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HAMMOND AIRPORT AUTHORITY

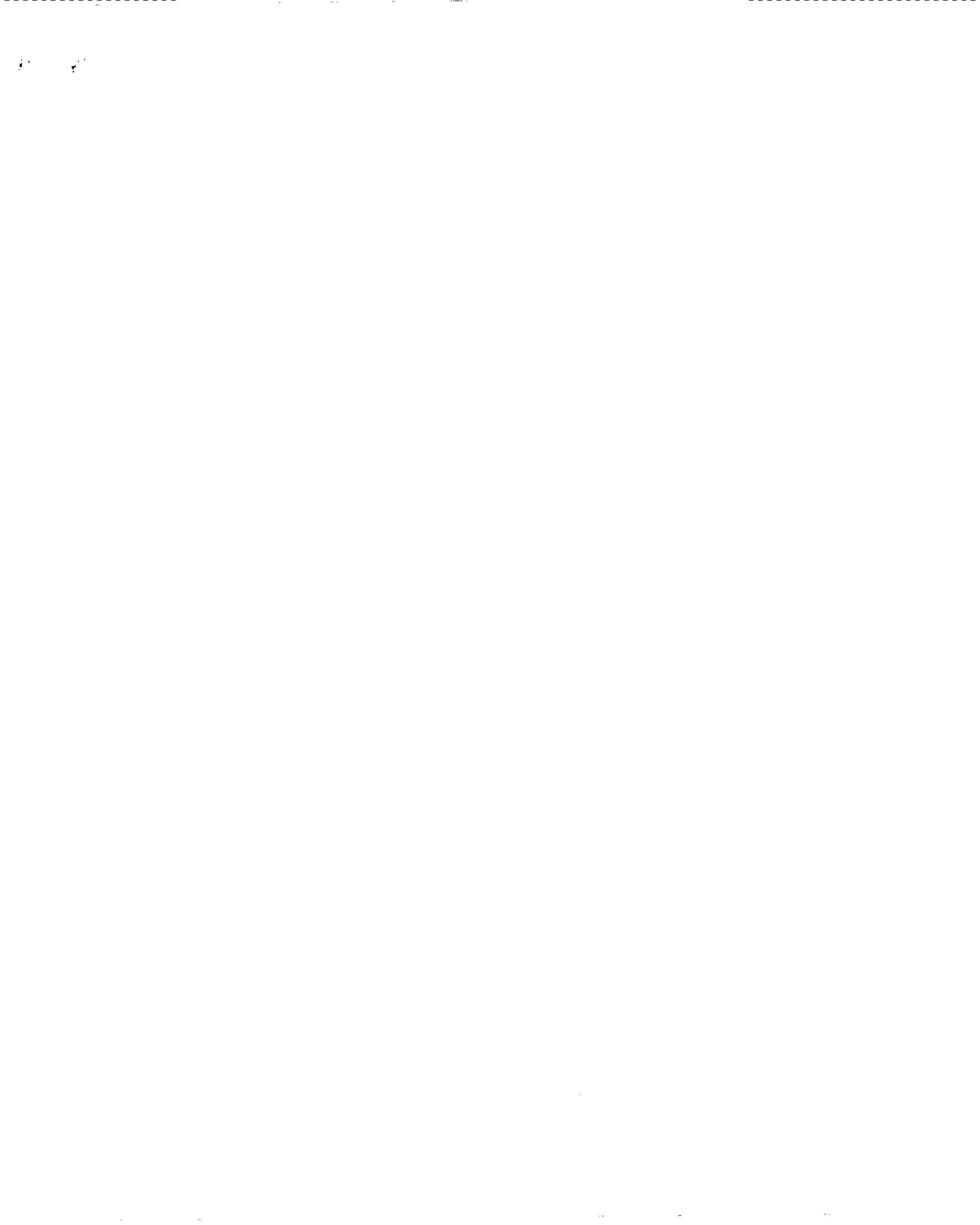
REPORT ON AUDIT OF
COMPONENT UNIT FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1999

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

Release Date JAN 0 2000

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CONTENTS

Audited Component Unit Financial Statements:

| | |
|--|---------|
| Independent Auditor's Report..... | 1 - 2 |
| Combined Balance Sheets - All Fund Types and Account Groups..... | 3 |
| Statement of Revenues and Expenditures and Changes in Fund Balance - All Governmental Fund Types..... | 4 |
| Statement of Revenues and Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual - All Governmental Fund Types..... | 5 |
| Notes to Financial Statements..... | 6 - 11 |
| Required Supplementary Information - Year 2000 Issues..... | 12 - 13 |

Supplementary Information:

| | |
|--|---------|
| Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Component Unit Financial Statements Performed in Accordance With <u>Government Auditing Standards</u> | 14 - 15 |
|--|---------|



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November 8, 1999

Independent Auditor's Report

Board of Commissioners
Hammond Airport Authority
Hammond, Louisiana

We have audited the accompanying component unit only financial statements of the Hammond Airport Authority, a component unit of the City of Hammond, as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. 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 opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Hammond Airport Authority as of June 30, 1999, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 8, 1999, on our consideration of the internal control over financial reporting and our tests of its compliance with certain provisions of law, regulations, contracts, and grants.

The Year 2000 supplementary information on pages 12-13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Hammond Airport Authority is or will become Year 2000 compliant, the Authority's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Authority does business with are or will become Year 2000 compliant.

Respectfully submitted,

Harris A. Bourgeois, L.L.P.

Hammond Airport Authority

COMBINED BALANCE SHEETS - ALL FUND TYPES AND ACCOUNT GROUPS

June 30, 1999

| <u>ASSETS</u> | <u>GOVERNMENTAL FUND TYPE</u> | <u>ACCOUNT GROUP</u> | <u>TOTAL (MEMORANDUM ONLY)</u> |
|---|-----------------------------------|-------------------------------------|--|
| | <u>GENERAL</u> | <u>GENERAL FIXED ASSETS</u> | |
| Cash | \$ 65,688 | \$ - | \$ 65,688 |
| Accounts Receivable | 2,704 | - | 2,704 |
| Fixed Assets | <u>-</u> | <u>12,025</u> | <u>12,025</u> |
| Total Assets | <u>\$ 68,392</u> | <u>\$ 12,025</u> | <u>\$ 80,417</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 5,675 | \$ - | \$ 5,675 |
| Payroll Taxes Payable | <u>580</u> | <u>-</u> | <u>580</u> |
| Total Liabilities | 6,255 | - | 6,255 |
| Fund Equity: | | | |
| Investment in General Fixed Assets | - | 12,025 | 12,025 |
| Fund Balance - Unre- served - Undesignated | <u>62,137</u> | <u>-</u> | <u>62,137</u> |
| Total Fund Equity | <u>62,137</u> | <u>12,025</u> | <u>74,162</u> |
| Total Liabilities and Fund Equity | <u>\$ 68,392</u> | <u>\$ 12,025</u> | <u>\$ 80,417</u> |

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

Hammond Airport Authority

STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN
FUND BALANCE - ALL GOVERNMENTAL FUND TYPES

For the Year Ended June 30, 1999

| | |
|---|-------------------------|
| Revenues: | |
| Hanger Rentals | \$ 29,219 |
| Fuel Commissions | 21,661 |
| Operators Permits | 646 |
| Tie Down Fees | 830 |
| Miscellaneous Revenues | 2,445 |
| State Grants | <u>7,287</u> |
| Total Revenues | 62,088 |
| Other Financing Sources: | |
| Operating Transfers from Primary Government - City of Hammond | 134,875 |
| Proceeds from Disposition of Fixed Assets | <u>3,971</u> |
| Total Other Financing Sources | <u>138,846</u> |
| Total Revenues and Other Financing Sources | 200,934 |
| Expenditures: | |
| Salaries | 61,997 |
| Advertising and Marketing | 1,965 |
| Equipment Rental | 2,093 |
| Professional Fees | 2,745 |
| Payroll Tax Expense | 6,695 |
| Telephone | 2,298 |
| Group Insurance | 1,669 |
| Fuel Tank Closure | 10,212 |
| Miscellaneous | 2,225 |
| Uniforms | 729 |
| Maintenance and Repairs | 32,924 |
| Office Supplies | 2,176 |
| Travel and Education | 2,457 |
| Utilities | 14,264 |
| Capital Outlay | <u>12,025</u> |
| Total Expenditures | <u>156,474</u> |
| Excess of Revenues and Other Financing Sources Over Expenditures | 44,460 |
| Fund Balance - Beginning of Year | <u>17,677</u> |
| Fund Balance - End of Year | <u><u>\$ 62,137</u></u> |

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

Hammond Airport Authority

STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL -
ALL GOVERNMENTAL FUNDS

For the Year Ended June 30, 1999

| | GENERAL FUND | | |
|--|--------------|-----------|--|
| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| Revenues: | | | |
| Hanger Rentals | \$ 38,000 | \$ 29,219 | \$ (8,781) |
| Fuel Commissions | 20,000 | 21,661 | 1,661 |
| Operators Permits | 1,500 | 646 | (854) |
| Tie Down Fees | 800 | 830 | 30 |
| Miscellaneous Revenues | 4,100 | 2,445 | (1,655) |
| State Grants | - | 7,287 | 7,287 |
| Total Revenues | 64,400 | 62,088 | (2,312) |
| Other Financing Sources: | | | |
| Operating Transfers from Primary Government - City of Hammond | 130,000 | 134,875 | 4,875 |
| Proceeds from Disposition of Fixed Assets | - | 3,971 | 3,971 |
| Total Other Financing Sources | 130,000 | 138,846 | 8,846 |
| Total Revenues and Other Financing Sources | 194,400 | 200,934 | 6,534 |
| Expenditures: | | | |
| Salaries | 67,000 | 61,997 | 5,003 |
| Advertising and Marketing | 3,355 | 1,965 | 1,390 |
| Equipment Rental | - | 2,093 | (2,093) |
| Professional Fees | 7,000 | 2,745 | 4,255 |
| Payroll Tax Expense | 4,250 | 6,695 | (2,445) |
| Telephone | 3,050 | 2,298 | 752 |
| Group Insurance | 2,000 | 1,669 | 331 |
| Fuel Tank Closure | 15,000 | 10,212 | 4,788 |
| Miscellaneous | 5,900 | 2,225 | 3,675 |
| Uniforms | 700 | 729 | (29) |
| Maintenance and Repairs | 40,975 | 32,924 | 8,051 |
| Office Supplies | 3,000 | 2,176 | 824 |
| Employees Retirement | 2,000 | - | 2,000 |
| Insurance | 5,000 | - | 5,000 |
| Travel and Education | 3,500 | 2,457 | 1,043 |
| Utilities | 18,000 | 14,264 | 3,736 |
| Capital Outlay | 12,025 | 12,025 | - |
| Total Expenditures | 192,755 | 156,474 | 36,281 |
| Excess of Revenues and Other Financing Sources Over Expenditures | 1,645 | 44,460 | 42,815 |
| Fund Balance - Beginning of Year | 17,677 | 17,677 | - |
| Fund Balance - End of Year | \$ 19,322 | \$ 62,137 | \$ 42,815 |

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

Hammond Airport Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 1999

Note 1 - Summary of Significant Accounting Policies -

The Hammond Airport Authority "the Authority" is a body corporate created by the City of Hammond on July 14, 1959, as provided by Louisiana Revised Statutes. The Authority is governed by a board of five commissioners who are appointed by the Mayor with the approval of the Council of the City of Hammond.

The accounting and reporting policies of the Hammond Airport Authority conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the industry audit guide, Audits of State and Local Governmental Units.

A. Financial Reporting Entity

For reporting purposes the City of Hammond, Louisiana, serves as the financial reporting entity for both the municipality (City of Hammond) and for the Hammond Airport Authority. The financial reporting entity consists of (1) the primary government (all funds under the auspices of the Mayor and Hammond City Council), (2) organizations for which the primary government is financially accountable, and (3) 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.

Governmental Accounting Standards Board (GASB) Statement No. 14, the Financial Reporting Entity, established criteria for determining which component units should be considered part of the City of Hammond for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the City governing authority (Mayor and City Council) appoints a majority of board members of the potential component unit.
3. Fiscal interdependency between the City and the potential component unit.

Hammond Airport Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

4. Imposition of will by the City on the potential component unit.
5. Financial benefit/burden relationship between the City and the potential component unit.

Based on the previous criteria, City Management has included the Hammond Airport Authority as a component unit of the City of Hammond. The funds of the Hammond Airport Authority will be "blended" in the City of Hammond's General Purpose Financial Statements for the year ended June 30, 1999.

B. Fund Accounting

The accounts of the Authority are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government 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 only fund type of the Hammond Airport Authority is the General Fund.

General Fund. The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

C. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus.

All governmental fund type operations are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their Balance Sheets. Their reported fund balance

Hammond Airport Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

(net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets. All Fixed assets are valued at historical cost. Fixed assets purchased prior to July 1, 1998, are included in the fixed assets of the City of Hammond.

Long-term liabilities expected to be financed from governmental funds would be accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

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

The Hammond Airport Authority only has a General Fixed Asset Account Group at June 30, 1999.

D. Basis of Accounting

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

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Purchase of various operating supplies are regarded as expenditures at the time purchased.

Hammond Airport Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

E. Budgets and Budgetary Accounting

The Authority utilizes the following budgetary practices:

1. The operations coordinator along with Board Members prepare a proposed budget and submits same to the Board of Commissioners no later than two months prior to the beginning of each fiscal year. Upon approval by the Board of Commissioners the budget is then sent to the City Council for approval.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, by the Hammond City Council, the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is being adopted.

The adopted budget constitutes the authority of the operations coordinator to incur liabilities and authorize expenditures from the respective budgeted funds. Additionally, certain expenditures are approved monthly by the Board before payment.

All budget amounts presented in the financial statements have been adjusted for legally authorized revisions of the annual budget during the year. Appropriations, except encumbrances, lapse at the end of each year.

F. Accumulated Unpaid Vacation

Employees of the Authority may only accumulate up to five days of vacation pay. No liability for unpaid vacation was recognized in these financial statements due to the immateriality of the amount.

G. Total Column on Statements - Overview

The total columns on the statements - overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

Hammond Airport Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Note 2 - Changes in General Fixed Assets -

A summary of changes in general fixed assets is as follows:

| | <u>VEHICLES</u> |
|-------------------------|------------------|
| Balance - July 1, 1998 | \$ - |
| Additions | 12,025 |
| Deletions | <u>-</u> |
| Balance - June 30, 1999 | <u>\$ 12,025</u> |

Fixed assets purchased prior to July 1, 1998, are accounted for in the City of Hammond's General Fixed Asset Account Group.

Note 3 - Cash and Cash Equivalents -

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit. Under state law the Authority may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the Authority may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

The Authority had cash and cash equivalents totaling \$58,995 and a carrying value of \$65,688 at June 30, 1999. Cash and cash equivalents are stated at cost, which approximates market. These deposits must be secured under state law by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. The cash and cash equivalents at June 30, 1999, were secured as follows:

Hammond Airport Authority

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 1999

| | <u>BANK BALANCE</u> <u>JUNE 30, 1999</u> | <u>FDIC</u> <u>INSURANCE</u> | <u>BALANCE</u> <u>UNINSURED</u> |
|-------|---|---------------------------------|------------------------------------|
| Cash | \$ <u>58,995</u> | \$ <u>58,995</u> | \$ <u>-</u> |
| Total | \$ <u>58,995</u> | \$ <u>58,995</u> | \$ <u>-</u> |

At June 30, 1999, all cash balances were fully insured by the FDIC.

Note 4 - Postretirement Health Care and Life Insurance Benefits -

At June 30, 1999, the Authority has no postretirement health care and life insurance benefit plan in existence.

Note 5 - Retirement Commitments -

All employees of the Authority are required to be members of the Social Security System. This is the only retirement system of the Authority. The Authority contributed \$4,621 to the System during the year as its share of contributions. Future deficits in the system will be financed by the Federal Government and the Authority has no further liability to the system.

REQUIRED SUPPLEMENTARY INFORMATION

Hammond Airport Authority

YEAR 2000 ISSUES

June 30, 1999

The Year 2000 Issue

In October 1998, the Governmental Accounting Standards Board (GASB) issued Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*. The provisions of the GASB technical bulletin, effective for financial statements on which the auditor's report is dated after October 31, 1998, requires the Authority to make disclosures about its state of readiness in addressing the Year 2000 issues for its internal computer systems and equipment. On March 29, 1999, GASB issued Technical Bulletin 99-1 which amended the previously issued disclosure requirements allowing for the disclosure to be made in the required supplementary information (RSI). *"This disclosure is written pursuant to the Year 2000 Information and Readiness Disclosure Act, Public Law No. 105-271, 112 Stat. 2386 (1998)."*

The Year 2000 Issue is the result of shortcomings in electronic data-processing systems and other equipment that may adversely affect operations in the year 1999 and beyond.

The following stages have been identified by the GASB as necessary to implement a Year 2000-compliant system:

Awareness Stage - In this first stage, an organization establishes a budget and project plan (for example, a time line or chart noting major tasks and due date) for dealing with the Year 2000 issue.

Assessment Stage - While in this stage, an organization begins the actual process of identifying all of its systems (preparing an inventory) and individual components of the systems. An organization may decide to review all system components for Year 2000 compliance or, through a risk analysis, identify only mission-critical systems and equipment systems and equipment critical to conducting operations to check compliance.

Remediation Stage - During this stage, an organization actually makes changes to systems and equipment. This stage involves the technical issues of converting existing systems, or switching to compliant systems. Decisions are made on how to make the system or processes Year 2000 compliant, and the required system changes are made.

Validation/Testing Stage - At this stage, an organization validates and tests the changes made during the conversion process. The development of test data and test scripts, the running of test scripts, and the review of test results are crucial for this stage of the conversion process to be successful. If the testing results show anomalies, the tested area needs to be corrected and re-tested.

Hammond Airport Authority

YEAR 2000 ISSUES (CONTINUED)

June 30, 1999

The Authority is aware of the issues associated with the programming code in existing computer systems as the year 2000 approaches. The "Year 2000" problem is pervasive and complex as virtually every computer operation will be affected in some way by the rollover of the two digit year value to 00. The issue is whether computer systems will properly recognize date sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail.

As the Authority's computer equipment, which is being used in the "mission critical" applications, is relatively new equipment it is already "Year 2000" compliant. Due to the size of the Authority's office, minimum software applications are required and each of these applications is being updated and tested.

In addition, the Federal Aviation Administration, in a letter dated June 18, 1999, states that "all of the FAA equipment at the airport is Y2K compliant."

It is estimated that the Authority will be required to expend less than \$5,000 during the last half of 1999 to become fully compliant for the "Year 2000".

Because of the unprecedented nature of the "Year 2000" issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Authority is or will be "Year 2000" ready, that the Authority's remediation efforts will be successful in whole or in part, or that parties with whom the Authority does business will be "Year 2000" ready.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE COMPONENT
UNIT FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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November 8, 1999

Board of Commissioners
Hammond Airport Authority
Hammond, Louisiana

We have audited the component unit financial statements of the Hammond Airport Authority (a component unit of the City of Hammond), as of and for the year ended June 30, 1999, and have issued our report thereon dated November 8, 1999. We conducted our audit in accordance with generally accepted auditing standards 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 Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving

the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is as follows:

Condition:

Because of a limited number of available personnel in the Authority's office, it is not always possible to adequately segregate certain incompatible duties, so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

Recommendation:

Based on the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

Mitigating Procedures:

The operations coordinator reviews and initials monthly bank reconciliations. Each month at the regular monthly board meetings, the board members review and approve all invoices to be paid.

Action Plan:

None considered necessary.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness.

This report is intended for the information of management and the Louisiana Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

Respectfully submitted,

Harris J. Bourgeois, L.L.P.