

04 JUN -7 11:20

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.  
(A Component Unit of the Ouachita Parish Police Jury)**

**Monroe, Louisiana**

**Component Unit Financial Statements, Supplemental Information  
and Independent Auditors' Reports**

**As of and For the Year Ended December 31, 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8.25.04

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.  
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**

**COMPONENT UNIT FINANCIAL REPORT  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
Independent Auditors' Report -----	1
<b><u>REQUIRED SUPPLEMENTAL INFORMATION</u></b>	
Management's Discussion and Analysis -----	4
<b><u>BASIC FINANCIAL STATEMENTS</u></b>	
Statement of Net Assets -----	10
Statement of Revenues, Expenses and Changes in Net Assets -----	11
Statement of Cash Flows -----	12
Notes to Basic Financial Statements -----	13
<b><u>SUPPLEMENTAL INFORMATION</u></b>	
Combining Statement of Net Assets -----	21
Combining Statement of Revenues, Expenses, and Changes in Net Assets -----	22
Schedule of Program Expenditures -----	23
<b><u>REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS AND OMB CIRCULAR A-133</u></b>	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> -----	25
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 -----	27

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.  
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**

**COMPONENT UNIT FINANCIAL REPORT  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2003**

**TABLE OF CONTENTS (CONTINUED)**

	<b><u>Page</u></b>
<b><u>OTHER SUPPLEMENTAL INFORMATION</u></b>	
Schedule of Expenditures of Federal Awards -----	30
Notes to Schedule of Expenditures of Federal Awards -----	31
Schedule of Findings and Questioned Costs -----	32
Summary Status of Prior Year Findings -----	37



Francis I. Huffman, CPA  
L. Fred Monroe, CPA  
Esther Atteberry, CPA

John L. Luffey, MBA, CPA (1963-2002)

## INDEPENDENT AUDITORS' REPORT

**To the Board of Directors  
Ouachita Community Enhancement Zone, Inc.  
Monroe, Louisiana**

We have audited the accompanying basic financial statements of **Ouachita Community Enhancement Zone, Inc. (OCEZ)**, a component unit of the Ouachita Parish Police Jury, as of and for the year ended December 31, 2003, as listed in the accompanying Table of Contents. These basic financial statements are the responsibility of OCEZ's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide* issued by the Louisiana Legislative Auditor and the Louisiana Society of Certified Public Accountants. 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 component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of OCEZ as of December 31, 2003, and the results of its operations, changes in net assets, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that OCEZ will continue as a going concern. As discussed in Note 9 to the financial statements, OCEZ's approved budget will expire May 31, 2004. Additionally, OCEZ was required to make a substantial refund in 2004 of cash received in the year 2002 from a Federal grant. These conditions raise substantial doubt about OCEZ's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

**Ouachita Community Enhancement Zone, Inc.  
Monroe, Louisiana**

As described in Note 1 to the basic financial statements, OCEZ implemented the new reporting model as required by the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as of January 1, 2003.

The Management’s Discussion and Analysis and other required supplementary information on pages 4 through 8 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards* we have also issued our report dated April 22, 2004, on our consideration of OCEZ’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information listed in the Table of Contents as Supplemental Information and Other Supplemental Information including the Schedule of Expenditures of Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements of OCEZ. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



(A Professional Accounting Corporation)

**April 22, 2004**

**REQUIRED SUPPLEMENTAL INFORMATION**

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A Component Unit of Ouachita Parish Police Jury)**  
**Management's Discussion And Analysis**  
**For The Year Ended December 31, 2003**

Our discussion and analysis of Ouachita Community Enhancement Zone, Inc. (OCEZ), a component unit of the Ouachita Parish Police Jury, provides an overview of OCEZ's activities for the year ended December 31, 2003. Please read it in conjunction with OCEZ's financial statements that begin on page 10.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets provide information about the activities of OCEZ as a whole. The Statement of Cash Flows provides detail changes in cash and cash equivalents during the year presented. The financial statements also include notes that explain in more detail some of the information presented in the financial statements.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to OCEZ's basic financial statements. The financial statements present the financial information of OCEZ, which includes its wholly-owned subsidiary, Northern Louisiana Community Builders, Inc. The financial statements of OCEZ report information about OCEZ using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets presents information on all of OCEZ's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of OCEZ is improving or deteriorating. The Statement of Revenues, Expenses, and Changes in Net Assets presents the current year's revenues and expenses and other information showing how OCEZ's net assets changed during the year. The change in net assets is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about OCEZ's cash receipts and cash payments during the current year. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and noncapital financing activities.

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A Component Unit of Ouachita Parish Police Jury)**  
**Management's Discussion And Analysis**  
**For The Year Ended December 31, 2003**

**FINANCIAL ANALYSIS OF OCEZ AS A WHOLE**

One of the most important questions asked about OCEZ's finances is "Is OCEZ, as a whole, better off or worse as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about OCEZ's activities in a way that will help answer this question. However, in assessing the financial health or financial position of OCEZ, other non-financial factors such as changes in economic conditions and new or changed regulations impacting the OCEZ's federal programs should be considered.

At December 31, 2003, net assets (total assets less total liabilities) totaled \$539,292. Unrestricted net assets totaled \$474,075, or 88% of net assets. Unrestricted net assets are those net assets that do not have any specified limitation as to the use of the net asset. Unrestricted assets are available for use in future operations.

In accordance with its Cooperative Endeavor Agreement with the Ouachita Parish Police Jury ("OPPJ") to administer OPPJ's Empowerment Zone – Enterprise Community grant agreement, OCEZ, Inc. makes funds available to qualified businesses through loan guarantees and loan participation agreements. At December 31, 2003, loans receivable totaled \$222,253, which is approximately 41% of net assets.

The following is a summary of OCEZ's net assets: Summary Statement of Net Assets

	<u>2003</u>	<u>2002</u>	<u>% Change</u>
<b>Assets:</b>			
Capital Assets	\$ 65,217	\$ 67,853	-3.9%
Current and Other Assets	571,290	549,337	4.0%
Total Assets	<u>\$ 636,507</u>	<u>\$ 617,190</u>	
<b>Liabilities:</b>			
Current and Other Liabilities	\$ 97,215	\$ 98,122	-0.9%
Total Liabilities	<u>\$ 97,215</u>	<u>\$ 98,122</u>	
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Debt	\$ 65,217	\$ 67,853	-3.9%
Unrestricted	474,075	451,215	5.1%
Total Net Assets	<u>\$ 539,292</u>	<u>\$ 519,068</u>	

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A Component Unit of Ouachita Parish Police Jury)**  
**Management's Discussion And Analysis**  
**For The Year Ended December 31, 2003**

OCEZ's net assets increased by \$20,224 in 2003. The following is a summary Statement of Revenues, Expenses, and Changes in Net Assets that show how the \$20,224 increase in net assets occurred. Also shown is the change in net assets for the year ended December 31, 2002, which totaled \$172,492.

**Summary Statement of Revenues, Expenses, and Changes in Net Assets**

	<u>2003</u>	<u>2002</u>	<u>% Change</u>
<b>Operating Revenues:</b>			
Federal and State Grants	\$ 420,555	\$ 559,909	-24.9%
Interest Earned on Loans	14,995	15,806	-5.1%
Miscellaneous Income	4,863	36,204	-86.6%
Total Operating Revenues	<u>440,413</u>	<u>611,919</u>	
<b>Nonoperating Revenues:</b>			
Interest Earned on Investments	<u>1,639</u>	<u>2,324</u>	-29.5%
Total Nonoperating Revenues	<u>1,639</u>	<u>2,324</u>	
Total Revenues	<u>442,052</u>	<u>614,243</u>	
<b>Operating Expenses:</b>			
Economic Opportunity	338,742	267,907	26.4%
Revolving Loan Guarantee	10,531	37,015	-71.5%
On-Site Job Skills Training	-	4,614	-100.0%
Incubator Project	31,888	2,757	1056.6%
Innovative Neighborhood Network	-	37,984	-100.0%
Homeownership	3,071	-	100.0%
Youth to Career	28,228	20,326	38.9%
Residential Construction, Education and Training	<u>9,368</u>	<u>58,359</u>	-83.9%
Total Operating Expenses	<u>421,828</u>	<u>428,962</u>	
Excess Before Special Items	20,224	185,281	
Special Item - Change in Presentation to Proprietary Fund Type	<u>-</u>	<u>(12,789)</u>	
Change in Net Assets	<u>\$ 20,224</u>	<u>\$ 172,492</u>	

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A Component Unit of Ouachita Parish Police Jury)**  
**Management's Discussion And Analysis**  
**For The Year Ended December 31, 2003**

Total operating revenues reflect a 28% (\$171,506) decrease in 2003 compared to 2002 due primarily to a significant decrease in funding from federal and state agencies as described below:

- Funding for the loan and loan guarantee programs is through the Empowerment Zone – Enterprise Community grant. Funding under this program decreased by \$40,753 compared to 2002. OCEZ did not enter into any new loan agreements during 2003. Also, the number of loan guarantee agreements entered into by OCEZ during 2003 decreased significantly as compared to 2002.
- OCEZ did not receive state funding during 2003, which resulted in a decrease in funding of \$40,242 compared to 2002.
- Northern Louisiana Community Builders, Inc.'s funding from federal sources decreased from \$58,359 to \$-0- from 2002 to 2003 due to the phase-out of the program.

Total operating expenses decreased by 2% (\$7,134) from 2002 to 2003. The most significant decreases in expenses occurred in personnel services, operating services, and bad debts in the loan and loan guarantee programs. The total decrease in these expenses from 2002 to 2003 was \$87,315. This decrease was offset by an increase in the amount of contractual services totaling \$97,981. The increase in the amount of contractual services resulted from 1.) an increase in audit fees due to the formation of the Northern Louisiana Community Builders, Inc. 2.) Attorney fees relating to the formation of NLCB. 3.) A new consultant was retained to advise the OCEZ Board on the development of a Credit Union. 4.) A marketing campaign was started in 2003 to improve community relations and inform the public of the services provided.

## **OCEZ'S FUNDS**

The financial statements of OCEZ present its proprietary fund, the *Enterprise Community fund*, and is subsidiary, Northern Louisiana Community Builders, Inc. The changes discussed in the section above provide adequate explanations of the fund's and the subsidiary's activities during the year.

## **CAPITAL ASSETS**

At the end of December 31, 2003 and 2002, the OCEZ had invested in various capital assets, including land, buildings and improvements, equipment, furniture, and fixtures. The capital assets, net of accumulated depreciation, is summarized below:

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A Component Unit of Ouachita Parish Police Jury)**  
**Management's Discussion And Analysis**  
**For The Year Ended December 31, 2003**

	2003	2002
Land	\$ 19,350	\$ 19,350
Building and Improvements	42,672	44,454
Office Equipment	2,348	2,917
Office Furniture and Fixtures	847	1,132
Totals	<u>\$ 65,217</u>	<u>\$ 67,853</u>

**ECONOMIC FACTORS AND FUTURE OUTLOOK**

The Ouachita Parish Police Jury's Empowerment Zone – Enterprise Community grant expires on December 31, 2004. OCEZ's approved budget under its Cooperative Endeavor Agreement with OPPJ to administer the Empowerment Zone – Enterprise Community grant expires May 31, 2004. As of April 22, 2004, OCEZ had not expended \$145,592 under the grant.

The Office of Community Services has required repayment of any cash that remains from an initial \$100,000 drawdown on its Discretionary Grant under the Urban and Rural Community Economic Development Program. In April 2004, OCEZ remitted \$65,207, the remaining cash under the grant, to the Office of Community Services.

As of April 22, 2004, OCEZ had not obtained additional sources of operational funding as a replacement for the funding referred to above.

In February 2004, Northern Louisiana Community Builders, Inc. was dissolved.

**CONTACTING THE OCEZ'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of OCEZ's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact OCEZ's Executive Director at P. O. Box 4268, Monroe, LA 71211.

**BASIC FINANCIAL STATEMENTS**

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**MONROE, LOUISIANA**

**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2003**

**ASSETS**

**Current Assets**

Cash	\$	240,830
Accounts Receivable		1,362
Loans Receivable (Note 3)		18,958
Due from Ouachita Parish Police Jury		106,845
<b>Total Current Assets</b>		<u>367,995</u>

**Capital Assets**

Equipment		71,234
Accumulated Depreciation		(6,017)
<b>Total Capital Assets</b>		<u>65,217</u>

**Other Assets**

Loans Receivable (Note 3)		203,295
<b>Total Other Assets</b>		<u>203,295</u>

**TOTAL ASSETS**

\$ 636,507

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts Payable	\$	19,348
Accrued Salaries and Wages		12,660
Due to Other Governments		65,207
<b>Total Current Liabilities</b>		<u>97,215</u>

**Net Assets**

Invested in Capital Assets		65,217
Unrestricted Net Assets		474,075
<b>Total Net Assets</b>		<u>539,292</u>

**TOTAL LIABILITIES AND NET ASSETS**

\$ 636,507

The accompanying notes are an integral part of this statement.

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**MONROE, LOUISIANA**

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

<b>Operating Income</b>	
Federal Grants	\$ 420,555
Interest Earned on Loans	14,995
Miscellaneous Revenue	4,863
<b>Total Operating Income</b>	<u>440,413</u>
 <b>Operating Expenses</b>	
Economic Opportunity	338,742
Revolving Loan Guarantee	10,531
Incubator Project	31,888
Homeownership	3,071
Youth to Career	28,228
Residential Construction, Education, and Training	9,368
<b>Total Operating Expenses</b>	<u>421,828</u>
 <b>Operating Income</b>	 <u>18,585</u>
 <b>Non-Operating Income</b>	
Interest Earned on Investments	1,639
<b>Total Non-Operating Income</b>	<u>1,639</u>
 <b>Change in Net Assets</b>	 <u>20,224</u>
 <b>Net Assets at Beginning of Year</b>	 <u>519,068</u>
 <b>NET ASSETS AT END OF YEAR</b>	 <u>\$ 539,292</u>

The accompanying notes are an integral part of this statement.

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**MONROE, LOUISIANA**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

<b>Cash Flows From Operating Activities:</b>	
Receipts from Federal Grants	\$ 368,187
Interest on Loans	14,995
Other Revenue	4,863
Payments for Operating Expenses	<u>(419,800)</u>
Net Cash (Used) by Operating Activities	<u>(31,755)</u>
<b>Cash Flows From Investing Activities:</b>	
Purchases of Fixed Assets	<u>(299)</u>
Net Cash (Used) by Investing Activities	<u>(299)</u>
<b>Cash Flows From Financing Activities:</b>	
Loans Made	(217)
Collections on Loans	22,550
Interest Earned on Investments	<u>1,639</u>
Net Cash Provided by Financing Activities	<u>23,972</u>
<b>Net (Decrease) in Cash and Cash Equivalents</b>	<b>(8,082)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>248,912</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ <u>240,830</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>	
Operating Income	\$ <u>18,585</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Bad Debts	9,586
Depreciation	2,935
Net (Increase) Decrease in Operating Assets:	
Accounts Receivable	309
Due from other Governments	(62,263)
Net Increase (Decrease) in Operating Liabilities:	
Accounts Payable	15,152
Accrued Salaries and Wages	5,220
Due to Other Governments	<u>(21,279)</u>
Total Adjustments	<u>(50,340)</u>
Net Cash (Used) by Operating Activities	<b>\$ <u>(31,755)</u></b>

The accompanying notes are an integral part of this statement.

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**Monroe, Louisiana**

**Notes to Basic Financial Statements**  
**For the Year Ended December 31, 2003**

**INTRODUCTION**

The Ouachita Community Enhancement Zone, Inc. (OCEZ) was incorporated October 15, 1996 by various citizens of Ouachita Parish, Louisiana. Its Articles of Incorporation was amended in 2003 to provide that its Board of Directors shall be comprised of a diverse group of citizens from Ouachita Parish consisting of persons who represent a cross section of Ouachita Parish and/or the census tracts for Ouachita Parish as per the 1990 United States census. The corporation is a tax-exempt private non-profit organization pursuant to section 501(c)(3) of the Internal Revenue Code. The purpose of the organization is to develop and implement programs that empower Enterprise Community residents spiritually, economically, socially, educationally and culturally, as well as to assume their civic responsibilities.

Northern Louisiana Community Builders, Inc. (NLCB), was incorporated March 15, 2002. It is a wholly-owned subsidiary of OCEZ. The Board of Directors of NLCB is appointed by OCEZ's Board of Directors. For tax purposes, NLCB is a for-profit corporation. Its purpose is to provide a comprehensive construction skills training program, including both classroom and on-the-job training, to low-income individuals. Intra-organizational accounts and transactions have been eliminated in the accompanying basic financial statements.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***A. REPORTING ENTITY***

As the governing authority of the parish, for reporting purposes, the Ouachita Parish Police Jury (the Police Jury) is the reporting entity for Ouachita Parish. The financial reporting entity consists of (a) the primary government (the Police Jury); (b) organizations for which the reporting entity is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and:
  - a. The ability of the primary government to impose its will on that organization, or

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**Monroe, Louisiana**

**Notes to Basic Financial Statements**  
**For the Year Ended December 31, 2003**

- b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.
2. Organizations for which the primary government does not appoint a voting majority, but are fiscally dependent on the primary government.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

The Ouachita Parish Police Jury and OCEZ have entered into a Cooperative Endeavor Agreement under which the Police Jury provides funding from a Federal grant to the OCEZ. The OCEZ, as subrecipient, carries out the economic development activities specified in the grant award. The Police Jury approves OCEZ's budget, advances operating funds to the OCEZ and maintains the payroll and accounting records for OCEZ. Although the OCEZ is governed by a separate board, the OCEZ has fiscal dependency on the Police Jury and, therefore, it is considered a component unit of the Ouachita Parish Police Jury reporting entity.

The accompanying financial statements present information only on OCEZ's funds and NLCB, its wholly-owned subsidiary. They do not include the Police Jury's funds, the general governmental services provided by that governmental unit, or other governmental units that comprise the financial reporting entity of the Police Jury.

**B. BASIS OF ACCOUNTING**

On January 1, 2003, OCEZ adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Statement 34 established standards for external reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities and a statement of cash flows. It also requires the classification of net assets into three components - invested in capital assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt - This component of net assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances on any bonds, mortgages, notes, or other borrowings

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**Monroe, Louisiana**

**Notes to Basic Financial Statements**  
**For the Year Ended December 31, 2003**

attributed to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – This component of net assets consists of those net assets on which constraints been placed externally by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or laws through constitutional provisions or enabling legislation.

Unrestricted net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

OCEZ has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued since November 30, 1989 unless they are adopted by GASB.

The District recognizes income on the accrual basis of accounting, whereby revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred.

***C. BAD DEBTS***

Uncollectible amounts for loans receivable are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance was \$45,577 as of December 31, 2003.

***D. PROPERTY AND EQUIPMENT***

The Police Jury has utilized federal awards of \$47,202 to purchase property and equipment for use by OCEZ. Those fixed assets are owned and maintained by the Police Jury but are used by OCEZ. Other property and equipment are recorded at cost or estimated fair value when donated. Expenditures greater than \$500 are capitalized. All other expenditures are expensed as incurred. The cost of assets retired or otherwise removed and the related accumulated depreciation are eliminated from the accounts in the year of removal, with the resulting gain or loss credited or charged to operations. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets which are, generally, four years for office furniture, fixtures, and equipment; forty years for buildings; and twenty years for major improvements.

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**Monroe, Louisiana**

**Notes to Basic Financial Statements**  
**For the Year Ended December 31, 2003**

***E. USE OF ESTIMATES***

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

***F. STATEMENT OF CASH FLOWS***

For purposes of the Statement of Cash Flows, OCEZ considers all highly liquid investments with a purchased or original maturity of three months or less to be cash equivalents.

**Note 2 - CASH AND CASH EQUIVALENTS**

The Police Jury maintains cash and investment accounts from funds received pursuant to a Federal Grant that are used to finance the operating mission of the OCEZ. These deposits are stated at cost, which approximates market, on the books of the Police Jury. Under state law, these deposits (or the resulting book balances) 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 at least equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2003, the Police Jury has \$20,947,823 in deposits (collected bank balances). These deposits are secured from risk by \$300,000 of federal deposit insurance and \$23,344,429 of pledged securities held by the custodial bank in the name of the Police Jury (GASB Category 2). Even though the pledged securities are considered uncollateralized (Category 2) under the provisions of GASB Statement 3, 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 Police Jury that the fiscal agent has failed to pay deposited funds upon demand.

**Note 3 - LOANS RECEIVABLE**

Consistent with its mission and grant agreements, OCEZ makes funds available to qualified businesses through loan guarantee and loan participation agreements. The loans

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**Monroe, Louisiana**

**Notes to Basic Financial Statements**  
**For the Year Ended December 31, 2003**

are due over periods ranging from 70 to 158 months at variable rates of interest and are secured by the business assets acquired and the personal guaranties of the borrowers. Interest income from these investments totaled \$14,995 for the year ended December 31, 2003.

	<u>Balance</u> <u>01/01/2003</u>	<u>Additions</u>	<u>Collections</u> <u>&amp; Bad Debts</u>	<u>Balance</u> <u>12/31/2003</u>
Totals	\$ 290,380	\$ 217	\$ 68,344	\$ 222,253
Less: Current Portion				18,958
Long-Term Portion				<u>\$ 203,295</u>

**Note 4 - RETIREMENT PROGRAM**

All permanent employees of OCEZ working at least 28 hours per week are eligible to participate in a retirement program under a plan administered by a third party. No distributions may be requested by an employee before the employee attains the age of 59 ½ years unless the employee has separated from the service of OCEZ, incurred a disability, or encountered certain financial hardship. The plan provides for distributions of the assets of the participant account by a lump-sum payment, installment payments over a period certain not to exceed the life expectancy of the employee or the joint and last survivor life expectancy of the employee and his or her beneficiary, or by the purchase and distribution of an annuity contract providing annuity payments over the life of the of the employee and his or her spouse.

*Funding Policy.* Employees covered by the Plan contribute 9.50 percent of their annual covered salaries and OCEZ contributes at an actuarially determined rate. The current actuarially determined rate is 7.75 percent of annual covered payroll. OCEZ's contributions to the Plan for the years ended December 31, 2003, 2002, and 2001 were \$9,663, \$8,589, and \$13,684 respectively.

**Note 5 - COMPENSATED ABSENCES**

OCEZ has adopted the same compensated absence policies as the Police Jury. The amount of each type of leave earned by employees is dependent upon length of service of that employee, ranging from 40 hours of leave for employees with less than two years of service up to a maximum of 160 hours of leave for an employee with twenty or more years of service. Employees are allowed to carry forward all accrued unused sick leave to

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**Monroe, Louisiana**

**Notes to Basic Financial Statements**  
**For the Year Ended December 31, 2003**

succeeding calendar years. Unused accrued annual leave may be carried forward to succeeding years to a maximum of 320 hours.

An employee permanently separated from employment as a result of voluntary resignation, discharge, retirement, or death shall receive a terminal payment for annual leave earned. This terminal payment shall be computed on the basis of the employee's hourly rate of pay at the time of his separation. This payment shall be made to the estate of the employee separated by death. Employees who have completed 3 consecutive years of full-time employment shall receive a terminal payment for 25% to 50% of accrued sick leave based on their hourly rate of pay at the time of separation, not to exceed 480 hours. At December 31, 2003, employees had earned and vested accumulated annual leave totaling \$6,729 and unused sick leave totaling \$1,546.

**Note 6 - RELATED PARTY TRANSACTIONS**

During the year, OCEZ paid \$9,000 to the Ouachita Parish Police Jury for services rendered in connection with accounting, payroll, payment of invoices, and other administrative matters.

During the year 2002, Northern Louisiana Community Builders, Inc. (NLCB), the wholly-owned subsidiary of OCEZ, entered into a Lease Agreement as lessee of a building. The lessor of the building was represented by its president who also serves as a member of the Board of Directors of OCEZ. Lease payments for the year 2003 totaled \$2,000. The lease was terminated in 2003 prior to the end of its initial term by mutual consent of the lessor and lessee.

**Note 7 - NONMONETARY TRANSACTIONS**

Use of certain items of furniture, fixtures, and equipment that are owned by the Ouachita Parish Police Jury was provided at no cost to OCEZ. The estimated fair value of these non-monetary transactions has not been determined.

**Note 8 - RISK FINANCING ACTIVITIES**

Through its primary government (the Police Jury), OCEZ participates in the Parish Government Risk Management Agency, a public entity risk pool providing group health and life insurance programs. In addition, OCEZ participates in the self insurance

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**Monroe, Louisiana**

**Notes to Basic Financial Statements**  
**For the Year Ended December 31, 2003**

program created by the Police Jury for the purpose of self funding potential insurance losses for property and vehicle insurance, workers compensation and comprehensive general liability claims. The self insurance plan is administered by a third party, with claims in excess of the self-insured amount of \$100,000 being paid from the excess liability carrier. The Police Jury is using internal service funds to account for its risk financing activities. At December 31, 2003 the balance available in the self-insurance funds to pay liabilities, if and when they arise, is approximately \$1,250,000.

**Note 9 - COMMITMENTS AND CONTINGENCIES**

The Ouachita Parish Police Jury received an award from the Federal Department of Housing and Urban Development of \$2,947,368. The grant was made in December 1994 and is for a period of ten years which expires in December 2004. The Police Jury is the designated contract provider/contractor and administers the grant pursuant to the terms of a Cooperative Endeavor Agreement with OCEZ. As of December 31, 2003, approximately \$220,848 of OCEZ's approved budget was unexpended. The term of the approved budget for this grant will expire May 31, 2004.

Based on information received in 2003, OCEZ was notified that the Office of Community Services (OCS) would rescind and then require repayment of any cash remaining from the initial \$100,000 drawdown on its Discretionary Grant under the Urban and Rural Community Economic Development Program. That possibility is due to certain questionable activities by NLCB that occurred in 2002. The exact amount of any required repayment of grant expenditures, if any, has not been determined. However, \$65,207 is included in the accompanying financial statements as Due to Other Governments which represents the cash remaining from OCEZ's \$100,000 drawdown that was remitted to OCS in April 2004.

**Note 10 - SUBSEQUENT EVENTS**

Northern Louisiana Community Builders, Inc. (NLCB), the wholly-owned subsidiary of OCEZ, was dissolved in February 2004.

OCEZ filed a lawsuit against its former executive director, Van H. Brass, on March 3, 2004. The plaintiff seeks an award of damages for the conversion and misappropriation of \$7,439.

***SUPPLEMENTAL INFORMATION***

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**MONROE, LOUISIANA**

**COMBINING AND CONSOLIDATING STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2003**

	<u>OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.</u>	<u>NORTHERN LOUISIANA COMMUNITY BUILDERS, INC.</u>	<u>ELIMINATING ENTRIES DEBIT (CREDIT)</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash	\$ 240,830	\$ -	\$ -	\$ 240,830
Accounts Receivable	1,362	-	-	1,362
Loans Receivable	18,958	-	-	18,958
Due from Other Funds	-	100	(100)	-
Due from Ouachita Parish Police Jury	106,845	-	-	106,845
<b>Total Current Assets</b>	<u>367,995</u>	<u>100</u>	<u>(100)</u>	<u>367,995</u>
<b>Capital Assets</b>				
Equipment	71,234	-	-	71,234
Accumulated Depreciation	(6,017)	-	-	(6,017)
<b>Total Capital Assets</b>	<u>65,217</u>	<u>-</u>	<u>-</u>	<u>65,217</u>
<b>Other Assets</b>				
Loans Receivable	203,295	-	-	203,295
Investment in Subsidiary	100	-	(100)	-
<b>Total Other Assets</b>	<u>203,395</u>	<u>-</u>	<u>(100)</u>	<u>203,295</u>
<b>TOTAL ASSETS</b>	<u>\$ 636,607</u>	<u>\$ 100</u>	<u>\$ (200)</u>	<u>\$ 636,507</u>
 <b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 19,348	\$ -	\$ -	\$ 19,348
Accrued Salaries and Wages	12,660	-	-	12,660
Due to Other Funds	100	-	100	-
Due to Other Governments	65,207	-	-	65,207
<b>Total Current Liabilities</b>	<u>97,315</u>	<u>-</u>	<u>100</u>	<u>97,215</u>
<b>Net Assets</b>				
Capital Stock - 100 Shares of \$100 Par Value Authorized	-	100	100	-
Invested in Capital Assets	65,217	-	-	65,217
Unrestricted Net Assets	474,075	-	-	474,075
<b>Total Net Assets</b>	<u>539,292</u>	<u>100</u>	<u>100</u>	<u>539,292</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 636,607</u>	<u>\$ 100</u>	<u>\$ 200</u>	<u>\$ 636,507</u>

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.  
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)  
MONROE, LOUISIANA**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.</u>	<u>NORTHERN LOUISIANA COMMUNITY BUILDERS, INC.</u>	<u>ELIMINATING ENTRIES DEBIT (CREDIT)</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<b>Operating Income</b>				
Federal Grants	\$ 420,555	\$ -	\$ -	\$ 420,555
Interest Earned on Loans	14,995	-	-	14,995
Miscellaneous Revenue	4,863	-	-	4,863
<b>Total Operating Income</b>	<u>440,413</u>	<u>-</u>	<u>-</u>	<u>440,413</u>
<b>Operating Expenses</b>				
Economic Opportunity	338,742	-	-	338,742
Revolving Loan Guarantee	10,531	-	-	10,531
Incubator Project	31,888	-	-	31,888
Homeownership	3,071	-	-	3,071
Youth to Career	28,228	-	-	28,228
Residential Construction, Education, and Training	8,545	823	-	9,368
<b>Total Operating Expenses</b>	<u>421,005</u>	<u>823</u>	<u>-</u>	<u>421,828</u>
<b>Transfers In (Out)</b>	<u>(823)</u>	<u>823</u>	<u>-</u>	<u>-</u>
<b>Net Operating Income</b>	<u>18,585</u>	<u>-</u>	<u>-</u>	<u>18,585</u>
<b>Non-Operating Income</b>				
Rent and Interest Income	1,639	-	-	1,639
<b>Total Non-Operating Income</b>	<u>1,639</u>	<u>-</u>	<u>-</u>	<u>1,639</u>
<b>Changes in Net Assets</b>	20,224	-		20,224
<b>Net Assets at Beginning of Year</b>	<u>519,068</u>	<u>100</u>	<u>100</u>	<u>519,068</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 539,292</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 539,292</u>

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**MONROE, LOUISIANA**  
**SCHEDULE OF PROGRAM EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

Programs	Personnel Services	Operating Services	Contractual Services	Stipends	Materials & Supplies	Travel, Tuition & Other	Bad Debts	Totals
Economic Opportunity	\$ 140,126	\$ 63,056	\$ 120,350	-	\$ 9,294	\$ 5,916	-	\$ 338,742
Revolving Loan Guarantee	-	-	945	-	-	-	9,586	10,531
Incubator Project	30,396	439	-	-	20	1,033	-	31,888
Homeownership	-	149	2,922	-	-	-	-	3,071
Youth to Career	-	802	22,986	2,300	-	2,140	-	28,228
Residential Construction, Education, and Training	570	2,253	6,545	-	-	-	-	9,368
<b>Total Expenditures</b>	<b>\$ 171,092</b>	<b>\$ 66,699</b>	<b>\$ 153,748</b>	<b>\$ 2,300</b>	<b>\$ 9,314</b>	<b>\$ 9,089</b>	<b>\$ 9,586</b>	<b>\$ 421,828</b>

***REPORTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS  
AND OMB CIRCULAR A-133***



Francis I. Huffman, CPA  
L. Fred Monroe, CPA  
Esther Atteberry, CPA

John L. Luffey, MBA, CPA (1963-2002)

**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**

**To the Board of Directors  
OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.  
Monroe, Louisiana**

We have audited the basic financial statements of the **Ouachita Community Enhancement Zone, Inc. (OCEZ)**, a component unit of the Ouachita Parish Police Jury, as of and for the year ended December 31, 2003, and have issued our report thereon dated April 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

***Compliance***

As part of obtaining reasonable assurance about whether OCEZ's component unit 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 03-04 and 03-05.

***Internal Control over Financial Reporting***

In planning and performing our audit, we considered OCEZ's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial

(318) 387-2672 • FAX (318) 322-8866 • [www.lhm-cpas.com](http://www.lhm-cpas.com)  
1100 N 18<sup>th</sup> ST • PO Box 4745 • Monroe LA 71211-4745  
MEMBERS OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**Ouachita Community Enhancement Zone, Inc.  
Monroe, Louisiana**

reporting that, in our judgement, could adversely affect OCEZ's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 03-01 through 03-03.

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 component unit 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. 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 reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider reportable conditions 03-01 through 03-03 described above to be material weaknesses.

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



(A Professional Accounting Corporation)

April 22, 2004



Francis I. Huffman, CPA  
L. Fred Monroe, CPA  
Esther Atteberry, CPA

John L. Luffey, MBA, CPA (1963-2002)

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**To the Board of Directors  
OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.  
Monroe, Louisiana**

**Compliance**

We have audited the compliance of the **Ouachita Community Enhancement Zone, Inc.** (OCEZ) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended December 31, 2003. OCEZ's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of OCEZ's management. Our responsibility is to express an opinion on OCEZ's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about OCEZ's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on OCEZ's compliance with those requirements.

In our opinion, OCEZ complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended December 31, 2003.

**Ouachita Community Enhancement Zone, Inc.  
Monroe, Louisiana**

**Internal Control Over Compliance**

Management of OCEZ is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered OCEZ's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect OCEZ's ability to administer a major Federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 03-05.

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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, we consider reportable condition 03-05 described above to be a material weakness.

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



(A Professional Accounting Corporation)

April 22, 2004

**OTHER SUPPLEMENTAL INFORMATION**

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.  
MONROE, LOUISIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2003**

<b>Federal Grantor/ Pass-Through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Expenditures</b>
<b>Pass Through Program</b>		
U. S. Department of Health and Human Services/ Louisiana Department of Social Services/ Empowerment Zone-Enterprise Community	93.667	\$ 403,406
U. S. Department of Health and Human Services/Office of Community Services/Urban & Rural Community Development Program	93.570	1,469
<b>TOTAL</b>		<b>\$ 404,875</b>

The accompanying notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**Monroe, Louisiana**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2003**

**Note 1 - General**

The accompanying Schedule of Expenditures of Federal Awards presents the activities of all Federal awards of the Ouachita Community Enhancement Zone, Inc. (OCEZ). The OCEZ reporting entity is defined in Note 1 to the OCEZ's financial statements. All Federal awards passed through other government agencies are included on the schedule.

**Note 2 - Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the OCEZ's financial statements.

**Note 3 - Reconciliation of Total Expenditures to Schedule of Expenditures of Federal Awards**

Total Expenditures per Financial Statements	\$ 421,828
Add: Loans Made During the Year	217
Fixed Asset Acquisitions by OCEZ	299
Less: Bad debts	(9,586)
Depreciation Expense	(2,935)
Compensated Absences	(4,614)
Loan Equity Program Expenses	(310)
Non-Federal Expenses	<u>(24)</u>
Total Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 404,875</u>

**Note 4 - Loans Receivable**

The unpaid principal balances on all loans, as of December 31, 2003, was \$267,830. \$45,577 of the principal balance has been reserved for bad debts.

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**Monroe, Louisiana**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

**A. Summary of Auditors Results:**

- 1) The audit report on the Ouachita Community Enhancement Zone, Inc. (OCEZ) as of and for the fiscal year ended December 31, 2003 was unqualified;
- 2) The audit of the basic financial statements disclosed instances of reportable conditions in internal control presented as items 03-01 through 03-03 and are considered to be material weaknesses;
- 3) The audit of the basic financial statements disclosed an instance of noncompliance that is considered to be material to the basic financial statements of the OCEZ and is presented as item 03-05;
- 4) There was one reported instance of a reportable condition in the internal control over major Federal programs which was reported as a material weakness and is presented as item 03-05;
- 5) The auditors' report on OCEZ's compliance with requirements applicable to each major program was unqualified;
- 6) The audit of OCEZ's compliance with requirements applicable to each major program did not disclose findings required to be reported under the provisions of OMB Circular A-133 Section .510(a);
- 7) The major Federal program for purposes of the report on compliance with the requirements applicable to major programs was the Empowerment Zone/Enterprise Community (CFDA No. 93.667);
- 8) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000; and,
- 9) OCEZ did not qualify as a low-risk auditee under the provisions of OMB Circular A-133 section .530.

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**Monroe, Louisiana**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

**(B) Findings Related to the Financial Statements that are required to be reported under *Government Auditing Standards*:**

**03-01 CERTAIN ACCOUNT BALANCES WERE NOT RECONCILED**

**Finding:** Seven adjusting entries resulting from the audit of the financial statements as of and for the year ended December 31, 2002 were not recorded. As a result, the fund balances were not reconciled to last year's financial statements and the beginning balances for several accounts in the general ledger were not correct.

This is a repeat of last year's Finding 02-01.

**Recommendation:** All adjusting entries resulting from each annual audit of the financial statements should be made timely. Fund balances and beginning general ledger balances should be reconciled to the prior year's audited financial statements.

**Management's Corrective Action Plan:** The Ouachita Parish Police Jury and OCEZ management will better coordinate the reconciliation of year end adjustments. After completion of the audit, fund balances will be compared to the general ledger to ensure the accuracy of financial data.

**03-02 ALLOWANCE FOR DOUBTFUL ACCOUNTS**

**Finding:** Of the various notes receivable, two are considered to be non-performing loans. Another of the debtors has filed a chapter 13 bankruptcy proceeding and payments are being received from the bankruptcy trustee. It is recognized that the likelihood of collecting the entire unpaid balances on these notes is remote but no bad debt expense or change in the allowance for doubtful accounts was recorded.

This is a repeat of last year's Finding 02-02.

**Recommendation:** As part of its regularly scheduled activities throughout each year, management should perform a detail review of each loan's history, assess the adequacy of the security for each loan, determine the collectibility of the remaining balance on each note and immediately record or adjust the allowance for doubtful accounts for all loans whose ultimate collection is determined to be remote.

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**Monroe, Louisiana**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

**Management's Corrective Action Plan:** The executive director performs a detail review of each loan's history, assesses the adequacy of the security for each loan, and determines the collectibility of the remaining balance on each note. However, due to legal circumstances surrounding the loans that needed adjustment, the amount uncollectible was not able to be determined until February, 2004. With the knowledge that they could make a financial adjustment to the receivables after fiscal year end, management's decision was to wait until all of the facts were obtained to make an accurate adjustment to receivables and bad debt expense.

**03-03 SEGMENT OF OPERATIONS DOES NOT HAVE A VIABLE SYSTEM OF INTERNAL CONTROLS OVER REPORTING OR THE PROTECTION OF ASSETS**

**Finding:** Operations conducted by Northern Louisiana Community Builders, Inc. (NLCB) were accounted for by utilizing a distinctly segregated accounting system from the one already established with the Ouachita Parish Police Jury. This resulted in two sets of accounting records that must be merged before meaningful financial statements can be prepared and a significant amount of assets being at risk of misuse, abuse, and theft because of an inadequate system of internal controls. The current systems resulted in a duplication of expenses being recorded for the operations of NLCB that totaled \$7,899.

**Recommendation:** Management should meet with a representative of the Ouachita Parish Police Jury and jointly develop a system to incorporate all of OCEZ's activities into a single accounting system with an effective system of internal controls.

This is a repeat of last year's Finding 02-03.

**Management's Corrective Action Plan:** The NLCB was dissolved February 2004. The only source of revenue for the NLCB was from a Office of Community Services grant that was in the process of being rescinded by OCS during 2003. Although the transactions for NLCB were recorded "after the fact" for 2003, this situation will not reoccur during 2004 due to the dissolution of NLCB.

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**Monroe, Louisiana**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

**03-04 NLCB WAS DELINQUENT IN FILING PAYROLL TAX RETURNS**

**Finding:** NLCB was incorporated as a for-profit corporation and a wholly-owned subsidiary of OCEZ, which is a not-for-profit corporation. NLCB paid salaries in 2002 but did not remit any payroll taxes until January 2003. In October 2003, NLCB paid penalties and interest totaling \$253 for failing to file the required tax returns timely. These penalties and interest are questioned costs for purposes of the grant to which they relate.

**Recommendation:** Management should inform its tax advisor of the requirements for filing payroll tax returns for NLCB timely and ensure that these questioned costs are not included in any cost reports that seek reimbursement from any grantor agency.

**Management's Corrective Action Plan:** Management concurs that the payroll taxes should have been filed timely and that the penalty and interest will not be reimbursed by a Federal grant. Since NLCB has been dissolved, there will no longer be salaries paid or payroll taxes due.

**(C) FINDINGS OR QUESTIONED COSTS RELATIVE TO MAJOR FEDERAL AWARD PROGRAMS:**

**03-05 COST REPORTS FOR THE YEAR 2002 FOR THE EMPOWERMENT ZONE/ENTERPRISE COMMUNITY GRANT (CFDA 93.667) WERE AMENDED IN 2004 DUE TO THE OFFICE OF COMMUNITY SERVICES RESCINDING ITS URBAN AND RURAL COMMUNITY DEVELOPMENT GRANT (CFDA 93.570)**

**Finding:** In June 2003, OCS rescinded its grant to OCEZ by notification and a request that OCEZ return all of the cash remaining from the \$100,000 drawdown. The remaining cash at December 31, 2003 was \$65,207 of which \$24,389 was owed to the Ouachita Parish Police Jury who had paid certain operating expenses for the benefit of NLCB. In compliance with the OCS request, OCEZ refunded the entire cash balance including the amount owed to the OPPJ. Therefore, OPPJ amended its 2002 cost reports to include the \$24,389 based on the premise that the benchmarks for all of its federal grants are the same.

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**Monroe, Louisiana**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2003**

**Recommendation:** Management should continue reviewing all expenditures relating to these grants and provide the grantor agencies with sufficient information that they will have a complete understanding of the facts and circumstances concerning this complicated transaction.

**Management's Corrective Action Plan:** The executive director was in continuous communication with the Office of Community Services during 2003 in order to determine if expenses incurred on behalf of the program were going to be reimbursed as the expenses were allowable for the program. It was not determined by OCS to rescind the grant, officially, until January, 2004, and in March, 2004 OCS requested the remaining \$65,207 to be returned in entirety. Therefore, the request for reimbursement of expenses under the OCS program could not be requested from DSS until that determination was made.

Management will ensure that expenses incurred for future programs will be requested immediately from the appropriate grantor agency.

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**Monroe, Louisiana**

**SUMMARY STATUS OF PRIOR YEAR FINDINGS**

The following is a summary of the status of the prior year findings included in the Schedule of Findings and Questioned Costs dated July 3, 2003 issued in connection with the examination of the financial statements of the Ouachita Community Enhancement Zone, Inc. as of and for the year ended December 31, 2002:

**(C) Findings Related to the Financial Statements that are required to be reported under  
*Government Auditing Standards:***

**02-01 CERTAIN ACCOUNT BALANCES WERE NOT RECONCILED**

**Finding:** Three audit adjusting entries resulting from the audit of the financial statements as of and for the year ended December 31, 2001 were not recorded.

**Status of Prior Year Finding:** This finding did reoccur during 2003. The Treasurer of the Police Jury will reconcile the audited statements to the general ledger for fiscal year end 2003 and ensure that the fund balance agrees to the general ledger.

**02-02 ALLOWANCE FOR DOUBTFUL ACCOUNTS**

**Finding:** Of the various notes receivable, there are two that are considered to be non-performing loans. One of the debtors has filed a chapter 13 bankruptcy proceeding and the other is in default for non-payment of monthly note payments. It is recognized that the likelihood of collecting the unpaid balance on either note is remote but no bad debt expense or allowance for doubtful accounts was recorded.

**Status of Prior Year Finding:** This finding did reoccur during 2003. The executive director performs a detail review of each loan's history, assesses the adequacy of the security for each loan, and determines the collectibility of the remaining balance on each note. However, due to legal circumstances surrounding the loans that needed adjustment, the amount uncollectible was not able to be determined until February, 2004. With the knowledge that they could make a financial adjustment to the receivables after fiscal year end, management's decision was to wait until all of the facts were obtained to make an accurate adjustment to receivables and bad debt expense.

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**Monroe, Louisiana**

**SUMMARY STATUS OF PRIOR YEAR FINDINGS**

**02-03 SEGMENT OF OPERATIONS DOES NOT HAVE A VIABLE SYSTEM OF INTERNAL CONTROLS OVER REPORTING OR THE PROTECTION OF ASSETS**

**Finding:** All of the operations conducted by Northern Louisiana Community Builders, Inc. (NLCB) were accounted for by utilizing a distinctly segregated accounting system from the one already established with the Ouachita Parish Police Jury. This resulted in two sets of accounting records that must be merged before meaningful financial statements can be prepared and a significant amount of assets being at risk of misuse, abuse, and theft because of an inadequate system of internal controls.

**Status of Prior Year Finding:** Management had several decisions to make regarding the segment NLCB during 2003. Since the single source of revenue, Office of Community Services (OCS), had informally informed management that it was going to rescind the grant, and since management was considering dissolving NLCB, it did not seem necessary to implement a complete system of internal controls. The only assets owned by NLCB were the deposits in a local bank. These deposits were funds advanced by OCS, and it was determined that the only transaction would probably be to return the funds to OCS. The bank accounts were reconciled by OCEZ's consulting accountant and presented to the Board for review on a timely basis.

Management recognizes the importance that a viable system of internal control plays in safeguarding assets and will fully implement a system of internal controls for any segments created in the future.

**02-04 CERTAIN ACTS THAT MAY HAVE BEEN FRAUDULENT, ILLEGAL, VIOLATIONS OF LAW, AND/OR CRIMINAL MATTERS WERE NOT IMMEDIATELY REPORTED TO THE PROPER AUTHORITIES**

**Finding:** Louisiana Revised Statutes (LSA) 24:523 of the State of Louisiana specifically provide that "an agency head of an auditee who has actual knowledge of any misappropriation of the public funds or assets of his agency shall immediately notify, in writing, the legislative auditor and the district attorney of the parish in which the agency is domiciled of such misappropriation."

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**Monroe, Louisiana**

**SUMMARY STATUS OF PRIOR YEAR FINDINGS**

Based on information provided to us during the course of our audit and review of certain allegations provided to us by management and the legislative auditor, we believe it is possible that illegal activities have taken place and that a timely written notification should have gone to the legislative auditor and other appropriate authorities as provided in the statutes.

**Status of Prior Year Finding:** OCEZ management took appropriate action during 2003 by meeting with the local District Attorney on August 18, 2003. Management thought that the appropriate way to inform the Legislative Auditor was as a finding in the fiscal year 2002 audit which was to be concluded and turned in within a month of finding the impropriety. The executive director at the time of the incident was terminated. If a similar situation occurs in the future, a timely written notification will go to the legislative auditor and other appropriate authorities as provided in the statutes.

**02-05 OFFICE OF COMMUNITY SERVICES (OCS) HAS RESCINDED THE \$350,000 GRANT AWARDED TO OCEZ AND ALL CASH REMAINING FROM THE \$100,000 DRAWDOWN MUST BE REFUNDED BY OCEZ BACK TO OCS**

**Finding:** In June 2003, OCS rescinded its grant to OCEZ by notification and a request that OCEZ return all of the cash remaining from the \$100,000 drawdown. The precise amount of the remaining cash has not been determined but it is estimated to be about \$50,000.

As stated in Finding 02-04 above, NLCB does not have properly approved or elected officers or directors. Therefore, all expenditures of funds from the \$100,000 drawdown on this grant could be questioned costs because of NLCB's actions through its unauthorized officers, directors, and project manager. Ultimately, the entire \$100,000 may have to be refunded to OCS.

**Status of Prior Year Finding:** It was not determined by OCS to rescind the grant, officially, until January, 2004, and in March, 2004 OCS requested the remaining \$65,207 to be returned. The other expenses of \$34,793 incurred were determined by OCS to be allowable.

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**Monroe, Louisiana**

**SUMMARY STATUS OF PRIOR YEAR FINDINGS**

**02-06 REPORTS REQUIRED TO BE FILED WITH OCS WERE NOT COMPLETE, TIMELY, OR ACCURATE**

**Finding:** Information provided to us shows that the only report made to OCS was for the period ended March 31, 2002. The terms of the grant contain specific reporting requirements but additional reports that were due during the year 2002 were neither prepared nor filed. Therefore, it appears that the reporting requirements have not been complete, timely, or accurate. This is a violation of the terms and conditions of the grant contract. We noted that a report was filed with OCS for the period ended March 31, 2003. However, we are unable to verify the information contained in it or to reconcile the financial data to OCEZ's books and records as of December 31, 2002.

**Status of Prior Year Finding:** OCS rescinded the referenced grant in January 2004 and the remaining grant funds were returned to OCS in March 2004. OCS has accepted this as a final closeout of the grant.

**02-07 INDIRECT COST ALLOCATIONS INCLUDED IN PROGRAM EXPENSES ARE NOT PROVIDED FOR IN THE FINANCIAL ASSISTANCE AWARD FOR THE URBAN AND RURAL COMMUNITY DEVELOPMENT PROGRAM**

**Finding:** The reported expenditures of \$58,359 for this grant include \$33,954 as indirect cost allocations for administrative time. However, the financial assistance award does not provide for any such allocations. Therefore, even though these amounts are included in the related Schedule of Expenditures of Federal Awards, they may be disallowed according to the terms of the grant.

**Status of Prior Year Finding:** OCS rescinded the referenced grant in January 2004 and the remaining grant funds were returned to OCS in March 2004. OCS has accepted this as a final closeout of the grant.

**02-08 INVOICES WERE NOT CODED TO THE CORRECT ACCOUNTS**

**Finding:** Of the sixty disbursements we randomly selected for compliance testing, we noted that seven of them were not coded to the correct account. The total of the

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.**  
**(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**  
**Monroe, Louisiana**

**SUMMARY STATUS OF PRIOR YEAR FINDINGS**

disbursements selected was \$54,767 and those with coding errors totaled \$1,466. We also noted that several more of the invoices tested were coded to the best accounts available on the Chart of Accounts but, in those cases, the account descriptions do not accurately describe the nature of the expenditures.

**Status of Prior Year Finding:** OCEZ management and the Ouachita Parish Police Jury accounting department have met concerning this finding during 2003 and both are taking better care to prevent miscoding of invoices.

**(C) FINDINGS OR QUESTIONED COSTS RELATIVE TO MAJOR FEDERAL AWARD PROGRAMS:**

**02-09 COST REPORTS FOR THE EMPOWERMENT ZONE/ENTERPRISE COMMUNITY GRANT WERE OVERSTATED (CFDA 93.667)**

**Finding:** The monthly cost reports for the Empowerment Zone/Enterprise Community Grant CFDA 93.667 contains \$44,845 of expenses that were incurred on behalf of the Community Services/Urban & Rural Community Development Program Grant CFDA 93.570. OCEZ was advanced \$100,000 on the Urban & Rural Community Development Grant. The \$44,845 of expenses should have been charged against the \$100,000 advance instead of being included on the monthly cost reports of the Enterprise Community Grant. In essence OCEZ was reimbursed twice for the same expenses. The financial statements have been adjusted to reflect a liability of \$44,845 due to other governments (the funding source) and the expenses of the Enterprise Community Grant were reduced by the \$44,845.

**Status of Prior Year Finding:** Miscommunication between OCEZ staff and the Ouachita Parish Police Jury staff contributed to this problem. The two agencies have met to solve the miscommunication and reconcile the allowable costs for the two grant programs. OCS rescinded the referenced grant, officially, in January, 2004, and in March, 2004 OCS requested the remaining \$65,207 to be returned. The other expenses of \$34,793 incurred were determined by OCS to be allowable.