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MACON RIDGE  
ECONOMIC DEVELOPMENT REGION, INC.

FINANCIAL REPORT  
DECEMBER 31, 1955

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JUL 24 1956

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Release Date 7-24-96

# MARTIN, HARRISON & SMALLWOOD, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

THOMAS A. BARRAGE, CPA  
WILLIAM W. BARRAGE, CPA  
WILLIAM H. BARRAGE, CPA  
WILLIAM R. BARRAGE, CPA

JOHN T. BARRAGE, CPA  
CHRISTOPHER A. BARRAGE, CPA  
JOHN W. BARRAGE, CPA  
WILLIAM W. BARRAGE, CPA  
WILLIAM R. BARRAGE, CPA

2000 Commerce Boulevard  
Post Office Box 4004  
Macon, Georgia 31211-4004  
Telephone: (478) 368-0500  
Fax: (478) 368-0500

DEPT OFFICE  
One Tower  
Bank Building Plaza  
Columbus, Georgia

June 14, 1996

To the Senior Management and  
The Board of Directors of  
Macon Ridge Economic Development Region, Inc.

In planning and performing our audit of the financial statements of Macon Ridge Economic Development Region, Inc. for the year ended December 31, 1995, we considered the Organization's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. We previously reported on the Organization's internal control structure in our reports dated June 14, 1996. This letter does not affect our report dated June 14, 1996, on the financial statements of Macon Ridge Economic Development Region, Inc.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

## Internal Controls

**Finding:** The Organization has written procedures describing the type of information which must be included in all solicitations for goods and services. The Organization did not include the required information in several of its solicitations for goods and services.

**Finding:** The Organization has written procedures requiring the documentation of cost and price analysis for procurements of goods and services. In several instances, price and cost analysis of procurements were not documented.

**Recommendation:** The Organization's personnel responsible for procurements of goods and services should thoroughly review and should be aware of all aspects of the Organization's procurement procedures.

#### **Other Comments**

##### **Monitoring Federal Awards Programs**

The Organization should designate personnel to monitor the financial and nonfinancial aspects of federal awards programs. Such monitoring should be performed on a quarterly basis at a minimum. A written program for monitoring federal awards programs should be established to insure the following:

- The federal awards programs are operating as intended (e.g., in accordance with a strategic plan, approved application, etc.);
- The federal awards programs are in compliance with grant agreements, applicable laws and regulations, and approved budgets;
- The internal controls over federal awards programs are adequate to insure required compliance and are adhered to consistently.

The monitoring of subrecipients, as discussed below, should be included in the overall monitoring process.

##### **Monitoring Subrecipients**

The Organization should revise its Cash Management Policy to require the submission of monthly expenditure reports by all subrecipients. Such expenditure reports should be reviewed periodically by appropriate personnel within the Organization. Also, the expenditure reports should contain sufficient detail to provide for adequate comparisons with the subrecipient's approved budget.

Furthermore, the Organization should designate personnel to monitor subrecipient programs on a periodic basis. Such monitoring should include, at a minimum, budget comparisons as discussed above, on-site program visits, and a review of financial and nonfinancial records. Such personnel should be responsible for insuring that each subrecipient's programs are being operated in accordance with the subrecipient's agreement with the Organization and in compliance with applicable laws and regulations (e.g., Civil Rights Act, political activity, allowable costs, Drug-Free Workplace Act, etc.). Also, all monitoring procedures performed and the resultant findings, if any, and conclusions should be thoroughly documented.

To the Senior Management and  
The Board of Directors of  
Macon Ridge Economic Development Region, Inc.  
June 14, 1996  
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#### Property and Equipment

The Organization's capitalization threshold for property and equipment is \$250. The Organization should consider increasing such threshold to \$1,000.

#### Grant Management System

The Organization should utilize the budget capabilities incorporated in its computer software, Grant Management System. Such utilization should enhance the federal awards monitoring process discussed above.

#### Personnel Records

The Organization's accountant maintains all personnel records. The personnel records should be maintained by the Executive Director or the Deputy Director in order to protect employee privacy and confidentiality. The accountant should have access only to employee information which affects the Organization's payroll record keeping and reporting.

*Martin, Hovinson & Associates, LLP*

MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.

FINANCIAL REPORT  
DECEMBER 31, 1995

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MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.

FINANCIAL REPORT  
DECEMBER 31, 1995

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# MARTIN, HARRISON & SMALLWOOD, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

2004 BELPATRICE BLVD., P.O. BOX 4000 • MONROE, LA 70133-0000 • (504) 885-6600  
309 DEPOT STREET, SUITE 2 • DELHI, LA 70048 • (504) 278-6000

## Independent Auditor's Report

June 14, 1996

The Board of Directors  
Macon Ridge Economic Development Region, Inc.

We have audited the accompanying statement of financial position of Macon Ridge Economic Development Region, Inc. (a Nonprofit Corporation) as of December 31, 1995, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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; Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget (OMB) Circular A-133, "Audit of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Macon Ridge Economic Development Region, Inc. as of December 31, 1995, and the changes in its net assets and its cash flows 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 June 14, 1996, on our consideration of Macon Ridge Economic Development Region, Inc.'s internal control structure and our report dated June 14, 1996, on its compliance with laws and regulations.

*Martin, Harrison + Smallwood, LLP*

## MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.

STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 1995

<b>ASSETS</b>	
Cash (Note 2)	605,408
Grant receivable (Note 3)	298,513
Other current assets	788
Property and equipment, net (Note 4)	<u>43,973</u>
<b>TOTAL ASSETS</b>	<u>948,675</u>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accounts payable	48,884
Accrued liabilities	3,251
Grant advance (Note 3)	<u>571,789</u>
<b>TOTAL LIABILITIES</b>	<u>623,924</u>
<b>NET ASSETS</b>	
Unrestricted:	
Operating	73,683
Property and equipment	43,973
Total unrestricted	<u>117,656</u>
Temporarily restricted:	
Loan programs	193,203
Permanently restricted	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u>313,671</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>940,675</u>

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



MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 1995

	1995	
	UNRESTRICTED	TEMPORARILY RESTRICTED
<b>PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS</b>		
Grants:		
Enterprise Community Program	-	190,513
Louisiana Governor's Office of Rural Development	10,000	100,000
Contributions	15,580	-
Membership dues	4,345	-
Interest income	720	-
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>296,688</u>	<u>(296,688)</u>
Total public support, revenues and reclassifications	317,263	193,815
<b>EXPENSES</b>		
Programs:		
Grant programs:		
Enterprise Community	153,686	-
Loan programs	<u>2,613</u>	<u>-</u>
Total programs	156,299	-
Management and general	<u>37,823</u>	<u>-</u>
Total expenses	<u>194,122</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	63,141	193,815
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>56,715</u>	<u>-</u>
<b>NET ASSETS - END OF YEAR</b>	<u>119,856</u>	<u>193,815</u>

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

<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
-	390,513
-	230,000
-	25,500
-	4,345
-	739
<u>-</u>	<u>-</u>
-	551,078
-	253,686
<u>-</u>	<u>3,619</u>
-	256,299
<u>-</u>	<u>57,825</u>
<u>-</u>	<u>294,120</u>
-	256,896
<u>-</u>	<u>56,715</u>
<u>-</u>	<u>313,611</u>

MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1995

	PROGRAM SERVICES	
	ENTERPRISE COMMUNITY	LOAN
Contract labor	5,693	-
Consulting fees	13,187	-
Depreciation	1,400	77
Dues and subscriptions	80	-
Equipment acquisitions (under \$350)	1,691	192
Equipment and building maintenance	1,351	-
Fringe benefits	10,778	177
Indirect costs	36,034	680
Other	1,811	-
Postage	37	25
Printing	320	-
Professional fees	325	-
Projects - feasibility studies	25,633	-
Projects - infrastructure improvements	3,000	-
Projects - job training	70,549	-
Promotional	4,606	8
Recruitment/Retention expense	960	178
Rent - equipment	139	-
Salaries and wages	54,806	890
Seminars	1,282	-
Supplies	308	-
Telephone	1,290	-
Travel	16,557	386
	<u>253,686</u>	<u>2,612</u>

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

<u>SUPPORTING SERVICES MANAGE- MENT AND GENERAL.</u>	<u>TOTAL.</u>
-	5,892
3,303	18,900
77	1,554
200	200
182	2,875
89	1,400
2,824	13,779
7,700	44,417
261	2,872
81	149
62	382
5	250
5,000	38,823
-	3,000
-	78,549
200	4,817
499	1,677
-	139
13,581	68,277
683	1,447
190	488
896	2,156
<u>2,456</u>	<u>18,399</u>
<u>37,822</u>	<u>284,122</u>

## MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 1985OPERATING ACTIVITIES

Change in net assets	256,956
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	1,254
(Increase) Decrease in:	
Gross receivable	(290,315)
Other current assets	(499)
Increase (Decrease) in:	
Accounts payable	47,881
Accrued liabilities	2,688
Net cash provided by (used in) operating activities	<u>18,027</u>

INVESTING ACTIVITIES

Purchases of equipment & leasehold improvements	(45,327)
Net cash provided by (used in) investing activities	<u>(45,327)</u>

FINANCING ACTIVITIES

Proceeds from grantor advance	371,789
Net cash provided by (used in) financing activities	<u>371,789</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 344,289

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 51,111

CASH AND CASH EQUIVALENTS AT END OF YEAR 605,400

DISCLOSURE OF ACCOUNTING POLICY

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

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

**MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.****NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1995****NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****NATURE OF OPERATIONS**

Macon Ridge Economic Development Region, Inc. (the Corporation) is a nonprofit organization whose membership consists of eleven parishes located in Northeast Louisiana. The Corporation's mission is economic development, industrial recruitment and readiness, and job creation within the eleven parish area.

In December, 1994, the Corporation's application for a rural Enterprise Community was approved by the United States Department of Agriculture (USDA). Approval as an Enterprise Community was coupled with a three year USDA grant in the amount of \$2,500,000. The purpose of the Enterprise Community program is to implement a strategic plan formulated for revitalizing the economy of portions of five parishes within the Corporation's domain.

USDA also approved a \$2,000,000 loan to the Corporation to establish a Revolving Loan fund for business and economic development within the Enterprise Community, as well as throughout the Corporation's entire area. This loan was obtained through USDA's Intermediary Relending Program. In addition, USDA approved a \$300,000 grant to operate a Small Business Loan program solely for the Enterprise Community.

**BASIS OF ACCOUNTING AND PRESENTATION**

The financial statements of the Corporation have been prepared on the accrual basis of accounting.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Corporations. Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**PERVASIVENESS OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1985

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the property and equipment. Leasehold improvements are recorded at cost and are depreciated using the straight-line method over the term of the lease.

Maintenance and repairs are charged to operations; significant improvements are capitalized. The cost and related accumulated depreciation of assets retired or otherwise disposed are eliminated from the accounts and the resulting gain or loss is included in income.

## RESTRICTED AND UNRESTRICTED REVENUE AND SUPPORT

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction such as purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

## EXPENSE ALLOCATION

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

## INDIRECT COST ALLOCATION

Indirect costs consist of salaries and fringe benefits of personnel who perform management and administrative functions necessary and beneficial to all programs. Also included are common costs supporting all programs. Indirect costs are accumulated in an organizational pool and distributed to programs based on each program's year-to-date direct salaries and fringe benefits and other direct costs.

## INCOME TAX STATUS

The Corporation is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code.

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MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1995

NOTE 2 - CASH

Cash consists of the following:

General fund - operating	91,844
Enterprise Community program - operating (restricted)	312,736
Revolving Loan program - operating	100,257
Small Business Loan program - operating	100,264
	<u>605,101</u>

Cash in the amount of \$100,000 in each loan program operating account is restricted for payment of the administrative expenses of the loan programs.

NOTE 3 - GRANT RECEIVABLE

The grant receivable represents un reimbursed costs incurred in operating the Enterprise Community program. The grant receivable is due from the Louisiana Department of Social Services, Office of Community Services (OCS), which is the contracting agency for the Enterprise Community program in the State of Louisiana.

NOTE 4 - PROPERTY, EQUIPMENT AND DEPRECIATION

The major classes of owned property and equipment are summarized below:

<u>CLASS</u>	
Furniture and fixtures	7,734
Equipment	25,339
Leasehold improvements	<u>12,256</u>
	45,327
Less accumulated depreciation	<u>1,354</u>
Net property and equipment	<u>43,973</u>

Depreciation expense was \$1,354 for the year ended December 31, 1995.



NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1995

**NOTE 5 - GRANTOR ADVANCE**

In accordance with the Corporation's Enterprise Community contract with OCS, the Corporation received an advance of \$571,789 in order to begin implementation of its Enterprise Community program. Under the terms of the contract, OCS will recoup the advance by deducting one-tenth (1/10) of the advance from each of the first twelve cost reimbursement claims filed by the Corporation and subsequently approved by OCS.

**NOTE 6 - LEASE**

The Corporation has entered into a three year agreement for the lease of certain property, including the building in which the Corporation's offices are located. Total rental expense for 1995 was \$4,000. The Corporation has the option to purchase the property for \$300,000 prior to March 7, 1997, and for \$325,000 from March 7, 1997 through September 7, 1998.

The future minimum lease payments under this operating lease are as follows:

<u>Year ended December 31,</u>	
1996	12,000
1997	12,000
1998	8,000
1999	-
2000	-

**NOTE 7 - FINANCIAL INSTRUMENTS**

**CONCENTRATION OF CREDIT RISK**

The Corporation operates its Enterprise Community program under a cost reimbursement contract which results in amounts due from OCS at various times during the performance of the contract. See Note 5.

The Corporation maintains cash balances at several financial institutions located in Northeast Louisiana. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 1995, the Corporation's uninsured cash balances totaled \$215,458.

## MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1995

## NOTE 7 - FINANCIAL INSTRUMENTS (CONTINUED)

## COLLATERALIZATION POLICY

Unless otherwise disclosed, the Corporation does not obtain collateral or other security to support financial instruments subject to credit risk.

## FAIR VALUE

The carrying amounts reflected in the Statement of Financial Position for cash and grantee advance approximate the respective fair values due to the short maturities of those instruments.

The Corporation's financial instruments are held or issued for purposes other than trading.

## NOTE 8 - SIMPLIFIED EMPLOYEE PENSION

The Corporation has established a Simplified Employee Pension (SEP) for its employees in accordance with Section 408(k) of the Internal Revenue Code. The Corporation contributed \$8,280 to the SEP during 1995.

## NOTE 9 - SUBSEQUENT EVENTS

Subsequent to December 31, 1995, the Corporation received USDA approval and funding to make loans through its Revolving Loan program totaling \$402,500 and to make loans through its Small Business Loan program totaling \$50,000.

**SUPPLEMENTAL INFORMATION**

**MARTIN, HARRISON & SMALLWOOD, L.L.P.**

REGISTERED PUBLIC ACCOUNTANTS

1400 BELPATRICK BLVD., P.O. BOX 5004 • MONROE, LA 70005-0004 • (504) 336-0000  
500 DEPOT STREET, SUITE 4 • MONROE, LA 70001 • (504) 336-0174

**Independent Auditor's Report on Internal Control Structure  
Based on an Audit of Financial Statements  
Performed in Accordance with  
Government Auditing Standards**

June 14, 1996

The Board of Directors  
Macon Ridge Economic Development Region, Inc.

We have audited the financial statements of Macon Ridge Economic Development Region, Inc. (a Nonprofit Corporation) as of and for the year ended December 31, 1995, and have issued our report thereon dated June 14, 1996.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audit of Institutions of Higher Education and Other Nonprofit Institutions." These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Macon Ridge Economic Development Region, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Macon Ridge Economic Development Region, Inc. for the year ended December 31, 1995, we obtained an understanding of its internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of Macon Ridge Economic Development Region, Inc. in a separate letter dated June 14, 1996.

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

*Martin, Harrison & Smallwood, LLP*

MARTIN, HARRISON & SMALLWOOD, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

2800 BELLAIR BLVD., P.O. BOX 4004 - MONROE, LA 70114-0044 - (504) 833-0000  
500 DEPOT STREET, SUITE A - BELLEVUE, LA 70001 - (504) 835-6100

**Independent Auditors' Report on Compliance  
With Laws and Regulations Based on an Audit of  
Financial Statements Performed in Accordance with  
Government Auditing Standards**

June 14, 1996

The Board of Directors  
Macon Ridge Economic Development Region, Inc.

We have audited the financial statements of Macon Ridge Economic Development Region, Inc. (a Nonprofit Corporation) as of and for the year ended December 31, 1995, and have issued our report thereon dated June 14, 1996.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to Macon Ridge Economic Development Region, Inc. is the responsibility of the Corporation's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Macon Ridge Economic Development Region, Inc.'s compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. 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.

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

*Martin, Harrison & Smallwood, L.L.P.*

MARTIN, HARRISON & SMALLWOOD, L.L.P.

CHARTERED PUBLIC ACCOUNTANTS

4000 KILPATRICK BLVD., P.O. BOX 4044 - MEMPHIS, TN 38111-0444 - (901) 944-0000  
600 DEPOT STREET, SUITE 2 - BIRMINGHAM, LA 38201 - (901) 944-0000

Independent Auditors' Report on  
Schedule of Federal Awards

June 14, 1996

The Board of Directors  
Macon Ridge Economic Development Region, Inc.

We have audited the financial statements of Macon Ridge Economic Development Region, Inc. (a Nonprofit Corporation) as of and for the year ended December 31, 1995, and have issued our report thereon dated June 14, 1996. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." These standards and OMB Circular A-133 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Macon Ridge Economic Development Region, Inc. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule 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.

*Martin, Harrison & Smallwood, L.L.P.*

MACON BISHOP ECONOMIC DEVELOPMENT REGION, INC.

SCHEDULE OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 1993

<u>Federal Grant/Pass - through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass - through Number</u>	<u>Federal Expenditures</u>
United States Department of Agriculture			
Pass - through from State of Louisiana Department of Social Services			
Enterprise Community	15.770	3708427	<u>298,112 *</u>

\* Denotes a major program.



**MARTIN, HARRISON & SMALLWOOD, L.L.P.**

CHARTERED PUBLIC ACCOUNTANTS

1200 WILSON BLVD., P.O. BOX 4044 - MONROE, LA 70131-4044 - (504) 885-8800  
201 BAYOU STREET, SUITE A - DALLAS, LA 75201 - (214) 876-6174

**Independent Auditor's Report on Internal Control Structure  
used in Administering Federal Awards**

June 14, 1996

The Board of Directors  
Macon Ridge Economic Development Region, Inc.

We have audited the financial statements of Macon Ridge Economic Development Region, Inc. (a Nonprofit Corporation) as of and for the year ended December 31, 1995, and have issued our report thereon dated June 14, 1996. We have also audited the compliance of Macon Ridge Economic Development Region, Inc. with requirements applicable to major federal award programs and have issued our report thereon dated June 14, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audit of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and about whether Macon Ridge Economic Development Region, Inc. complied with laws and regulations, noncompliance with which would be material to a major federal award program.

In planning and performing our audit of the financial statements of Macon Ridge Economic Development Region, Inc. for the year ended December 31, 1995, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on Macon Ridge Economic Development Region, Inc.'s financial statements and on its compliance with requirements applicable to major awards programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal award programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated June 14, 1996.

The management of Macon Ridge Economic Development Region, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide

management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal awards programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal award programs in the following categories:

- Cash
- Receivables
- Property and equipment
- Accounts payable and accrued liabilities
- Payroll
- Net assets
- Governmental Financial Assistance Programs
  - General Requirements
    - Political activity
    - Civil rights
    - Cash management
    - Federal financial reports
    - Allowable costs/cost principles
    - Drug-free Workplace Act
    - Administrative requirements
  - Specific Requirements
    - Special costs and provisions

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended December 31, 1995, Macoss Ridge Economic Development Region, Inc. expended 100% of its total federal awards under major federal awards programs.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements that are applicable to each of the Corporation's major federal award programs, which are identifiable in the accompanying Schedule of Federal Awards. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal awards program 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 structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of Macon Ridge Economic Development Region, Inc. in a separate letter dated June 14, 1996.

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

*Martin, Harrison & Smallwood, LLP*

MARTIN, HARRISON & SMALLWOOD, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

1800 KILPATRICK BLVD., P.O. BOX 1844 - MONROE, LA 70111-1844 - (504) 284-0000  
504 BIRCH STREET, SUITE 4 - DULAC, LA 70046 - (504) 974-1070

**Independent Auditor's Report on Compliance  
With General Requirements Applicable  
to Federal Awards Programs**

June 14, 1996

The Board of Directors  
Macon Ridge Economic Development Region, Inc.

We have audited the financial statements of Macon Ridge Economic Development Region, Inc. (a Nonprofit Corporation) as of and for the year ended December 31, 1995, and have issued our report thereon dated June 14, 1996.

We have applied procedures to test Macon Ridge Economic Development Region, Inc.'s compliance with the following requirements applicable to its federal award programs, which are identified in the accompanying Schedule of Federal Awards for the year ended December 31, 1995: political activity, civil rights, cash management, federal financial reports, allowable cost/cost principles, drug-free workplace and administrative requirements.

Our procedures were limited to applicable procedures described in the Office of Management and Budget's 'Compliance Supplement for Audits of Institutions of Higher Learning and Other Nonprofit Institutions'. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Macon Ridge Economic Development Region, Inc.'s compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Macon Ridge Economic Development Region, Inc. had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying Schedule of Findings and Questioned Costs.

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

*Martin, Harrison & Smallwood, L.L.P.*

**MARTIN, HARRISON & SMALLWOOD, L.L.P.**

REGISTERED PUBLIC ACCOUNTANTS

2000 BELPATRICK BLVD., P.O. BOX 4044 - MONROE, LA 70114-4044 - (504) 885-0000  
307 BERRY STREET, SUITE A - DALLAS, LA 75201 - (214) 804-0171

**Independent Auditor's Report on Compliance  
With Specific Requirements Applicable  
to Major Federal Award Programs**

June 14, 1996

The Board of Directors  
Macon Ridge Economic Development Region, Inc.

We have audited the financial statements of Macon Ridge Economic Development Region, Inc. (a Nonprofit Corporation) as of and for the year ended December 31, 1995, and have issued our report thereon dated June 14, 1996.

We have also audited the compliance of Macon Ridge Economic Development Region, Inc. governing discrimination in the rendering of services and employment; client confidentiality; reporting; payment of taxes; approval of subcontract work; and political activity that are applicable to each of its major federal award programs, which are identified in the accompanying Schedule of Federal Awards, for the year ended December 31, 1995. The management of Macon Ridge Economic Development Region, Inc. is responsible for the Corporation's compliance with those requirements based on our audit. Our responsibility is to express an opinion on compliance with these requirements based on our audit.

We conducted our audit of compliance with these requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audit of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to in the second paragraph occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures did not disclose any immaterial instances of noncompliance with the requirements listed in the second paragraph.

In our opinion, Macon Ridge Economic Development Region, Inc. complied, in all material respects, with the specific requirements referred to in the second paragraph that are applicable to each of its major federal award programs for the year ended December 31, 1995.

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

*Martin, Harrison & Smallwood, L.L.P.*

## MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 1995Current Year FindingsQuestioned  
Costs

## UNITED STATES DEPARTMENT OF AGRICULTURE:

1. Enterprise Community - CFDA 10.712;  
Grant No. 3798327; Grant Period - ten  
months ended December 31, 1995

**Statement of Condition:** The Corporation included unallowable costs as program costs.

**Criteria:** Ceremonial costs totaling \$706 are not allowed as program costs.

736

**Effect of Condition:** The ceremonial costs may be disallowed.

**Cause of Condition:** The Corporation failed to monitor adherence to cost principles as they are applied to proposed expenditures.

**Recommendation:** The Corporation should establish procedures to assure that proposed expenditures are allowable in accordance with cost principles.

**Response:** We concur with the auditors' recommendations. Procedures will be established to prevent a recurrence of this situation.

2. Enterprise Community - CFDA 10.772;  
Grant No. 3798327; Grant Period - ten  
months ended December 31, 1995

**Statement of Condition:** Certain costs benefiting the program and other work were borne entirely by the program.

**Criteria:** Costs incurred for furniture and fixture purchases and leasehold improvements which benefit both the program and other work should be distributed in reasonable proportion to the benefits received.

2,192

**Effect of Condition:** The allocable portion of costs incurred for equipment purchases and leasehold improvements may be disallowed.

## MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 1995Current Year Findings

**Cause of Condition:** Procedures are in place to permit proper allocation of costs benefiting both the program and the other work. The Corporation acknowledges that the procedures were not followed properly.

**Recommendation:** The Corporation's personnel responsible for allocating costs should periodically review the Corporation's cost allocation procedures.

**Response:** We concur with the auditors' recommendations. The Corporation's cost allocation procedures will be reviewed periodically by appropriate personnel.

TOTAL QUESTIONED COSTS

2,000