

**NORTHWEST LOUISIANA COUNCIL  
OF GOVERNMENTS  
SHREVEPORT, LOUISIANA  
JUNE 30, 2004**

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 2-2-05

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SHREVEPORT, LOUISIANA

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NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SHREVEPORT, LOUISIANA

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the financial performance of Northwest Louisiana Council of Governments provides an overview of the Council's financial activities for the fiscal years ended June 30, 2004 and 2003. Please read it in conjunction with the Council's financial statements, which begin on Page 3.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on Pages 3 and 4) provide information about the activities of the Council as a whole. Fund financial statements start on Page 5. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Council's operations in more detail than the government-wide statements by providing information about the Council's most significant funds. The accompanying financial statements present information only on the funds maintained by the Council.

### Reporting the Funds Maintained by the Commission as a Whole

#### The Statement of Net Assets and the Statement of Activities

Our analysis of the funds maintained by the Council as a whole begins on Page 3. The Statement of Net Assets and the Statement of Activities report information about the funds maintained by the Council as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting.

These two statements report the Council's *net assets* and changes in them. The Council's net assets - the *difference between assets and liabilities* - is one way to measure the Council's financial health, or *financial position*. Over time, *increases or decreases* in the Council's net assets are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, we record the activities in the funds maintained by the Council as governmental activities:

Governmental activities - expenses related to, and resources provided for, regional and metropolitan transportation planning.

### Reporting the Most Significant Funds Maintained by the Council

Our analysis of the major funds maintained by the Council begins on Page 5. The fund financial statements provide detailed information about the most significant funds maintained by the Council - not necessarily the Council as a whole. The Council's funds use the following accounting approaches.

Governmental fund - All of the Council's expenses in transportation planning are reported in a *governmental fund*, which focuses on how money flows into and out of this fund and the balances left at year-end that are available for spending. This fund is reported using an accounting method called *modified accrual basis*. The governmental fund statements provide a detailed *short-term view* of the Council's operations and the expenses paid from the fund. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain Council expenses. However, because the Council recovers the costs of depreciation and

personnel compensated absences from federal and local governments, these governmental fund statements include capital assets and accrued compensated absences liabilities. Consequently, there are no differences between governmental activities (reported in the Statement of Net Assets and the Statement of activities) and the governmental fund financial statements.

### THE FUNDS MAINTAINED BY THE COUNCIL AS A WHOLE

The Council's total net assets changed from a year ago, increasing from \$327,900 to \$348,978. This increase amounted to \$21,078, or 6.4%. Both current assets and current liabilities declined significantly during the year, as cash was used to liquidate accounts payable.

**Table 1**  
**Net Assets**

	<u>Government-Wide Activities</u>	
	<u>2004</u>	<u>2003</u>
Current assets	418,085	505,976
Capital assets, net	<u>11,800</u>	<u>21,909</u>
Total assets	429,885	527,885
Current liabilities	<u>80,907</u>	<u>199,985</u>
Total liabilities	80,907	199,985
Net assets:		
Investment in capital assets	11,800	21,909
Unreserved and undesignated	<u>337,178</u>	<u>305,991</u>
Total net assets	<u>348,978</u>	<u>327,900</u>

**Table 2**  
**Changes in Net Assets**

	<u>Government-Wide Activities</u>	
	<u>2004</u>	<u>2003</u>
Revenues		
Operating Grants	770,583	745,381
Other	<u>2,542</u>	<u>2,470</u>
Total revenues	773,125	747,851
Expenses		
General governmental-transportation planning	<u>752,047</u>	<u>742,098</u>
Increase in net assets	<u>21,078</u>	<u>5,753</u>

For the funds maintained by the Council, total revenues increased \$25,274, from total revenues in 2003 of \$747,851, to total revenues of \$773,125 in 2004. This increase was mainly the result of the receipt of additional local funds during the year.

In addition, total expenses increased slightly by \$9,949, from \$742,098 in 2003, to \$752,047 in 2004.

### CAPITAL ASSETS

At the end of 2004, the Council had invested \$158,398 in capital assets from those funds maintained by the Council.

**Table 3  
Capital Assets At Year End**

	<u>Government-Wide Activities</u>	
	<u>2004</u>	<u>2003</u>
Furniture and equipment	158,398	149,603
<u>Less-accumulated depreciation</u>	<u>(146,598)</u>	<u>(127,694)</u>
	<u>11,800</u>	<u>21,909</u>

The years' major additions included:

Computer equipment	<u>8,795</u>	<u>2,438</u>
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### FUTURE OPERATIONS

The Council expects, in addition to its normal transportation planning, to administer a federal grant for environmental assessment and cleanup planning in 2005. This work will be performed almost entirely by subcontractors; consequently, no significant change in net assets is expected.

### CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our readers with a general overview of the finances for those funds maintained by the Council and to show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Northwest Louisiana Council of Governments at 401 Market Street, Suite 460, Shreveport, Louisiana 71101.

**AUDITED FINANCIAL STATEMENTS**



**HEARD  
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& VESTAL**  
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November 19, 2004

Board of Directors  
Northwest Louisiana Council of Governments  
Shreveport, Louisiana

### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Northwest Louisiana Council of Governments, as of and for the year ended June 30, 2004, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Northwest Louisiana Council of Governments' 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 *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 the Northwest Louisiana Council of Governments, as of June 30, 2004, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.a., the Council has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments*, as of June 30, 2004.

The accompanying required supplementary information, consisting of management's discussion and analysis on pages i through iii and budgetary comparison information on page 14 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.

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Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Northwest Louisiana Council of Governments. The supplementary financial information listed in the table of contents for pages 15 through 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2004 on our consideration of Northwest Louisiana Council of Government's internal control over financial reporting and on 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.

Heard, McElroy & Vestal, LLP

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

GOVERNMENT WIDE STATEMENT OF NET ASSETS

JUNE 30, 2004

	<u>Governmental Activities</u>
<u>Assets:</u>	
Cash	161,678
Federal grant receivables	166,466
Local receivables	87,627
Other assets	2,314
Fixed assets, net of accumulated depreciation	<u>11,800</u>
Total assets	429,885
<u>Liabilities:</u>	
Accrued compensated absences	31,399
Due to grantors	45,703
Other liabilities	<u>3,805</u>
Total liabilities	<u>80,907</u>
<u>Net assets:</u>	
Fund balance unreserved/undesignated	337,178
Investment in fixed assets	<u>11,800</u>
Total net assets	<u>348,978</u>

The accompanying notes are an integral part of the financial statements.

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Governmental Activities</u>
<u>Expenses:</u>	
Governmental activities:	
Transportation planning	<u>752,047</u>
Total expenses	752,047
<u>Program revenue:</u>	
Operating grants	<u>770,583</u>
<u>Net revenue</u>	18,536
<u>General revenue:</u>	
Interest and miscellaneous	<u>2,542</u>
	<u>2,542</u>
<u>Change in net assets</u>	21,078
<u>Net assets-beginning of year</u>	<u>327,900</u>
<u>Net assets-end of year</u>	<u>348,978</u>

The accompanying notes are an integral part of the financial statements.

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

BALANCE-SHEET-GOVERNMENTAL FUNDS

JUNE 30, 2004

<u>ASSETS</u>	<u>Governmental Fund Type General Fund</u>
Cash-Note 10	161,678
Federal grant receivables	166,466
Local receivables-Note 7	87,627
Other assets-Note 11	2,314
Fixed assets-Note 5	158,398
Less-accumulated depreciation	<u>(146,598)</u>
Total assets	<u>429,885</u>
 <u>LIABILITIES AND FUND EQUITY</u>	
<u>Liabilities:</u>	
Accrued compensated absences-Note 3	31,399
Due to grantors	45,703
Other liabilities	<u>3,805</u>
Total liabilities	80,907
 <u>Fund equity:</u>	
Fund balance-unreserved	337,178
Fund balance-reserved for fixed assets	<u>11,800</u>
Total fund equity	<u>348,978</u>
Total liabilities and fund equity	<u>429,885</u>

The accompanying notes are an integral part of the financial statements.

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND

BALANCE-GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2004

	<u>General Fund</u>
<u>Revenues:</u>	
Federal grants	534,158
Local funds	236,425
Interest and miscellaneous	<u>2,542</u>
Total revenues	773,125
 <u>Expenditures:</u>	
Direct grant cost	235,982
Indirect grant cost-Note 6	435,436
Other contract costs	7,240
Nonproject cost	<u>73,389</u>
Total expenditures	<u>752,047</u>
 <u>Excess of revenues over expenditures</u>	21,078
 <u>Fund balance at beginning of year</u>	<u>327,900</u>
 <u>Fund balance at end of year</u>	<u>348,978</u>

The accompanying notes are an integral part of the financial statements.

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

**1. Financial Reporting Entity**

Northwest Louisiana Council of Governments (NLCOG) (formerly Shreve Area Council of Governments) was established October 25, 1966, under the authority of Louisiana R.S. 33:1321, et seq. under the pertinent section termed Intergovernmental Relations. The cities of Shreveport, Bossier City, and Minden, and the Parishes of Caddo, Bossier and Webster enacted resolutions authorizing the establishment of NLCOG under the referenced statutes. During the current year, NLCOG, as a metropolitan planning organization, received funding from various federal, state and local grants as further outlined below.

Louisiana Department of Transportation and Development (No. 736-09-0131) Federal Aid Project No. PL-0011(027), contract for Metropolitan Planning, Shreveport Urbanized Area, effective July 1, 2003, in the amount of \$319,580 of which the maximum federal share comprises \$255,664. Eighty percent (80.00%) of the project is federally funded with the remaining twenty percent (20.00%) being funded through local monies.

Louisiana Department of Transportation and Development (No. 736-09-0132) FTA Project No. LA-80-X012, contract for Regional Planning, Shreveport Urbanized Area, effective July 1, 2003, in the amount of \$56,070 of which the maximum federal share comprises \$44,857. Eighty percent (80.00%) of the project is federally funded with the remaining twenty percent (20.00%) being funded through local monies.

Shreveport Transit Authority, funding for the support of transit planning projects, in the approximate amount of \$229,000.

Louisiana Department of Transportation and Development (No. 736-09-0121) FTA Project No. LA-80-X008, contract for Regional Planning, Shreveport Urbanized Area, originally effective July 1, 1999, with unused federal funds of \$2,728.

Louisiana Department of Transportation and Development (No. 700-09-0148) Federal Aid Project No. TCP-TCSP(001), contract for a pilot program for the preparation of a transportation, community, and system preservation strategic plan to establish a regional technology and residential center (InterTech) in Shreveport's core inner city neighborhoods. The contract was effective August 3, 2000 in the amount of \$225,000.

**2. Summary of Significant Accounting Policies**

**a. Presentation of Statements:**

The Council's statements are prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the *Financial Accounting Standards Board (FASB)* issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

## 2. Summary of Significant Accounting Policies (Continued)

The Council has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds; however, the Council has chosen not to do so because it does not have any business-type activities or enterprise funds. The more significant accounting policies established in GAAP and used by the Council are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
  - A Management Discussion and Analysis (MD&A) section providing an analysis of the Council's overall financial position and results of operations.
  - Governmental-Wide Financial statements prepared using full accrual accounting for all of the Council's activities.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Council has elected to implement the general provisions of the GASB Statement 34 in the current year.

### b. **Basic Financial Statements - Government-Wide Statements:**

The Council's basic financial statements include both Government-Wide (reporting the Council as a whole) and fund financial statements (reporting the Council's major funds). Both the Government-Wide and Fund Financial Statements categorize primary activities as either governmental or business type. The Council's functions and programs have been classified as governmental activities. The Council does not have any business-type activities, fiduciary funds, or any component units that are fiduciary in nature. Accordingly, the Government-Wide financial statements do not include any of these activities or funds.

In the Government-Wide Statement of Net Assets, the governmental type activities column is presented on a consolidated basis by column, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Council's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Invested in capital assets, net of related debt 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 capital assets. Restricted net assets consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Unrestricted net assets include all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The Government-Wide Statement of Activities reports both the gross and net cost of the Council's functions and significant programs. The Statement of Activities begins by presenting gross direct



## 2. Summary of Significant Accounting Policies (Continued)

and indirect expenses that include depreciation, and then reduces the expenses by related program revenues, such as operating and capital grants and contributions, to derive the net cost of each function or program. Program revenues must be directly associated with the function or program to be used to directly offset its cost. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. The Council did not receive any capital-specific grants this year.

The Government-Wide Statements focus upon the Council's ability to sustain operations and the change in its net assets resulting from the current year's activities.

### c. **Basic Financial Statements - Fund Financial Statements:**

The financial transactions of the Council are reported in individual funds in the Fund Financial Statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are reported by generic classification within the financial statements.

The Council uses governmental fund types. The focus of the governmental funds' measurement (in the fund statements) is on determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on net income. An additional emphasis is placed on major funds within the governmental fund types. A fund is considered major if it is the primary operating fund of the Council or if its total assets, liabilities, revenues, or expenditures are at least 10% of the corresponding total for all funds of that category or type.

Governmental fund equity is called the fund balance. Fund balance is further classified as reserved and unreserved, with unreserved being further split into designated and undesignated. Reserved means that the fund balance is not available for expenditure because resources have already been expended (but not consumed), or a legal restriction has been placed on certain assets that makes them only available to meet future obligations. Designated fund balances result when management tentatively sets aside 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.

The following is a description of the governmental funds of the Council:

- **The General Fund** is the general operating fund of the Council. It is used to account for all financial resources except those required to be accounted for in another fund. It is the only fund on the Council's financial statements, and therefore the only major fund.

### d. **Measurement Focus and Basis of Accounting:**

Basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

## 2. Summary of Significant Accounting Policies (Continued)

### 1. **Accrual Basis - Government-Wide Financial Statements (GWFS):**

The Statement of Net Assets and the Statement of Activities display information about the Council as a whole. Both of these statements have been prepared using the economic measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

### 2. **Modified Accrual Basis - Fund Financial Statements (FFS):**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when they are both measurable and available.

### e. **Cash and Cash Equivalents:**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and petty cash. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Cash and cash equivalents are reported at their carrying amounts that equal their fair values.

### f. **Fixed Assets:**

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. Fixed assets are long-lived assets that have been purchased or acquired with an original cost of at least \$1,500 and that have an estimated useful life of greater than one year. When purchased or acquired, these assets are recorded as fixed assets in the Government-Wide Statement of Net Assets. Also, in the Fund Financial Statements, fixed assets are recorded as expenditures of the fund that provided the resources to acquire the asset because the related depreciation is a component of indirect costs of the Council's program. If the asset was purchased, it is recorded in the books at its cost. If the asset was donated, then it is recorded at its estimated fair market value at the date of donation.

### g. **Unpaid Compensated Absences:**

The Council's policies for vacation time permit employees to accumulate earned but unused vacation leave. Accordingly, a liability for the unpaid vacation leave has been recorded in the Government-Wide Statements. The amount accrued as the compensated absence liability was determined using the number of vested vacation hours for each employee multiplied by the employee's wage rate in effect at the end of the year.

In addition, the governmental funds in the Fund Financial Statements report compensated absence liabilities because the related costs are a component of the Council's indirect costs charged to its grants.

2. Summary of Significant Accounting Policies (Continued)

h. **Management's 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 may differ from those estimates.

i. **Budgets and Budgetary Policy:**

Budgets for NLCOG are prepared by the Executive Director as part of the Unified Planning Work Program (UPWP). The budget is then adopted by the Council. UPWP planning activities encompass a time frame of twelve months starting July 1, 2003, and ending June 30, 2004. These activities outline the joint efforts required of the Louisiana Department of Transportation and Development, NLCOG, the Cities of Shreveport and Bossier, the Parishes of Caddo and Bossier, the Shreveport and Bossier City MPC's, Shreveport Mass Transit Personnel and affected agencies.

Budgets approved as conditions of the grants fall under the guidelines of the contractual requirements of those various grants. Budget revisions are approved by grantor agencies as required.

3. Compensated Absences

Employees accrue annual leave under the following schedule:

<u>Employee Length of Service</u>	<u>Annual Leave Accrual</u>
Less than one year	.83 days per month
From one year to ten years	1.25 days per month
Ten years or more	1.67 days per month

A maximum of fifteen days of accrued unused annual leave may be carried forward to the succeeding fiscal year.

Sick leave is granted at the rate of .83 days per month for full-time regular service or, in the case of part-time employment, at the proportionate rate as determined by comparing the employee's standard work week to 40 hours. A maximum of 20 days can be carried forward to the succeeding fiscal year.

4. Pension Plan

Northwest Louisiana Council of Governments contributes to the NLCOG Employees Retirement Plan which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments on those contributions. As established by the pension plan agreement, each employee in active service is eligible to participate in the pension plan within three months from the entrance date on which he first becomes eligible to become a participant. Contributions made by an employee vest immediately and contributions made by the Council vest fully after six years of service. An employee who leaves the employment of the Council is entitled to his contribution plan accrued interest thereon, in addition to funds contributed by the Council, in accordance with the following vesting schedule:

4. Pension Plan (Continued)

<u>Years of Service</u>	<u>Participant's Vested Interest</u>
2	20%
3	40%
4	60%
5	80%
6	100%

Each employee contributes 9% of his earnings to the pension plan. The Council also required to contribute an amount equal to 9% of the employee's gross earnings.

During the year, the Council's required and actual contributions amounted to \$33,896 which was 9% of its current year covered payroll of \$376,000. Employee's required and actual contributions also amounted to \$33,896.

No pension provision changes occurred during the year that affected the required contributions to be made by the Council or its employees.

The pension plan held no securities of the Council or other related parties during the year or as of the close of the fiscal year.

5. Changes in Fixed Assets

A summary of changes in fixed assets is as follows:

	<u>Balance</u> <u>6-30-03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6-30-04</u>
Fixed assets, at cost:				
Furniture and equipment	149,603	8,795	-	158,398
Accumulated depreciation:				
Furniture and equipment	<u>127,694</u>	<u>18,904</u>	<u>-</u>	<u>146,598</u>
Net fixed assets	<u>21,909</u>	<u>(10,109)</u>	<u>-</u>	<u>11,800</u>

Depreciation is recorded in the general fund, as it constitutes a component of indirect costs. Fixed assets consist of office furniture and equipment, and are depreciated under the straight-line method over estimated useful lives of two to seven years.

6. Cost Allocation Method

Costs are allocated to NLCOG's grants pursuant to a method of allocation as required by Office of Management and Budget Circulars A-87 and A-102. Indirect costs and fringe benefits were applied to the grants during the year, generally under a provisional rate of 132.91% of direct labor. As a result of the audit, the actual indirect and fringe rate was computed at 184.52%.

7. Local Support

Local supporting governments provide cash or in-kind services in fulfilling the matching requirements of federal and state grants. Local supporting governments are billed for support in accordance with amounts established by agreement and the annual budget.

8. **Members of Governing Board-Compensation**

During the audit period no compensation or per diem was paid to any member of the governing board by NLCOG.

9. **Operating Leases**

Northwest Louisiana Council of Governments leases its office space and employee parking for approximately \$3,900 per month under an operating lease that expires in November 2007. Total rent expense amounted to \$47,000 for the year ended June 30, 2004. Future minimum lease payments under this lease for the next five years at June 30, 2004 are as follows:

June 30, 2005	47,302
June 30, 2006	48,113
June 30, 2007	49,482
June 30, 2008	<u>21,020</u>
	<u>165,917</u>

10. **Cash**

Cash deposits (bank balances) with financial institutions amounted to \$182,088 at June 30, 2004, and were protected by deposit insurance up to \$100,000. All of these deposits were covered by federal deposit insurance and a pledge of qualify U.S. government agency securities.

11. **Changes in Long-Term Debt**

The following is a summary of transactions relating to the Council's long-term debt during the year.

	<u>Balance</u> <u>6-30-03</u>	<u>Increase</u>	<u>Balance</u> <u>6-30-04</u>
Accrued compensated absences	<u>27,794</u>	<u>3,605</u>	<u>31,399</u>

12. **Risk Management**

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. No settlements were made during the current or prior three fiscal years that exceeded the Council's insurance coverage. The Council's management has not purchased commercial insurance or made provision to cover or reduce the risk of loss as a result of business interruption and certain acts of God.

**REQUIRED SUPPLEMENTARY FINANCIAL INFORMATION**

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS  
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>GAAP Basis</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Revenues:</u>				
Federal grants	612,520	612,520	534,158	(78,362)
Local funds	235,925	235,925	236,425	500
Interest and miscellaneous	-	-	<u>2,542</u>	<u>2,542</u>
Total revenues	<u>848,445</u>	<u>848,445</u>	<u>773,125</u>	<u>(75,320)</u>
<u>Expenditures:</u>				
Direct grant cost	307,256	307,256	235,982	71,274
Indirect grant cost-Note 6	532,689	532,689	435,436	97,253
Other contract costs	-	-	7,240	(7,240)
Nonproject cost	<u>8,500</u>	<u>8,500</u>	<u>73,389</u>	<u>(64,889)</u>
Total expenditures	<u>848,445</u>	<u>848,445</u>	<u>752,047</u>	<u>96,398</u>
<u>Excess of revenues over expenditures</u>	<u>-</u>	<u>-</u>	21,078	<u>21,078</u>
<u>Fund balance at beginning of year</u>			<u>327,900</u>	
<u>Fund balance at end of year</u>			<u>348,978</u>	

**SUPPLEMENTARY FINANCIAL INFORMATION**



NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS  
SCHEDULE OF REVENUES AND EXPENDITURES BY PROJECT

FOR THE YEAR ENDED JUNE 30, 2004

	<u>FHWA</u> <u>736-09-0131</u>	<u>FTA</u> <u>LA-80-X012</u>	<u>SporTran</u>
<u>Revenues:</u>			
Federal grant	255,662	44,857	229,032
Local funds	72,767	18,348	50,752
Interest and other	-	-	-
Total revenues	<u>328,429</u>	<u>63,205</u>	<u>279,784</u>
<u>Expenditures:</u>			
Direct labor	115,432	22,215	98,335
Indirect costs	212,997	40,990	181,449
Nonproject costs	-	-	-
Other	-	-	-
Total expenditures	<u>328,429</u>	<u>63,205</u>	<u>279,784</u>
<u>Excess (deficiency) of revenues</u> <u>over expenditures</u>	<u>-</u>	<u>-</u>	<u>-</u>

<u>FTA LA-80-X008</u>	<u>InterTech Photography</u>	<u>Non- Project Specific</u>	<u>Total</u>
2,728	1,879	-	534,158
1,946	687	91,925	236,425
-	-	<u>2,542</u>	<u>2,542</u>
<u>4,674</u>	<u>2,566</u>	94,467	773,125
-	-	-	235,982
-	-	-	435,436
-	-	73,389	73,389
<u>4,674</u>	<u>2,566</u>	-	<u>7,240</u>
<u>4,674</u>	<u>2,566</u>	<u>73,389</u>	<u>752,047</u>
-	-	<u>21,078</u>	<u>21,078</u>

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

COMPUTATION OF INDIRECT COST RATE

FOR THE YEAR ENDED JUNE 30, 2004

<u>Indirect costs:</u>	
Telephone	12,474
Postage	1,825
Building rent	47,000
Supplies	18,275
Travel and education	27,330
Professional fees	23,665
Bonding and insurance	1,301
Small equipment purchases and maintenance	50,387
Dues and publications	2,424
Depreciation	18,904
Advertising	719
Vacation	23,866
Holidays	20,101
Sick leave	10,897
Salaries	56,322
Retirement	33,896
Health insurance	73,335
Workman's comp insurance	4,150
Payroll taxes	<u>8,565</u>
 Total	 <u>435,436</u>

	<u>Direct Labor</u>	<u>Actual Indirect Cost</u>	<u>Actual Indirect Rate</u>
FHWA 736-09-0131	115,432	212,997	
FTA LA-80-X012	22,215	40,990	
SporTran	<u>98,335</u>	<u>181,449</u>	
	<u>235,982</u>	<u>435,436</u>	<u>1.8452</u>

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2004

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation</u>				
Passed through the Louisiana Department of Transportation and Development:				
Metropolitan Planning	20.205	255,664	255,662	255,662
InterTech Transportation Revitalization	20.205	225,000	<u>1,879</u>	<u>1,879</u>
			257,541	257,541
 Regional Planning	 20.505	 47,585	 47,585	 47,585
 Passed through the City of Shreveport:				
Federal Transit Formula Grants	20.507	229,032	<u>229,032</u>	<u>229,032</u>
Total			<u>534,158</u>	<u>534,158</u>

The accompanying notes are an integral part of this schedule.

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2004

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Northwest Louisiana Council of Governments and is presented on the accrual basis of accounting, which is the same basis of accounting used for the presentation of the general purpose financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

Northwest Louisiana Council of Governments did not pass through any of its federal awards to a subrecipient during the fiscal year, nor did it expend any federal awards in the form of noncash assistance.

**OTHER REPORTS**

**HEARD  
McELROY  
& VESTAL**  
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WILLIAM L. HIGHTOWER, CPA

November 19, 2004

Board of Directors  
Northwest Louisiana Council of Governments  
Shreveport, Louisiana

Report on Compliance and on Internal Control over Financial  
Reporting Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

We have audited the basic financial statements of Northwest Louisiana Council of Governments as of and for the year ended June 30, 2004, and have issued our report thereon dated November 19, 2004. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northwest Louisiana Council of Governments' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the board of directors, management, federal awarding agencies and pass-through entities, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

**HMV**

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WILLIAM L. HIGHTOWER, CPA

November 19, 2004

Board of Directors  
Northwest Louisiana Council of Governments  
Shreveport, Louisiana

**Report on Compliance with Requirements Applicable to Each  
Major Program and Internal Control Over Compliance in  
Accordance with OMB Circular A-133**

**Compliance**

We have audited the compliance of Northwest Louisiana Council of Governments 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 June 30, 2004. Northwest Louisiana Council of Governments' 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 Northwest Louisiana Council of Governments' management. Our responsibility is to express an opinion on Northwest Louisiana Council of Governments' 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 Northwest Louisiana Council of Governments' 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 Northwest Louisiana Council of Governments' compliance with those requirements.

In our opinion, Northwest Louisiana Council of Governments 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 June 30, 2004.

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Internal Control Over Compliance

The management of Northwest Louisiana Council of Governments 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 Northwest Louisiana Council of Governments' 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies and pass-through entities, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*Heard, McElroy & Vestal, LLP*

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2004

**A. Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Northwest Louisiana Council of Governments.
2. No reportable conditions relating to the audit of the basic financial statements are reported.
3. No noncompliance material to the basic financial statements of Northwest Louisiana Council of Governments was disclosed during the audit.
4. *No reportable conditions relating to the audit of a major federal award program is reported.*
5. The auditor's report on compliance for major federal award programs of Northwest Louisiana Council of Governments expresses an unqualified opinion.
6. There are no audit findings relative to major federal award programs of Northwest Louisiana Council of Governments.
7. The programs tested as major programs included:

<u>Program</u>	<u>CFDA No.</u>
Metropolitan Planning	20.205
InterTech Transportation Revitalization	20.205
Regional Planning	20.505

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. *Northwest Louisiana Council of Governments was determined to not be a low-risk auditee.*

**B. Findings - Financial Statement Audit**

None

**C. Findings and Questioned Costs - Major Federal Award Programs**

None

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2004

2003-01 Audit Report Not Submitted Within Six Months of End of Fiscal Year

Resolved.

2003-02 Cash Balances in Bank Not Fully Protected

Resolved.

2003-03 Loans and Advances to Employees

Resolved.

2003-04 Lack of, and Disorderly Filing of, Invoice Support

Resolved.