in FY 2009, they were approximately 14 percent less than budgeted.

Mr. Rebowe explained that a Memorandum of Advisory Comment was issued on two issues of low level internal control reporting concerning the inventory of equipment. As of June 30, 2009, the equipment of the Authority totaled approximately \$3.9 million, net of accumulated depreciation. This represents about 2 percent of the total fixed assets of the Authority. The O.L.D. Non-Flood Division had procedures in place and did an inventory; however, it was still in the process of locating some items and trying to complete a reconciliation of equipment during the course of the audit. He recommended that physical inventories of equipment be taken periodically on a sample basis rotating among various operations, and that the Authority consider increasing its \$1,000 threshold for capitalization to a higher level. Most government entities capitalize assets at the level of \$2,500 or \$5,000. The recording and depreciation of assets under \$2,500 can be cumbersome and time consuming. Assets between \$1,000 and \$2,500 could still be tagged, inventoried and tracked. Mr. Rebowe recommended that the Authority consider increasing its threshold to \$2,500.

The Committee discussed the capitalization of equipment and the different thresholds used by the levee districts. Buddy Doize, LBBLD Accounting Consultant, advised that the State provided guidelines for the capitalization of different classes of assets, ranging from infrastructure to equipment, which are followed by the Lake Borgne Basin Levee District.

Mr. Doody requested that Regional Director meet with the Executive Directors to assure that the threshold for capitalization is consistent across the levee districts.

Mr. Losonsky pointed out that a response should be made to the Auditor's statement in the Memorandum of Advisory Comment concerning the Non-Flood Division that "efforts must be made to locate all movable property items for which there are no explanations available for their disappearance". Mr. Estopinal added that a response to the recommendations provided in the Memorandum should be formulated.

Mr. Bollinger commented that the audit report has a split between Government and Business-type entities; however, this does not translate into Flood and Non-flood. Half of the Government numbers are Non-flood numbers. Although this adheres to the spirit of the regulations, it makes the process very complex and produces a report that is less useful than one which is split along divisional lines. He advised that he asked Mr. Rebowe whether he had any objections to the O.L.D. moving to a Flood / Non-flood division in the FY 2010 audit. Mr. Bollinger advised that Mr. Rebowe did not have any objection to this request at the initial meeting.

There was no further business; therefore, the meeting was adjourned at 9:17 a.m.