

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

FIFTH LOUISIANA LEVEE DISTRICT
TALHASSA, LOUISIANA

STATE OF LOUISIANA

JUNE 30, 1999

and the operating statements
for the fiscal years ended
JUNE 30, 1998 AND 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the Auditor, or reviewed, 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 SEP 01 1999

FIFTH LOUISIANA LEGISLATIVE DISTRICT

STATE OF LOUISIANA

TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Combined Balance Sheet - All Fund Types and Account Groups	2
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual for the fiscal year ended June 30, 1998	3
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual for the fiscal year ended June 30, 1999	4
Notes to Financial Statements	5
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	12
Supplemental Information Schedule	14
Summary of Prior Period Audit Findings	15

Zahn and Kenney
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Fifth Louisiana Green District
State of Louisiana
Baton Rouge, Louisiana

We have audited the accompanying balance sheet of the Fifth Louisiana Green District (District), a component unit of the State of Louisiana, as of June 30, 1989, and the related operating statements for the fiscal years ended ended June 30, 1988 and 1989. These financial statements are the responsibility of the management of the District. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These 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 in the first paragraph present fairly, in all material respects, the financial position of the District, as of June 30, 1989, and the results of its operations for the fiscal years ended June 30, 1988 and 1989 in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated July 27, 1989 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information presented on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Zahn & Kenney
Baton Rouge, Louisiana
July 27, 1989

FIFTH LOUISIANA LEASE DISTRICT

STATE OF LOUISIANA

COMBINED BALANCE SHEET - ALL FUNG
TYPES AND ACCOUNT GROUPS

JUNE 30, 1989

	Governmental Fund Type General Fund	Account Group		Total Other Fund
		General Fixed Assets	General Long-Term Debt	
ASSETS				
Cash and cash equivalents	\$ 210,581	\$ -	\$ -	\$ 210,581
Certificates of Deposit	400,000	-	-	400,000
Notes receivable	9,813	-	-	9,813
Land, buildings and equipment	-	1,223,138	-	1,223,138
Amount to be provided for retirement of general long-term debt	-	-	72,383	72,383
Total assets	\$ 619,384	\$1,223,138	\$ 72,383	\$1,914,905
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	\$ 19,888	-	-	\$ 19,888
Accrued compensated absences	-	-	53,525	53,525
Capital leases payable	-	-	78,358	78,358
Total liabilities	19,888	-	131,883	151,771
FUND BALANCES				
Investment in general fixed assets	-	1,223,138	-	1,223,138
Fund balance, Reserved, undesignated	609,496	-	-	609,496
Total fund balances	609,496	1,223,138	-	1,832,634
Total liabilities and fund balances	\$ 619,384	\$1,223,138	\$ 131,883	\$1,914,905

(See notes to financial statements)

FIFTH LOUISIANA LEGISLATIVE DISTRICT

STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDING JUNE 30, 1998

	REVENUES		Variance Favorable (Unfavorable)
	General Fund		
	Actual	Budget	
Taxes	1001,000	840,350	\$ 160,700
Intergovernmental	80,810	84,805	(1,000)
Legislative appropriation	100,000	100,000	-
Use of money and property	209,482	10,150	199,332
Total revenues	1391,292	1035,505	355,787

	EXPENDITURES		Variance Favorable (Unfavorable)
	Actual	Budget	
General administration	78,548	80,300	1,752
Lease maintenance	167,818	170,500	2,682
Maintenance supplies and materials	134,508	170,500	36,000
General insurance	12,319	41,000	28,681
Employee related benefits	51,753	62,910	11,157
Travel	28,445	17,819	10,626
Contractual services	9,264	14,972	5,708
Other	60,525	40,674	19,851
Capital outlay	84,674	84,674	-
Right-of-way and flood fight	45,831	45,831	-
Debt service:			
Principal	51,840	51,840	-
Interest	7,323	7,323	-
Total expenditures	1035,505	1035,505	-

Excess (deficiency) of revenues over expenditures	135,715	(60,810)	196,525
------------------------------------------------------	---------	----------	---------

FUND BALANCE			
Fund balance, July 1, 1997	212,363	196,285	16,078
Fund balance, June 30, 1998	135,715	135,475	362,893

See accountants' compilation report and notes to financial statements

FIFTH LOUISIANA LEGISLATIVE DISTRICT

STATE OF LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - SUBJECT AND ACTUAL

FOR THE FISCAL YEAR ENDING JUNE 30, 1968

	REVENUES		Variance Favorable (Defavorable)
	General Fund		
	Actual	Budget	
Taxes	\$534,188	\$477,950	\$ 56,238
Intra-governmental	44,782	40,600	(4,182)
Legislative Appropriation	150,000	150,000	-
Use of money and property	32,832	32,832	—0-
Total revenues	814,140	733,500	80,640

	EXPENDITURES		Variance Favorable (Defavorable)
	General Fund		
	Actual	Budget	
General administrative	48,997	125,344	45,417
Lease maintenance	134,859	133,740	(1,119)
Maintenance supplies and materials	131,348	145,508	13,750
General insurance	38,854	37,808	7,764
Employee related benefits	43,411	34,348	10,937
Travel	14,815	19,258	4,443
Contractual services	12,688	11,348	(1,340)
Other	37,821	40,818	2,997
Capital outlay	50,843	50,000	-
Rights-of-way and Flood Fight	14,227	14,227	-
Debt service:			
Principal	49,344	49,164	-
Interest	4,382	4,382	—0-
Total expenditures	648,811	720,812	86,460
Excess (deficiency) of revenues over expenditures	165,329	112,688	52,641

	FUND BALANCE		Variance Favorable (Defavorable)
	General Fund		
	Actual	Budget	
Fund balance, July 1, 1968	286,218	288,333	42,921
Fund balance, June 30, 1968	\$451,547	\$401,021	\$ 50,526

(See notes to financial statements)

FIFTH LOUISIANA LEVEL DISTRICT
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fifth Louisiana Level District (District) is a component unit of the State of Louisiana (the State) created under the provisions of Louisiana Revised Statutes 18:228 (R). The District provides flood protection to the areas lying within the parishes of East Carroll, Madison, Stamps and Concordia. The District is composed of eight commissioners appointed by the Governor. Operations of the District are funded primarily with ad valorem taxes and state revenue sharing.

In April of 1986, 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 the state and local governmental entities. In June of 1987, the GASB issued a revised codification of governmental accounting and financial reporting standards. The codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local government.

The District prepares its financial statements in accordance with the standards established by the GASB. GASB Codification Section 1000 establishes criteria for determining the governmental reporting entity and has defined the governmental reporting entity to be the State of Louisiana. The accompanying statements present only transactions of the District, a component unit of the State.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Annually the State issues general purpose financial statements which include the activity contained in the accompanying financial statements. The general purpose financial statements are issued by the Louisiana Division of Administration-Office of Statewide Reporting and Accounting Policy and audited by the Louisiana Legislative Auditor.

B. FUND ACCOUNTING

The accounts of the District are organized into a general fund, and two account groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

The fund and account groups presented in the financial statements are described as follows:

General Fund

The general fund is used to account for the general operations of the District. The various revenues and expenditures are accounted for in this fund.

SCIENCE STORES

The two account groups are not "Funds." They are concerned only with the measurement of financial position, not with measurement of results of operations.

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement

C. BASIS OF ACCOUNTING (continued)

basis applied. The District's records are maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting all revenue is recognized when measurable and available rather than when earned, and all expenditures are recognized when the obligation is incurred.

D. BUDGET PRACTICES

Budgets are prepared and adopted by the District annually. The budget for fiscal year ended June 30, 1999 was adopted at the March 11, 1998 District meeting and the budget for fiscal year ending June 30, 2000 was adopted at the February 19, 1998 District meeting.

The District amended the budget for fiscal year ended June 30, 1998 once on August 17, 1998. The District amended the budget for fiscal year ended June 30, 1999 once on July 14, 1999. Budgets are prepared on the modified accrual basis of accounting, including the changes in fund balances.

The District does not follow the encumbrance method of accounting.

E. CASH AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

For reporting purposes, cash and cash equivalents include cash, demand deposits, time deposits and certificates of deposit with initial maturity of 90 days or less. Under state law the District may deposit funds within a fiscal agent bank selected and designated by the commissioners. Further, the District may invest in time certificates of deposit of share banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state-chartered credit unions.

E. CASH AND CASH EQUIVALENTS (continued)

As reflected on the balance sheet, the District had cash and cash equivalents totaling \$100,581 as June 30, 1999. Cash and cash equivalents are stated at cost, which approximates market. Additionally, \$600,000 is held in certificates of deposit. 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. As of June 30, 1999, the amount on deposit was secured as follows:

	<u>Cash</u>
Carrying Amount on Balance Sheet	
Cash and cash equivalents	\$ 110,581
Certificates of deposit	600,000
	<u>\$110,581</u>
Bank Balance:	
1. Insured (FDIC)	\$100,000
2. Uninsured/unfunded, including any securities held for the entity but not in the entity's name	<u>10,581</u>
Total Bank Balance	<u>\$110,581</u>

E. VACATION AND SICK LEAVE

The District has the following policy related to annual and sick leave. The carrying of annual and sick leave is based on the equivalent of full-time state service. It is credited at the end of each regular pay period of 80 hours of regular duty.

Accrued unused annual and sick leave shall be carried forward to the succeeding calendar years without limitation. Annual leave must be applied for by the employee and may be used only when approved by the District. Upon retirement or resignation, unused annual leave of up to 300 hours is paid at the employee's current rate of pay.

E. VACATION AND SICK LEAVE (continued)

Upon retirement or resignation, the employee is not paid for any unused sick leave. Annual leave in excess of 300 hours and sick leave are used in the retirement benefit computation as earned service.

At June 30, 1998, the employees of the District had accumulated and vested \$10,238 of employee leave benefits, which was computed in accordance with GASB Codification Section 500, as modified by GASB Statement Number 34. This amount is recorded within the General Long-Term Debt Account Group.

F. NET ASSETS OR LIABILITIES

The total column on the Balance Sheet is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

G. GENERAL FIXED ASSETS

Fixed assets used in the governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Depreciation has not been provided for on these fixed assets. All fixed assets are valued at historical cost or estimated historical cost.

The changes in general fixed assets follow:

	July 1, 1997	Additions	Deletions	June 30, 1998
Land	\$ 157,384	\$ -	\$ -	\$ 157,384
Buildings	43,721	-	-	43,721
Equipment	828,433	84,824	-	913,257
Total	\$1,429,538	\$ 84,824	\$ -	\$1,514,362

	July 1, 1998	Additions	Deletions	June 30, 1999
Land	\$ 157,384	\$ -	\$ -	\$ 157,384
Buildings	43,721	-	-	43,721
Equipment	821,123	51,144	13,800	1,858,423
Total	\$1,022,228	\$ 51,144	\$ 13,800	\$1,959,623

I. PENSION PLAN

The District's employees participate in the Louisiana State Employees' Retirement System (LASERS). The employee contribution is 7.5% of gross salary for each year presented. ADDITIONAL INFORMATION for each year is as follows:

	<u>For fiscal year ended</u>	
	<u>June 30, 1998</u>	<u>June 30, 1999</u>
District's contribution percentage	13%	12.6%
Employee contributions	\$17,571	\$17,243
District's contributions	28,814	27,855
Payroll subject to retirement	138,618	138,805

Under present statutes, the District does not guarantee any of the benefits granted by the retirement system.

J. LEASES

The District leases office space under a month-to-month arrangement. The rent expense is included in operating expenditures and the total rent expense for the fiscal years ended June 30, 1998 and 1999 was \$3,800 and \$3,300, respectively.

ADDITIONALLY, the District leases equipment under two capital leases. The following is a schedule of the minimum lease payments including the present value of the minimum lease payments as June 30, 1999:

<u>Total ending June 30,</u>	
2000	<u>48,182</u>
Total minimum lease payments	48,182
Less carrying charges	<u>3,126</u>
Present value of minimum lease payments	<u>45,056</u>

K. GENERAL LONG-TERM OBLIGATIONS

Long-term obligations expected to be financed from governmental funds are accounted for in the general long-term debt account group, not in the governmental funds.

The following is a summary of the long-term debt transactions during the years ended June 30:

	<u>1999</u>	<u>1998</u>
Long-term obligations payable,		
beginning of fiscal year	\$ 179,734	\$ 118,932
Principal payments on capital leases	(50,788)	(49,163)
Increase in liability for		
unpaid salaries	(645)	3,215
Long-term obligations payable,		
end of fiscal year	<u>\$ 128,301</u>	<u>\$ 72,989</u>

L. RELATED PARTY TRANSACTIONS

The District has entered into no related party transactions during the audit period.

M. LITIGATION

At June 30, 1999, the District was involved in legal proceedings and litigation arising in the normal course of business. In the opinion of management the outcome of the proceedings and litigation will not materially affect the District's financial position.

Zahn and Kenney
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN ASSESS BY FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Fifth Louisiana Levee District
State of Louisiana
Tulachin, Louisiana

We have audited the financial statements of Fifth Louisiana District (District), a component unit of the State of Louisiana, as of and for the year ended June 30, 1999, and have issued our report thereon dated July 27, 1999.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial reporting contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under GOVERNMENT AUDITING STANDARDS.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period.

by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated July 27, 1999.

This report is intended for the information of the District's management and the Legislative Audit Advisory Committee. However, this report is a matter of public record and its distribution is not limited.

Robert E. Kinney
McCallie, Louisiana
July 27, 1999

FIFTH LOUISIANA LEGISLATIVE DISTRICT

STATE OF LOUISIANA

SCHEDULE OF PER DIEM PAID BOARD MEMBERS

FOR THE FISCAL YEARS ENDED JUNE 30,

<u>Name</u>	<u>1958</u>	<u>1959</u>
E. Hinkley	\$ -	\$ - (*)
F. Brown	1,815	965
F. Brooks	337	338
J. Arnold	370	87
J. Kelly	1,618	828
K. Holway	-	350
L. Calhoun	807	850
C. Williamson	840	487
B. Maxwell	1,218	380
Total	<u>93,600</u>	<u>49,800</u>

- (*) Mr. Hinkley's salary of \$1,000 per month is not included in this schedule since it is not considered per diem. He drew \$12,000 during each of the fiscal years presented.

Summary of Prior Period Audit Findings

- 1.) We recommended that the District take steps to off-set the lack of segregation of duties. These steps have not been taken and the finding remains unresolved. This is a repeat finding in the current audit.
- 2.) We recommended that the District require the original signature of a Commissioner on checks. This has not been done and the finding remains unresolved. This is a repeat finding in the current audit.
- 3.) We recommended that the District have written contracts for any labor performed by prison labor. The District has entered into a cooperative agreement with the prison which has resolved this finding.
- 4.) We recommended that approval be required for all purchases in excess of \$1,000. Procedures have been established and placed into operation to require such approval. This resolves this finding.

Zahn and Kenney
Certified Public Accountants

Fifth Louisiana Levee District
State of Louisiana
Tallulah, Louisiana

b7c
b7d
b7e
b7f
b7g

In planning and performing our audit of the financial statements of the Fifth Louisiana Levee District (District) for the fiscal years ended June 30, 1998 and 1999, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We previously reported on the District's internal control structure in our report dated July 27, 1999. This letter does not affect our report dated July 27, 1999 on the financial statements of the District. However, during our audit, we noted the following items that are opportunities for strengthening internal controls and operating efficiency.

- 1.) **DEFICIENCY:** Good internal control requires segregation of duties between the authorizing of transactions, the recording of transactions and the safeguarding of assets.

CONDITION: The administrative assistant for the District is the sole office employee. This position handles all financial aspects of the District. The incumbent has access to all District funds, records all receipts and disbursement transactions, makes all bank deposits, writes all checks, signs checks and reconciles the bank statements. This is a repeat finding.

CAUSE: The District only requires one administrative employee and has not established procedures to off-set the lack of segregation of duties.

EFFECT: Due to lack of oversight, errors or irregularities could occur and not be "caught" in the normal operations of the office.

RECOMMENDATION: The District should consider establishment of procedures to monitor the accounting and reporting functions monthly as follows:

- a.) Separate the duties of preparation of checks from the signing of same. All checks could require the original signature of a member of the Finance Committee. The approved invoice should be examined by the check signer prior to signing the check. Dual signatures are not necessary as long as the signer and the preparer are separate persons.

b.) The monthly bank reconciliations should be prepared by someone other than the administrative assistants. This could be accomplished by having the finance committee receive the bank statements unopened and perform the reconciliations. If this is not feasible, perhaps the Director could contact with a fee accountant to perform this duty monthly.

c.) The recording of receipts and disbursements should be reviewed monthly to ensure proper classification and amount. This could be done by the finance committee or by the certified fee accountant. Entries on the cash receipts journal could be compared to the statements advising for proper account classification and amount. The cash disbursements journal could be compared to the approved invoices for proper payee, amount and account classification.

d.) All journal entries should be reviewed and approved by the finance committee. The journal entries should then be traced through to the supporting records to ensure proper recording.

- 2.) **CRITERIA:** Checks requiring dual signatures should be signed by both required signers.

CONDITION: Currently, the administrative assistant has the signature stamp for the second signer and simply stamps the signature on the check. Since the administrative assistant is one signer and has the stamp for the other signer, in essence only one person is signing the checks. To further dilute any controls this feature would add, the administrative assistant also controls the checkbook and records all transactions. This is a repeat finding.

CAUSE: The lack of a policy regarding the necessity that someone other than the administrative assistant review and sign all checks.

EFFECT: Weakness in the internal controls over cash checks could allow defalcations to occur and not be "caught" in the normal operations of the District.

RECOMMENDATION: Require the original signature of a member of the Finance committee on all checks. Dual signatures are not necessary.

- 3.) **CRITERIA:** Good Internal controls require that employee time records be maintained in the District's administrative office. Further, these records should need to update each employee's accumulated leave records on a timely basis--preferably monthly but not less than quarterly. Additionally, each employee should be required to sign the time record for each pay period.

CONDITION: The District's time records are maintained by the Leave Officers at the maintenance offices. These records are not transferred to the administrative offices on a timely basis. Employees do NOT sign their time records for each pay period.

CAUSE: The heavy work schedule does not allow for the transfer of these records to the administrative office except in July and December. The crew members have never been asked to sign their time sheets because they are laborers and not used to doing paper work.

REASON: There is limited control over time records maintained in this manner. Records could be changed prior to posting to administrative office records. The employee is not acknowledging that he actually worked the hours for which he is being paid.

RECOMMENDATION: The District should establish procedures to require that administrative office time records be maintained and updated in a timely manner. This could be done electronically by modem. The records could be transferred from the maintenance offices for each payroll. Once transferred, the records could be protected so that change would require approval of office personnel. Additionally, time records should be modified to include the signature of the employee.

We will review the status of these concerns during our next audit engagement. We have already discussed these matters with District management. We will be pleased to perform any additional study of these matters or to assist in implementation of procedures to rectify them.

John E. Kennedy
Minerals, Louisiana
July 27, 1989

FIFTH LOUISIANA LEVEE DISTRICT
 BOARD OF COMMISSIONERS
 300 NORTH CEDAR STREET
 MONROE, LA 70002

PHONE 574-2000

FAX 574-2005

E-Mail: BO@leveedistrict.com

August 10, 1998

Arvin J. Kenney
 John and Kenneth
 Certified Public Accountants
 708 Popworth Avenue, Suite 101
 Metairie, LA 70002

Re: Audit Letter
 FY 1998 & FY 1999
 Corrective Action Plan

Dear Mr. Kenney:

We have reviewed your letter addressing the Levee District's internal control structure and herein respond to the recommendations you made.

The Fifth Louisiana Levee District operates with minimum in tax revenue and has been subsidized by the State of Louisiana for the past three years, just to be able to present a balanced budget. To effectively meet the requirements set forth in your letter, it would be necessary to hire a second office employee. That is cost prohibitive.

All members of the Levee Board, i.e., the Finance Committee, are self-employed and paid per diem. Even if one was willing to be available to monitor the accounting and reporting functions as you recommended, that would also be cost prohibitive.

I address your recommendations individually:

- 1.)
 - a) As stated above, it is cost prohibitive to provide two separate individuals to handle preparation and signing of checks.
 - b) The Levee Board is in the process of contacting with a local accountant to receive the bank statement each month. He will reconcile the statement, and reconcile it against the general ledger and the claims report approved by the Board each month. We are of the opinion that will effectively meet most of the needs set forth in your letter.
 - c) The contracted accountant will review receipts & disbursements in conjunction with reconciling the bank statement.
 - d) As for the balance of Item c) and Item b), the Board is in agreement that the duties mentioned here can be under the job description of the Administrative Assistant/Secretary.
2. As addressed above, it is not possible for any of the Board members to be available every time a check needs to be disbursed. We are of the opinion that this will be adequately monitored through use of the accountant to reconcile and monitor check disbursement.

3. The Levee Board has been working for several months to establish a process to record employee work records in a more timely manner. Payroll time records are currently being submitted for each payroll period, or bi-weekly. In the future, employee daily time records accounting, signed by the employee, will be transferred to the office personnel file at the end of each month.

I speak for the entire Board in saying that we appreciate your suggestions regarding the internal control structure of the Levee District and will make every (possible) effort to comply with your recommendations.

I am also returning hereto the representation letter you requested.

Yours truly,



Raymond Minick, President
Fifth Louisiana Levee Board

RM:aw

enclosure