

# DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

A CORPORATION ORGANIZED UNDER THE  
LAWS OF MISSISSIPPI  
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SUPPORT MEMBER SINCE 1988

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## Independent Auditor's Report

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To the Board of Directors  
Lafayette Neighborhood's Economic  
Development Corporation  
Lafayette, Louisiana

We have audited the accompanying statements of financial position of the Lafayette Neighborhood's Economic Development Corporation (a nonprofit component unit of the City of Lafayette, Louisiana) as of April 30, 1996 and 1995 and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of the Lafayette Neighborhood's Economic Development Corporation as of April 30, 1996 and 1995 and the results of its activities and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated June 18, 1996, on our consideration of the Lafayette Neighborhood's Economic Development Corporation's internal control structure and a report dated June 18, 1996, on its compliance with laws and regulations.

*Darnall, Sikes, Kolder, Frederick & Rainey*

A Corporation of Certified Public Accountants

Lafayette, Louisiana  
June 18, 1996

MEMBER OF  
INTERNATIONAL FEDERATION OF  
CERTIFIED ACCOUNTANTS  
OFFICE OF THE  
INTERNATIONAL ACCOUNTANTS

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**LAFAYETTE NEIGHBORHOOD'S  
ECONOMIC DEVELOPMENT  
CORPORATION**  
Lafayette, Louisiana  
  
Financial Report  
  
Years Ended April 30, 1985 and 1986

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 OCT 09 1986

# DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

AN CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditor's Report on Compliance with Laws and Regulations Based on an Audit of Basic Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors  
Lafayette Neighborhood's Economic  
Development Corporation  
Lafayette, Louisiana

We have audited the financial statements of the Lafayette Neighborhood's Economic Development Corporation, as of and for the year ended April 30, 1988, and have issued our report thereon dated June 18, 1988.

We conducted our audit in accordance with generally accepted auditing standards and Government auditing standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit so obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Lafayette Neighborhood's Economic Development Corporation is the responsibility of the entity's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the entity'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 solely for the use of the Board of Directors, management and the grantor agency, the City of Lafayette, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which upon acceptance by the Lafayette Neighborhood's Economic Development Corporation, is a matter of public record.

*Darnall, Sikes, Kolder, Frederick & Rainey*

A Corporation of Certified Public Accountants

Lafayette Louisiana  
June 18, 1988

MEMBER OF  
THE AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
INTERNATIONAL SOCIETY OF  
CERTIFIED ACCOUNTANTS

LAFAYETTE MICROBANK'S ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION  
April 30, 1988 and 1989

	<u>1988</u>	<u>1989</u>
ASSETS		
Cash and cash equivalents	\$113,183	\$108,898
Loans receivable (net)	178,843	182,172
Accrued interest receivable	<u>3,172</u>	<u>3,882</u>
Total current assets	<u>\$315,198</u>	<u>\$314,952</u>
NET ASSETS		
Permanently restricted for loans	\$609,294	\$609,418
Permanently restricted for reserve deposit	<u>7,118</u>	<u>4,916</u>
Total net assets	<u>\$616,412</u>	<u>\$614,334</u>

See Independent auditor's report and notes to financial statements.

LAFAYETTE NEIGHBORHOOD'S ECONOMIC DEVELOPMENT CORPORATION

Statements of Activities  
 Years Ended April 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>		
Support:		
City of Lafayette - Local Funds	\$ 8,000	\$ 10,776
Interest:		
Loans	19,837	19,193
Investments	8,514	9,983
Application fees	200	200
Other	<u>3,000</u>	<u>863</u>
Total public support and revenue	<u>37,351</u>	<u>37,055</u>
Expenses:		
Support services -		
Management and general	<u>37,814</u>	<u>37,280</u>
Total expenses	<u>37,814</u>	<u>37,280</u>
Deficiency of public support and revenue over expenses	(130)	(225)
Net assets, beginning	616,420	611,716
Prior period adjustments	<u>        </u>	<u>8,378</u>
Net assets, ending	<u>616,420</u>	<u>618,430</u>

See independent auditor's report and notes to financial statements.

## LAFAYETTE NEIGHBORHOOD'S ECONOMIC DEVELOPMENT CORPORATION

### Notes to Financial Statements

#### (1) Nature of Activities and Summary of Significant Accounting Policies Regarding Entity

The Lafayette Neighborhood's Economic Development Corporation (LNEEC) is a non-profit corporation organized under the provisions of the Cooperative Economic Development Law of the State of Louisiana. The Lafayette Neighborhood's Economic Development Corporation operates as a component unit of the City of Lafayette, Louisiana and provides funding to the program.

#### Nature of Activities

The Lafayette Neighborhood's Economic Development Corporation was organized to help alleviate conditions of economic distress in the City of Lafayette's low and moderate income neighborhoods by encouraging greater private capital investment in these target areas. To accomplish this goal, the LNEEC provides financing to new and expanding small businesses in Lafayette. The organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

#### Significant accounting policies

##### A. Loans

Loans are stated at principal amounts outstanding as of the statement of financial position date, less the allowance for possible loan losses.

##### B. Allowance for Possible Loan Losses

The allowance for possible loan losses is maintained at a level considered adequate by management to absorb potential losses. The allowance is increased by provisions charged to program expenses and reduced by net charge-offs. The Corporation makes continuous credit reviews of the loan portfolio and considers current economic conditions, historical loan loss experience, and other relevant factors in determining the adequacy of the allowance.

##### C. Expenses

Expenses are recognized on the accrual basis.

LAFAYETTE BUCHHEIMER'S ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

(7) Commensuration of Credit Risk (Continued)

at April 30, 1986, the bank balances of cash and cash equivalents totalled \$32,858, which was covered by Federal Depository Insurance of \$14,804 and Government National Mortgage Association Securities with a market value of \$200,787 which is pledged by the bank in the name of LSEDC.

(8) Prior Period Adjustment

The prior period adjustment for the year ended April 30, 1991, resulted from support removed relating to an escrow account established on behalf of LSEDC in 1991. The escrow account was a requirement of the Department of Housing and Urban Development for the Starling Drive Housing Project and in prior years was not recorded within the accounting records of LSEDC. The effect on the prior years Statements of Activities should have been as follows:

	EXPENSE	REVENUE	TOTAL
1991	\$6,442	\$ 100	\$6,342
1992	-	137	137
1993	-	181	181
1994	-	130	130
	<u>\$6,442</u>	<u>\$ 448</u>	<u>\$6,890</u>



# DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

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**MEMORANDUM**  
DATE: 6/15/1998

MEMORANDUM FOR THE BOARD OF DIRECTORS  
DATE: 6/15/1998  
SUBJECT: INTERNAL CONTROL STRUCTURE  
PERFORMED IN ACCORDANCE WITH COMPTROLLER AUDITING STANDARDS

## Independent Auditor's Report on Internal Control Structure Based on an Audit of Basic Financial Statements Performed in accordance with Comptroller Auditing Standards

To the Board of Directors  
Lafayette Neighborhood's Economic  
Development Corporation  
Lafayette, Louisiana

We have audited the financial statements of the Lafayette Neighborhood's Economic Development Corporation, as of and for the year ended April 30, 1998, and have issued our report thereon dated June 18, 1998.

We conducted our audit in accordance with generally accepted auditing standards and Comptroller Auditing Standards, issued by the Comptroller General of the United States. These standards 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 the Lafayette Neighborhood's Economic Development Corporation 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 recorded 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 may 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 the Lafayette Neighborhood's Economic Development Corporation for the year ended April 30, 1998, we obtained an understanding of the 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

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MEMORANDUM  
DATE: 6/15/1998  
SUBJECT: INTERNAL CONTROL STRUCTURE  
PERFORMED IN ACCORDANCE WITH COMPTROLLER AUDITING STANDARDS

This report is intended solely for the use of the Board of Directors, management and the greater agency, the City of Lafayette, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Lafayette Neighborhood's Economic Development Corporation, is a matter of public record.

*Dunham, Sigs, Kolder, Frederick & Rainey*

A Corporation of Certified Public Accountants

Lafayette, Louisiana  
June 18, 1976

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 systems. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

#### **Administrative and General Expenses\***

##### **Finding:**

The City of Lafayette's Community Development Department pays the majority of LSEDC's administrative and general operating expenses as part of an agreement between LSEDC and the City of Lafayette. A portion of these costs is segregated in the City's accounting records; however, not all costs are kept separately, and LSEDC is unaware of the total administrative and general expenses paid on their behalf by the City of Lafayette. Per the agreement with the City, there is a \$5,000 maximum amount allowable for administrative costs annually.

##### **Recommendation:**

After invoices submitted to the City of Lafayette have been processed for payment, LSEDC employees should record the amount of expenditures paid on their behalf and the corresponding grant revenue in LSEDC's financial records.

##### **Response:**

Administrative funds, per the agreement between LSEDC and the City of Lafayette, will be used for LSEDC's administrative and general operating expenses. Financial records will support these expenses.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure element 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the reportable conditions marked with an asterisk(\*) above are material weaknesses.

LAFAYETTE HILDBRANDSON'S ECONOMIC DEVELOPMENT CORPORATION

Statement of Cash Flows  
 Years Ended April 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (13)	\$ (8,373)
adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Change in loans receivable	(117,481)	(16,318)
Change in other receivables	-	30,808
Change in accrued interest receivable	335	(714)
Fixed balance (prior period adjustment)	-	4,978
Net cash provided (used) by operating	<u>(117,250)</u>	<u>37,449</u>
activities		
CASH AND CASH EQUIVALENTS, beginning of year	<u>212,836</u>	<u>175,387</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 95,586</u>	<u>\$112,936</u>

See Independent Auditors' report and notes to financial statements.

LAFAYETTE HEDDERBROUGH'S ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

(3) Operating Expenses

All administrative duties for LHEDC are performed by the City of Lafayette's employees. Administrative expenses other than legal fees are paid directly from LHEDC grant funds. Under the terms of the operating agreement with the City of Lafayette, however, legal fees paid for LHEDC by the City are the City's responsibility and are paid from non-grant funds.

(4) Compensation of Board of Directors

Members of the Board of Directors were not paid per diem or other compensation during the period under audit.

(5) Grant Commitments

The City of Lafayette's Community Development Block Grant Program has a commitment to fund \$31,800 to LHEDC provided the City of Lafayette's Community Block Grant is approved by HUD for each applicable grant program year.

(6) Related Party Transactions

The Sterling Grove Housing Development, Inc. has the same Board of Directors as LHEDC. During the year ending April 30, 1991, Sterling Grove Housing Development, Inc. received approval for a maximum \$1,298,190 Department of Housing and Urban Development, Section 102 loan to construct a 36-unit elderly housing complex. LHEDC is the sponsor of this housing project.

For the years ended April 30, 1998 and 1995, there were no transactions between LHEDC and Sterling Grove Housing Development, Inc.

(7) Concentration of Credit Risk

The Organization provides financing to a diversified group of businesses located primarily in the Lafayette area. This assistance is provided based on an evaluation of each customer's financial condition, business knowledge, sufficiency of collateral, etc. Credit losses, upon occurrence, are provided for within the financial statements.

LAFAYETTE BROWNBOROUGH'S ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

B. Statement of Cash Flows

For purposes of the statements of cash flows, the organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

C. Use 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 as the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(3) Loans

Loans receivable are comprised of loans to local business owners in a specific geographical area. These loans were made for working capital, debt refinancing, and fixed asset acquisitions. Collateral is comprised of chattel mortgages on business equipment and collateral mortgages on real estate. Interest is accrued on outstanding loans from the date of the last principal payment.

The following summary reflects activities on the loan accounts for the years ending April 30, 1996 and 1995:

	<u>1996</u>	<u>1995</u>
Balance, beginning	\$ 382,805	\$ 288,768
Loans made	367,667	138,708
Payments received	(180,883)	(109,288)
Loans written off	<u>(22,886)</u>	<u>(13,607)</u>
Balance, ending	<u>\$ 406,877</u>	<u>\$ 404,681</u>

The following is an analysis of the allowance for loan losses:

	<u>1996</u>	<u>1995</u>
Balance, beginning	\$ 19,931	\$ 42,188
Loans written off	(19,888)	(13,607)
Decrease in provision for loan losses	<u>53,371</u>	<u>53,702</u>
Balance, ending	<u>\$ 53,414</u>	<u>\$ 82,283</u>