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Financial Report

Terrebonne Levee and Conservation District

Houma, Louisiana

For the year ended June 30, 2009

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For the year ended June 30, 2009

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FINANCIAL SECTION

Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners,
Terrebonne Levee and Conservation District,
Houma, Louisiana.

We have audited the accompanying financial statements of the governmental activities and each major fund of Terrebonne Levee and Conservation District (the District), a component unit of Terrebonne Parish Consolidated Government, State of Louisiana, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Terrebonne Levee and Conservation District, Louisiana's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Terrebonne Levee and Conservation District, Louisiana as of June 30, 2009, and the respective changes in financial position thereof and the respective budgetary comparisons for each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2010 on our consideration of the Terrebonne Levee and Conservation District, Louisiana's internal control over financial reporting and 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 Governmental Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires 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.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
March 26, 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of the Terrebonne Levee and Conservation District's (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended June 30, 2009. This document focuses on the current year's activities, resulting changes and currently known facts. Please read this document in conjunction with the additional information contained in the District's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The Terrebonne Levee and Conservation District's assets exceeded its liabilities at the close of fiscal year 2009 by $87,421,818 (net assets), which represents a 6.9% increase from last fiscal year.

- The Terrebonne Levee and Conservation District's total revenue increased $861,015 or 8.8% due primarily to increased in reimbursement grants and property tax revenues. As of June 30, 2009, unremitted dedicated sales tax collections held by Terrebonne Parish Consolidated Government amounted to $23,609,927. These funds are excluded from Morganza to the Gulf Fund revenues recognized because the funds are not available for spending until the District prepares a written request to Terrebonne Parish for the specific use of the funds and the Terrebonne Parish Council approves the use.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's annual report consists of three parts: (1) management's discussion and analysis, (2) basic financial statements and (3) various governmental internal control and compliance reports and schedules by certified public accountants and management.

The basic financial statements include two kinds of statements that present different views of the District:

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business. The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of activities presents information showing how the District's net assets changed during the fiscal year 2009. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods. The governmental activity of the District is flood protection. The government-wide financial statements can be found on pages 9-12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the District are governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Morganza to the Gulf Fund. The District adopts an annual appropriated budget for its General and Morganza to the Gulf Funds. Budgetary comparison statements have been provided for the General and Morganza to the Gulf Funds to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 9 - 14 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 - 31 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. For fiscal year ended June 30, 2009, assets exceeded liabilities by $87,421,818. By far, the largest portion of the District's net assets (90%) reflects its investment in capital assets (e.g., land, equipment, hurricane and flood protection). The District uses these capital assets to provide flood protection to the citizenry of Terrebonne Parish. Consequently, these assets are not available for future spending.

Terrebonne Levee and Conservation District
Net Assets

	2009	2008	Dollar Change	Total % Change
Current and other assets	$ 14,224,589	$ 12,600,713	$ 1,623,876	12.9%
Capital assets	78,576,979	72,673,233	5,903,746	8.1%
Total assets	92,801,568	85,273,946	7,527,622	8.8%
Long-term liabilities outstanding	143,588	103,426	40,162	38.8%
Other liabilities	5,236,162	3,393,660	1,842,502	54.3%
Total liabilities	5,379,750	3,497,086	1,882,664	53.8%
Net assets:				
Invested in capital assets	78,576,979	72,673,233	5,903,746	8.1%
Restricted	7,093,871	8,221,709	(1,127,838)	-13.7%
Unrestricted	1,750,968	881,918	869,050	98.5%
Total net assets	$ 87,421,818	$ 81,776,860	5,644,958	6.9%

Governmental Activities

Governmental activities increased the Terrebonne Levee and Conservation District net assets by $5,644,958. Key elements of this increase are as follows:

Terrebonne Levee and Conservation District
Changes in Net Assets

	June 30, 2009	June 30, 2008	Dollar Change	Total % Change
Revenues:				
Taxes	$ 3,151,889	$ 2,723,649	$ 428,240	15.7%
Intergovernmental				
Federal Government				
FEMA reimbursement	436,823	7,351	429,472	5842.4%
State of Louisiana				
State revenue sharing	126,165	122,561	3,604	2.9%
State reimbursement grants	6,037,035	3,476,812	2,560,223	73.6%
Terrebonne Parish				
Consolidated Government				
Reimbursement grants	837,244	3,280,531	(2,443,287)	-74.5%
Miscellaneous				
Interest income	59,017	204,432	(145,415)	-71.1%
Other	37,334	9,156	28,178	307.8%
Total revenues	10,685,507	9,824,492	861,015	8.8%
Expenditures:				
Current:				
General government	451,862	401,328	50,534	12.6%
Public safety	4,588,687	3,863,273	725,414	18.8%
Total expenditures	5,040,549	4,264,601	775,948	18.2%
Increase in net assets	5,644,958	5,559,891	85,067	1.5%
Net assets beginning of year	81,776,860	76,216,969	5,559,891	7.3%
Net assets end of year	$ 87,421,818	$ 81,776,860	$ 5,644,958	6.9%

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $8,929,205, a decrease of $226,441 in comparison with the prior year. An unreserved fund balance of $1,835,334 is available for spending at the District's discretion. The remainder of fund balance in the amount of $7,093,871 is reserved to indicate that it is not available for new spending because it has already been committed to capital projects.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the General Fund was $1,835,334. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to fund expenditures. Unreserved fund balance represents 42% of General Fund expenditures. The fund balance of the District's General Fund increased by $901,397 during the current fiscal year.

Budgetary Highlights

Major differences between the original General Fund budget and the final amended General Fund budget were as follows:

Revenues

- Increase of $405,000 in ad valorem collections.
- Decrease of $4,597,989 in funds received from Terrebonne Parish Consolidated Government due to a decrease in reimbursable capital expenditures during the year for various projects .
- Other revenues increased by $130,000 as the District budgeted requests for reimbursements following the hurricanes.

Expenditures

- Decrease of $13,977 in personal services due to not having a permanent executive director on staff.
- Increase in repairs and maintenance of $452,190 for equipment repairs and recovery efforts from the hurricanes.
- Decrease in hurricane and flood protection of $6,056,689 as various mitigation projects were not begun and the hurricanes pushed back the schedules for other projects.

During the year, actual General Fund expenditures exceeded final budgetary estimates and revenues were less than budget.

CAPITAL ASSETS

The District's investment in capital assets for its governmental activities as of June 30, 2009, amounts to $78,576,979 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, and hurricane and flood protection (see table below).

	June 30, 2009	June 30, 2008	Dollar Change	Total % Change
Land	$ 121,461	$ 121,461	$ -	0%
Building	322,755	312,837	9,918	3%
Equipment	1,042,140	966,237	75,903	8%
Hurricane and flood protection	77,090,623	71,272,698	5,817,925	8%
Totals	$ 78,576,979	$ 72,673,233	$ 5,903,746	8%

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

- Various completion work on the building
- Purchase of one super long reach excavator
- Purchase of satellite phones
- Engineering, design and real estate acquisition associated with the various features of the Morganza of the Gulf Hurricane Protection Project.
- Construction of the Upper Ward 7 Levee Reconstruction Project
- Maintenance of the Lower Ward 7 Levee Forced Drainage Project

Additional information on the District's capital assets can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Commissioners of the District considered the following factors and indicators when setting next year's budget, rates and fees. These factors and indicators include:

- The ad valorem tax revenue budgeted represents the estimated amount of the November 2009 assessment, which the District will receive, for the most part, in January 2010.
- Interest revenues have been budgeted with no anticipation of an increase in interest rates.
- An increase in hurricane and flood protection expenditures is expected largely due to the construction of the Morganza to the Gulf Project.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Board of Commissioners of the Terrebonne Levee and Conservation District, 220-A Clendenning Road, Houma, Louisiana 70363.

Exhibit A

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET

Terrebonne Levee and Conservation District

June 30, 2009

	General Fund	Morganza to the Gulf Fund	Total	Adjustments (Exhibit B)	Statement of Net Assets
Assets					
Cash	$ 3,635,103	$ 2,946,026	$ 6,581,129		$ 6,581,129
Receivables - taxes	57,356	-	57,356		57,356
Due from other funds		234,112	234,112	$ (234,112)	-
Due from other governmental units	1,184,681	6,341,896	7,526,577	-	7,526,577
Prepaid insurance	-	-	-	59,222	59,222
Security deposits	305	-	305	-	305
Capital assets -					
Non-depreciable	-	-	-	121,461	121,461
Depreciable, net of accumulated depreciation	-	-	-	78,455,518	78,455,518
Total assets	$ 4,877,445	$ 9,522,034	$ 14,399,479	78,402,089	92,801,568
Liabilities					
Accounts payables and accrued expenditures	$ 821,169	$ 1,866,869	$ 2,688,038	-	2,688,038
Liability for work completed on contracts	277,754	561,294	839,048	-	839,048
Unearned revenue	1,709,076	-	1,709,076	-	1,709,076
Due to other funds	234,112	-	234,112	(234,112)	-
Non-current liabilities:					
Due in more than one year	-	-	-	143,588	143,588
Total liabilities	3,042,111	2,428,163	5,470,274	(90,524)	5,379,750
Fund Balances/Net Assets					
Fund balances:					
Reserved - capital projects	-	7,093,871	7,093,871	(7,093,871)	-
Unreserved, designated for:					
Subsequent years' expenditures	1,072,266	-	1,072,266	(1,072,266)	-
Unreserved, reported in:					
General Fund	763,068	-	763,068	(763,068)	-
Total fund balances	1,835,334	7,093,871	8,929,205	(8,929,205)	-
Total liabilities and fund balances	$ 4,877,445	$ 9,522,034	$ 14,399,479		
Net assets:					
Invested in capital assets				78,576,979	78,576,979
Restricted - capital projects				7,093,871	7,093,871
Unrestricted				1,750,968	1,750,968
Total net assets				$ 87,421,818	$ 87,421,818

See notes to financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

Terrebonne Levee and Conservation District

June 30, 2009

Fund Balances - Governmental Fund		$ 8,929,205
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		
Governmental capital assets	$ 100,621,717	
Less accumulated depreciation	(22,044,738)	78,576,979
Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Prepaid insurance		59,222
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Other postemployment benefit obligation		(99,803)
Compensated absences payable		(43,785)
		$ 87,421,818
Net Assets of Governmental Activities		

See notes to financial statements.

STATEMENT OF ACTIVITIES AND STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Terrebonne Levee and Conservation District

For the year ended June 30, 2009

	General Fund	Morganza to the Gulf Fund	Total	Adjustments (Exhibit D)	Statement of Activities
Revenues					
Taxes	$ 3,151,889		$ 3,151,889		$ 3,151,889
Intergovernmental:					
Federal Government:					
FEMA reimbursement	436,823		436,823		436,823
State of Louisiana:					
State revenue sharing	126,165		126,165		126,165
State reimbursement grants	37,659	$ 5,999,376	6,037,035		6,037,035
Terrebonne Parish Consolidated Government:					
Reimbursement grants	837,244	-	837,244		837,244
Miscellaneous:					
Interest	21,665	37,352	59,017		59,017
Other	1,174	-	1,174	$ 36,160	37,334
Total revenues	4,612,619	6,036,728	10,649,347	36,160	10,685,507
Expenditures/Expenses					
Current:					
General government:					
Ad valorem tax distributions to the Atchafalaya Basin Levee District	323,680		323,680		323,680
Ad valorem tax adjustment	9,715		9,715		9,715
Ad valorem tax deductions	118,467		118,467		118,467
Total general government	451,862		451,862		451,862
Public safety:					
Personal services -					
Salaries and related benefits	821,165		821,165	40,162	861,327
Supplies and materials.					
Office and shop supplies	35,323		35,323	-	35,323
Fuel for heavy equipment	65,126		65,126	-	65,126
Other services and charges:					
Insurance	103,977		103,977	(7,815)	96,162
Professional services	77,191		77,191	-	77,191
Telephone and utilities	36,734		36,734	-	36,734
Travel and meals	15,896		15,896	-	15,896
Occupancy	2,140		2,140	-	2,140
Miscellaneous and other	49,447		49,447	-	49,447
Repairs and maintenance	815,691		815,691	-	815,691
Depreciation	-		-	2,533,650	2,533,650
Total public safety	2,022,690		2,022,690	2,565,997	4,588,687
Capital outlay:					
General operations	282,834		282,834	(282,834)	-
Hurricane and flood protection	1,574,913	6,579,649	8,154,562	(8,154,562)	-
Total capital outlay	1,857,747	6,579,649	8,437,396	(8,437,396)	-
Total expenditures/expenses	4,332,299	6,579,649	10,911,948	(5,871,399)	5,040,549
Excess (deficiency) of revenues over expenditures	280,320	(542,921)	(262,601)	5,907,559	5,644,958
Other Financing Sources (Uses)					
Insurance proceeds	36,160	-	36,160	(36,160)	-
Operating transfer in	584,917	-	584,917	(584,917)	-
Operating transfer out	-	(584,917)	(584,917)	584,917	-
Total other financing sources (uses)	621,077	(584,917)	36,160	(36,160)	-
Net Change in Fund Balances	901,397	(1,127,838)	(226,441)	226,441	-
Change in Net Assets	-	-	-	5,644,958	5,644,958
Fund Balances/Net Assets					
Beginning of year	933,937	8,221,709	9,155,646	72,621,214	81,776,860
End of year	$ 1,835,334	$ 7,093,871	$ 8,929,205	$ 78,492,613	$ 87,421,818

See notes to financial statements.

RECONCILIATION OF THE STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

Terrebonne Levee and Conservation District

For the year ended June 30, 2009

Net Change in Fund Balances - Governmental Fund		$ (226,441)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	$ 8,437,396	
Depreciation expense	(2,533,650)	
Excess of capital outlay over depreciation expense		5,903,746
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Prepaid insurance	7,815	
Other postemployment benefits	(33,762)	
Compensated absences	(6,400)	(32,347)
Change in Net Assets of Governmental Activities		$ 5,644,958

See notes to financial statements.

Exhibit E

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

Terrebonne Levee and Conservation District

For the year ended June 30, 2009

	Budgeted Amounts Original	Budgeted Amounts Final	Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Taxes	$ 2,700,000	$ 3,105,000	$ 3,109,370	$ 4,370
Intergovernmental:				
Federal Government:				
FEMA reimbursement	-	-	109,451	109,451
State of Louisiana:				
State revenue sharing	120,000	120,000	126,165	6,165
State reimbursement grants	20,000	165,000	37,659	(127,341)
Terrebonne Parish Consolidated Government - Reimbursement grants	5,491,989	894,000	960,887	66,887
Miscellaneous:				
Interest	40,000	17,000	22,440	5,440
Other	10,000	140,000	1,174	(138,826)
Total revenues	8,381,989	4,441,000	4,367,146	(73,854)
Expenditures				
Current:				
General government:				
Ad valorem tax distributions to the Atchafalaya Basin Levee District	270,000	323,581	323,581	-
Ad valorem tax adjustment	-	-	9,715	(9,715)
Ad valorem tax deductions	-	-	118,467	(118,467)
Total general government	270,000	323,581	451,763	(128,182)
Public safety:				
Personal services -				
Salaries and related benefits	739,300	725,323	828,015	(102,692)
Supplies and materials:				
Office and shop supplies	20,000	34,580	34,580	-
Fuel for heavy equipment	50,000	72,717	72,717	-
Other services and charges:				
Insurance	100,000	100,294	104,110	(3,816)
Professional services	51,000	163,585	91,872	71,713
Telephone and utilities	28,000	36,436	36,734	(298)
Travel and meals	11,000	16,538	16,700	(162)
Occupancy	2,148	2,140	2,140	-
Miscellaneous and other	44,550	43,373	49,782	(6,409)
Repairs and maintenance	465,000	917,190	912,995	4,195
Total public safety	1,510,998	2,112,176	2,149,645	(37,469)
Capital outlay:				
General operations	355,000	277,925	277,406	519
Hurricane and flood protection	7,536,989	1,480,300	1,465,843	14,457
Total capital outlay	7,891,989	1,758,225	1,743,249	14,976
Total expenditures	9,672,987	4,193,982	4,344,657	(150,675)
Excess (deficiency) of revenues over expenditures	(1,290,998)	247,018	22,489	(224,529)
Other Financing Sources				
Insurance proceeds	-	-	36,160	36,160
Operating transfer in	-	-	584,917	584,917
Total other financing sources	-	-	621,077	621,077
Net Change in Fund Balance	(1,290,998)	247,018	643,566	396,548
Fund Balance				
Beginning of year	2,500,000	933,937	933,937	-
End of year	$ 1,209,002	$ 1,180,955	$ 1,577,503	$ 396,548

See notes to financial statements.

Exhibit F

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - MORGANZA TO THE GULF FUND

Terrebonne Levee and Conservation District

For the year ended June 30, 2009

	Budgeted Amounts		Budgetary	Variance with Final Budget Favorable
	Original	Final	Basis	(Unfavorable)
Revenues				
Intergovernmental:				
State of Louisiana -				
State reimbursement grants	$ 32,000,000	$ 1,388,000	$ 1,410,836	$ 22,836
Terrebonne Parish Consolidated				
Government - sales taxes	5,000,000	-	-	-
Miscellaneous -				
Interest	175,000	36,000	37,352	1,352
Total revenues	37,175,000	1,424,000	1,448,188	24,188
Expenditures				
Capital outlay -				
Hurricane and flood protection	40,723,522	5,009,450	4,973,483	35,967
Deficiency of revenues over expenditures	(3,548,522)	(3,585,450)	(3,525,295)	60,155
Other Financing Sources				
Operating transfer out	-	-	(584,917)	(584,917)
Net Change in Fund Balance	(3,548,522)	(3,585,450)	(4,110,212)	(524,762)
Fund Balance				
Beginning of year	6,500,000	8,221,709	8,221,709	-
End of year	$ 2,951,478	$ 4,636,259	$ 4,111,497	$ (524,762)

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Terrebonne Levee and Conservation District

June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Terrebonne Levee and Conservation District (the District) conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies:

a) Reporting Entity

The District was created on July 1, 1997 by enactment of House Bill No. 1396 Regular Session, as a political subdivision of the State of Louisiana (the State). The District consists of all lands in Terrebonne Parish. The management and control of the District is vested in a Board of Commissioners (the Board) appointed by the Governor from a list of nominees submitted by local state legislators, local government officials and civic groups. In addition to any other powers and duties provided by law, the primary duty of the Board shall be to establish, construct, operate and maintain flood control works as they relate to hurricane protection, tidewater flooding, saltwater intrusion and conservation. The Board has the authority to issue bonds and levee taxes on all property within the District. Until January 2000, the duties of the District were performed by the Atchafalaya Basin Levee District, the South Terrebonne Parish Tidewater Management and Conservation District and the North Terrebonne Parish Drainage and Conservation District. In January 2000, the South Terrebonne Parish Tidewater Management and Conservation District and the North Terrebonne Parish Drainage and Conservation District merged into the Terrebonne Levee and Conservation District. In July 2000, the accounts of the South Terrebonne and North Terrebonne districts were combined with those of the District, creating a single entity. Also, because Atchafalaya Basin Levee District continues to provide mainline levee protection which is beneficial to Terrebonne Parish, the District distributes 10% of all ad valorem tax collections to the Atchafalaya Basin Levee District.

The Governor is responsible for appointing the District's Board of Commissioners, but the State's accountability for the District is limited to making these appointments. The District is legally separate and fiscally independent of the State.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) *Reporting Entity* (Continued)

The District is a component unit of Terrebonne Parish Consolidated Government (the Parish) and as such, these financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ended December 31, 2008.

The District has reviewed all of its activities and determined that there are no potential component units which should be included in its financial statements.

b) Basis of Presentation

The District's basic financial statements consist of the government-wide statements on all activities of the District and the governmental fund financial statements (individual major funds).

Government-wide Financial Statements:

The government-wide financial statements include the statement of net assets and the statement of activities for all activities of the District. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

Fund Financial Statements:

The fund financial statements are very similar to the traditional government fund statements as presented by governments prior to the issuance of the GASB Statement No. 34. Emphasis is now on the major funds in governmental categories. The daily accounts and operations of the District continue to be organized on the basis of a fund and accounts groups, each of which is considered a separate accounting entity. The operations of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Government resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The following are the Governmental Funds of the District:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those that are required to be accounted for in another fund. The General Fund is always a major fund.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) **Basis of Presentation** (Continued)

Morganza to the Gulf Fund - The Morganza to the Gulf Fund is used to account for the proceeds of transfers of dedicated ¼% sales taxes from the Terrebonne Parish Consolidated Government and reimbursements from capital outlay funds from the State of Louisiana that are legally restricted to expenditures for the Morganza to the Gulf hurricane protection project. The Morganza to the Gulf Fund is reported as a major fund.

c) **Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied.

Fund Financial Statements:

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 (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets. Governmental funds are maintained on the modified accrual basis of accounting.

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Ad valorem taxes and the related state revenue sharing (Intergovernmental revenue) are recorded as revenue in the period for which levied.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Measurement Focus and Basis of Accounting (Continued)

Thus, the 2008 property taxes which are being levied to finance expenditures for the 2009 calendar year will be recognized as revenue in the fiscal years ending June 30, 2008 and 2009. Accordingly, approximately one half of the 2008 tax levy is recorded as deferred revenue at June 30, 2009. Miscellaneous revenues are recorded as revenues when received in cash by the District or an intermediary collecting agency because they are generally not measurable or available until actually received.

Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable, except for the following: (1) principal and interest on long-term debt are recorded when due and (2) claims and judgments, compensated absences and other post employment benefits are recorded as expenditures in the governmental fund type when paid with expendable available financial resources. Allocations of cost such as depreciation are not recognized in the governmental funds.

d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

e) Operating Budgetary Data

As required by the Louisiana Revised Statutes 39:1303, the Board of Commissioners (the Board) adopted a budget for the District's General and Morganza to the Gulf Funds. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget and a public hearing on the budget prior to adoption. Any amendment involving the transfer of monies from one function to another or increases in expenditures must be approved by the Board. The District amended its budget once during the year ended June 30, 2009. All budgeted amounts which are not expended, or obligated through contracts, lapse at year end.

The budget practices of the District are subject to the provisions of R.S. 38:318.

The Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance- Budget and Actual- General Fund and The Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance- Budget and Actual- Morganza to the Gulf Fund are presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the GAAP basis and budgetary basis are that revenues are budgeted when received by the District and expenditures are budgeted when paid by the District and are recorded on the modified accrual basis for fund financial statement purposes.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Operating Budgetary Data (Continued)

The adjustments necessary to convert the results of operations for the year from the GAAP basis to the budgetary basis for the General Fund and Morganza to the Gulf Fund are as follows:

	Net Change in Fund Balance	
	General Fund	Morganza to the Gulf Fund
GAAP basis (as reported)	$ 901,397	$ (1,127,838)
Adjustments:		
Revenues		
Net effect of accrued reimbursments from Federal, state and local	(245,473)	(4,588,540)
Expenditures:		
Net effect of accrual of accounts payable	(12,358)	1,606,166
Budgetary basis	$ 643,566	$ (4,110,212)

f) Accounts Receivable

The financial statements for the District contain no allowance for uncollectible accounts. Uncollectible amounts due for ad valorem taxes are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or operations of the funds.

g) Prepaid Insurance

The District has recorded prepaid insurance in its government-wide financial statements. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. These costs are recorded as current expenditures of the governmental fund type financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets purchased or acquired with an original cost of $500 or more are valued at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Hurricane protection infrastructure	40 years
Building	40 years
Equipment, furniture and fixtures	5 - 15 years

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

i) Long-Term Obligations

The accounting treatment of long-term obligations depends on whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligations consist of accrued compensated absences - annual leave and other post employment benefits.

Fund Financial Statements:

Non-current liabilities for governmental funds are not reported as liabilities in the fund financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. However, unused sick leave is not paid upon termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

In the government-wide financial statements, the net change in accumulated annual leave liability is recorded as an expense and the total a long-term obligation. In accordance with GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements,* (issued in March 2000), no compensated absences liability is recorded at June 30, 2009 in the governmental fund-type financial statements.

k) Interfund Transactions

In the financial statements, interfund activity is reported as either loans or transfers. Loans between funds are reported as interfund receivables (due from) and payables (due to) as appropriate. Transfers represent permanent reallocation of resources between funds. In other words, they are not expected to be paid. For reporting purposes, all interfund transactions between individual governmental funds have been eliminated in the government-wide financial statements. At June 30, 2009, the District did not have any non-current interfund loans/borrowing arrangements.

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Fund Equity

Government-wide Statements:

Equity is classified as net assets and displayed in three components:

a. Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets, if any. At June 30, 2009 the District had no outstanding borrowings.

b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets."

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances result when management tentatively sets a side or earmarks certain resources to expend in a designated manner. In contrast to reserved fund balances, designated amounts can be changed at the discretion of management.

Note 2 - DEPOSITS

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States or any other federally insured investment, certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, guaranteed investment contracts and investment grade (A-1/P-1) commercial paper of domestic corporations.

Note 2 - DEPOSITS (Continued)

State law requires deposits (cash and certificates of deposit) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

The year-end balances of deposits are as follows:

	Bank Balances	Reported Amount
Cash	$ 6,619,198	$ 6,581,129

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a written policy for custodial credit risk. As of June 30, 2009, $6,369,198 of the District's bank balance of $6,619,198 was exposed to custodial credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

At June 30, 2009, deposits in excess of the FDIC insurance were collateralized by securities held by unaffiliated banks for the account of the District. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these deposits subject to custodial credit risk. Even though the pledged securities are considered subject to custodial credit risk under the provisions of GASB Statement No. 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

Note 3 - PROPERTY TAXES

Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the Parish. Assessed values are established by the Terrebonne Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the list of January 1, 2008. Taxes are due and payable December 31 with interest being charged on payments after January 1. Taxes can be paid through the tax sale date, which is the last Wednesday in June. Properties for which the taxes have not been paid are sold for the amount of the taxes. The tax rate for the year ended June 30, 2009 was $4.89 per $1,000 of assessed valuation on property

Note 3 - PROPERTY TAXES (Continued)

within Terrebonne Levee and Conservation District for the purpose of acquiring, constructing, maintaining and operating hurricane protection facilities within the District.

As indicated in Note 1c), taxes levied November 1, 2008 are used to fund expenditures in calendar year 2009, therefore, one half of the 2008 tax levy is recognized as revenues in the fiscal year ended June 30, 2009 and one half in the year ending June 30, 2010.

The District distributes a percentage of all ad valorem tax collections to the Atchafalaya Basin Levee District in accordance with the requirements of House Bill No. 1396. Expenditures for distributions to the Atchafalaya Basin Levee District totaled $323,680 during the year ended June 30, 2009.

Note 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units at June 30, 2009 consisted of the following:

	General Fund	Morganza to the Gulf Fund
Federal Emergency Management Agency	$ 327,372	
State of Louisiana - Department of Transportation and Development	-	$ 6,341,896
Terrebonne Parish Consolidated Government	857,309	-
Totals	$ 1,184,681	$ 6,341,896

Note 5 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets not being depreciated:				
Land	$ 121,461	$ -	$ -	$ 121,461
Capital assets being depreciated:				
Office building	320,858	18,167	-	339,025
Equipment, furniture and fixtures	2,517,900	264,668	(164,055)	2,618,513
Hurricane and flood protection system infrastructure	89,388,157	8,154,561	-	97,542,718
Total capital assets being depreciated	92,226,915	8,437,396	(164,055)	100,500,256
Less accumulated depreciation for:				
Office building	(8,021)	(8,249)	-	(16,270)
Equipment, furniture and fixtures	(1,551,663)	(188,765)	164,055	(1,576,373)
Hurricane and flood protection system infrastructure	(18,115,459)	(2,336,636)	-	(20,452,095)
Total accumulated depreciation	(19,675,143)	(2,533,650)	164,055	(22,044,738)
Total capital assets being depreciated, net	72,551,772	5,903,746	-	78,455,518
Total capital assets, net	$ 72,673,233	$ 5,903,746	$ -	$ 78,576,979

Depreciation expense amounted to $2,533,650 and was charged to public safety activities during the year ended June 30, 2009.

Construction commitments

The District has active construction projects as of June 30. 2009. At year end the District's commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Upper Ward 7 Levee	$ 5,005,660	$ 457,329
Montegut Wetlands	165,662	987,723
Forced Drainage 4-1 Levee	181,819	185,941
PAC Reach J Segment 1	35,480	105,260
Reach H Segment 3	2,488,963	4,496,937
Totals	$ 7,877,584	$ 6,233,190

Note 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENDITURES

Accounts payable and accrued expenditures at June 30, 2009 consisted of the following:

	General Fund	Morganza to the Gulf Fund
Vendors	$ 460,655	$ 1,866,869
Protest taxes	360,514	-
Totals	$ 821,169	$ 1,866,869

Note 7 - POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

The District administers a single employer defined benefit healthcare plan (the Plan). The Plan provides for the payment of medical, dental, cancer and life insurance premiums for eligible employees, retirees and their dependents as approved by the Board. The District funds the entire premium for all benefits on all employees. The District also funds the entire premium for medical insurance and 50% of life insurance premiums for the same amounts as in force at the time of retirement for qualifying employees. Eligibility for retirement is achieved upon completion of thirty years with the District (any age), twenty-five years of services (if age 55 or older) or ten years of service (if 60 or older) and retiring from the Louisiana State Employees Retirement System, see Note 9. The District does not issue a publicly available financial report on the Plan.

Funding Policy

The District fully funds required premiums based on pay-as-you-go financing requirements. For fiscal year 2009 the District paid $19,555 for the retirees' current year premiums.

Annual OPEB Cost and Net OPEB Obligation

In fiscal year 2007 the District initially recognized a net other postemployment benefit (OPEB) obligation for covered postemployment healthcare benefits in accordance with the provisions of GASB Statement No. 45, *Accounting for Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45).

Note 7 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

GASB 45 was implemented prospectively with zero net obligation at transition. The District's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the transition year, the premiums actually paid and the District's net OPEB obligation.

Annual required contribution	$ 53,317
Premiums paid	(19,555)
Increase in OPEB obligation	33,762
Net OPEB obligation-beginning of year	66,041
Net OPEB obligation-end of year	$ 99,803

The District's annual OPEB cost, the percentage of annual OPEB premiums paid, and the net OPEB obligation as of June 30, 2009 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
6/30/2007	$ 53,317	37.00%	$ 33,596
6/30/2008	53,317	39.15%	66,041
6/30/2009	53,317	36.68%	99,803

Funded Status and Funding Progress

As of July 1, 2006, the most recent actuarial valuation date, the unfunded actuarial accrued liability (UAAL) was $434,842. Covered payroll for eligible employees was $349,706 and the total UAAL represents 124.3 percent of covered payroll.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Note 7 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and eligible employees and retirees) and include the types of benefits provided at the time of each valuation and on the historical pattern of sharing benefit costs between the employer and eligible employees and retirees to that point. The actuarial calculations reflect a long-term perspective.

In the July 1, 2006, actuarial valuation, the unit credit cost method was used with the assumed service period extending from date of hire to assumed date of commencement of benefits. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality and turnover. The actuarial assumptions included a 4 percent investment rate of return and an annual medical cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. Zero trend was assumed for valuing life insurance. As of the valuation date, the District only pays required insurance premiums directly from District resources, accordingly there are no plan assets, hence no need for an actuarial value of assets. The UAAL is being amortized as a level dollar, closed amortization basis. The remaining amortization period at July 1, 2006 was 30 years.

Required Supplementary Information

Once an additional OPEB actuarial valuation is completed, the District will be required to present a required schedule of funding progress immediately following the notes to its financial statements showing multiyear trend information about whether the actuarial accrued liability is increasing or decreasing over time.

Note 8 - LONG-TERM LIABILITIES

Long-term liabilities consist of accumulated unpaid annual leave due after one year and other post employment benefits. The following is a summary of the changes in long-term liabilities of the District for the year ended June 30, 2009:

	Payable July 1, 2008 .	Increase	Payable June 30, 2009
Accumulated unpaid annual leave	$ 37,385	$ 6,400	$ 43,785
Other post employment benefits	66,041	33,762	99,803
Total	$ 103,426	$ 40,162	$ 143,588

Note 9 - PENSION PLAN

Substantially all employees of the District are members of the Louisiana State Employees Retirement System (the System), a cost-sharing, multiple-employer public employee retirement system. The System is a statewide public retirement system, which is organized for the purpose of providing retirement and other benefits for employees of the State of Louisiana (the State) and its various departments and agencies and their beneficiaries, and is administered and controlled by a separate board of trustees.

Contributions of participating State agencies are pooled within the System to fund accrued benefits, with contribution rates approved by the Louisiana Legislature.

All full-time District employees are eligible to participate in the System. Benefits vest with 10 years of service. Vested employees may retire at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 of service. The System also provides death and disability benefits. Benefits are established 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 Louisiana State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804, or by calling (225) 922-0600.

Covered employees are required by State statute to contribute 7.5% of gross salary and the 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 and the District are established and may be amended by State statute. As provided by R.S. 11:102, the employer contributions are determined by an actuarial valuation and are subject to change each year based on the results of the valuation from the prior fiscal year. Expenditures for contributions to the System for the years ending June 30, 2009, 2008 and 2007 were $65,911, $64,392 and $67,158, respectively, equal to the required contributions for each year.

Note 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to workers' compensation; torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. No settlements were made during the year that exceeded the District's insurance coverage.

Note 11 - CONTINGENCIES

The District is named as a defendant in legal claims arising in the ordinary course of operations. In the opinion of management, the ultimate resolution of these matters should not materially affect the financial statements of the District.

The District received funding under grants from various federal and state governmental agencies. The agency grants specify the purpose for which the grant monies are to be used; the grants are subject to audit by the granting agency or its representative.

The State of Louisiana incurred significant losses as a result of Hurricanes Gustav and Ike in September 2008. Hurricane relief and recovery efforts have stretched the State's finances and increased the likelihood of cuts in the District's future funding from the State. If significant budget cuts are made at the Federal, state and local government levels, the amount of funds that the District will receive could be reduced significantly and have an adverse impact on its operations. Management is not able to estimate at this time the amount of funds that the District will receive from future state funding. However, management believes that it will receive sufficient funds to avoid a material impact on the District's future operations.

Exhibit G
(Continued)

Note 12 - COMPENSATION OF BOARD MEMBERS

Per Diem payments are authorized by Louisiana Revised Statute 38:308 and are included in the personal service expenditures of the General Fund. Board members are paid $75 per day, to a maximum of 36 days per year, for board meetings and official business.

The following amounts were paid to Board Members for the year ended June 30, 2009:

Board Member	Number of Days	Per Diem
Anthony Alford, President	30	$ - *
Carl Chauvin	24	1,800
Walton Daisy	35	2,625
Karen Dillard	9	675
Darrin Guidry	25	1,875
Leward Henry	35	2,625
Willis Henry	33	2,475
Allan Luke	8	600
Jack Moore	28	- *
Howard Pinkston	13	975
Gilbert Talbot	34	2,550
Total		$ 16,200

* Anthony Alford and Jack Moore waived their right to receive a per diem.

Note 13 – SUBSEQUENT EVENTS

Act No. 509, signed into law by the Louisiana Legislature in July 2009, reverted the ownership of the land in Terrebonne Parish previously owned by the Atchafalaya Basin Levee District to the Terrebonne Levee and Conservation District. Due to this Act, the District will no longer be required to remit a portion of their property taxes to the Atchafalaya Basin Levee District after September 2010.

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through March 26, 2010 which is the date the financial statements were available to be issued.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

Bourgeois Bennett

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

To the Board of Commissioners,
Terrebonne Levee and Conservation District,
Houma, Louisiana.

We have audited the financial statements of the governmental activities and each major fund of the Terrebonne Levee and Conservation District (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 26, 2010. 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 affect 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 internal control over financial reporting was for the 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 one instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and responses as item 09-1.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, management, the Legislative Auditor for the State of Louisiana and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants

Houma, Louisiana,
March 26, 2010.

SCHEDULE OF FINDINGS AND RESPONSES

Terrebonne Levee and Conservation District

For the year ended June 30, 2009

Section I Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

• Material weakness(es) identified?	_____ yes	_X_ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	_X_ none reported
Noncompliance material to financial statements noted?	_____ yes	_X_ no

b) Federal Awards

Terrebonne Levee and Conservation District did not receive federal awards in excess of $500,000 during the year ended June 30, 2009 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section II Financial Statement Findings

09-1 **Criteria** – Louisiana Revised Statute 24:513 requires public entities to submit their audited financial statements to the Legislative Auditor within six months of the close of their fiscal year.

Condition – The District's audit was not completed within six months of the close of its fiscal year.

Context – This finding was also issued for year end June 30, 2008.

Effect – The District was not in compliance with state law.

Cause – The District personnel were busy with adjustments due to the hiring of a new Executive Director.

Recommendation – We recommend that the District comply with state law and submit their audited financial statements to the Legislative Auditor within six months of the close of their fiscal year.

Section III Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Terrebonne Levee and Conservation District

For the year ended June 30, 2009

Section I Internal Control and Compliance Material to the Basic Financial Statements

Internal Control

08-01 **Recommendation** – The District must place a separate individual in either the Executive Director or Administrative Manager position. These positions must be separate otherwise additional controls would be necessary.

Management's response – The District has hired a full time Executive Director to restore the checks and balances necessary. **Resolved.**

Compliance

08-02 **Recommendation** – We recommend that the District comply with state law and submit their audited financial statements to the Legislative Auditor within six months of the close of their fiscal year.

Management's Response – The District will submit the 2010 audit report prior to the due date of December 31, 2009, provided there are no catastrophic events such as the hurricanes of 2008, which would prevent such a submission. **Unresolved.**

Section II Internal Control and Compliance Material to Federal Awards

There were no federal award findings or questioned costs reported during the audit for the year ended June 30, 2008.

Section III Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2008.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Terrebonne Levee and Conservation District

For the year ended June 30, 2009

Section I Internal Control and Compliance Material to the Basic Financial Statements

Internal Control

No material weaknesses were noted during the audit for the year ended June 30, 2009.
No significant deficiencies were reported during the audit for the year ended June 30, 2009.

Compliance

09-1 **Recommendation** – We recommend that the District comply with state law and submit their audited financial statements to the Legislative Auditor within six months of the close of their fiscal year.

Management's Response – *The District will submit the 2010 audit report prior to the* due date of December 31, 2010.

Section II Internal Control and Compliance Material to Federal Awards

Terrebonne Levee and Conservation District did not receive federal awards in excess of $500,000 during the year ended June 30, 2009 and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Section III Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2009.