

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 organization's ability to record, process, summarize, and report financial data consistent with the assertions of management and the general-purpose financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the specific 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 general-purpose 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 a reportable condition and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the general-purpose financial statements of Northwest Louisiana Council of Governments for the year ended June 30, 1998.

We noted the following material weaknesses:

Accounting for the NIGEL Project

Costs for the National Geographic Information System project, and billings for reimbursements to the participants in this project, are combined in the general ledger accounts. Financial information for this project would be more useful if the costs were accumulated in specific accounts, and the related billings and revenues were accumulated in a separate set of accounts, by project participant.

Deferred Grant Revenue

Two FTA grants, in order to be closed out by the state, funded to MLCOG certain reimbursements for equipment costs before the equipment was acquired. Some of the equipment was acquired several months after the close of the grants. Funds received for these costs were recorded as revenues, but are more appropriately reflected as deferred revenue, since MLCOG does not earn this grant revenue until qualifying costs are incurred.

Direct Element Costs

We noted that certain direct element costs were identified with various grants per the general ledger, but were not actually charged to those grants per the grant billings. Additional analysis indicated that such amounts were properly included from direct element costs. We recommended that care be exercised in coding these costs on the general ledger, so that direct costs per the books equals such amounts actually incurred on each grant.

Payroll Withholding

A test of individual payroll disbursements indicated potential under-withholding of federal income taxes on certain employees, based on applicable W-4 forms maintained in the file. Accordingly, we suggest that these forms be reviewed as to their current accuracy, and compared to the withholding status and allowances by employee used by the Council's payroll service.

HEARD, McBRIDE & VESTAL, L.L.P.

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March 14, 1997

Northwest Louisiana Council of Governments
Shreveport, Louisiana

Report on the Internal Control Structure in Accordance with Government Auditing Standards

We have audited the general-purpose financial statements of Northwest Louisiana Council of Governments, as of and for the year ended June 30, 1996, and have issued our report thereon dated March 14, 1997.

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 general-purpose financial statements are free of material misstatement.

The management of Northwest Louisiana Council of Governments 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 general-purpose 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 general-purpose financial statements of Northwest Louisiana Council of Governments, for the year ended June 30, 1996, 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 in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

ELDRY, McELROY & VESTAL, L.L.P.

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March 14, 1997

Northwest Louisiana Council of Governments
Shreveport, Louisiana

Compliance Report Based on an Audit of General-Purpose Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the general-purpose financial statements of Northwest Louisiana Council of Governments, as of and for the year ended June 30, 1996, and have issued our report thereon dated March 14, 1997.

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 to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Northwest Louisiana Council of Governments, is the responsibility of the Northwest Louisiana Council of Governments' management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Council's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general-purpose 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 of compliance disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

We noted certain immaterial instances of noncompliance that we have reported to the management of Northwest Louisiana Council of Governments in a separate letter dated March 14, 1997.

This report is intended for the information of the Board of Directors, management, and funding agencies. However, this report is a matter of public record and its distribution is not limited.

Thad. M. Elroy & Vestal, LLP

OTHER REPORTS

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

COMPUTATION OF INDIRECT COST RATE

FOR THE YEAR ENDED JUNE 30, 1996

Indirect Costs:

Salaries	18,913
Telephone	2,863
Check processing	618
Postage	773
Printing cost	22,868
Supplies	6,211
Travel and education	28,834
Professional fees	18,475
Bonding and insurance	500
Equipment maintenance	1,783
Dues and publications	1,648
Publication sales	(583)
Printing	1,828
Depreciation	17,214
Advertising	188
Vacation	11,894
Holidays	8,218
Sick leave	7,506
Retirement	16,262
Health insurance	18,391
Payroll taxes	1,739
Miscellaneous	<u>1,141</u>
Total	<u>131,365</u>

	Direct Labor	Actual Indirect Cost	Actual Indirect Rate
FWHA 190-00-0187	118,263	132,112	
FTA LA-88-3004	14,980	17,834	
SPORTSMAN	13,950	15,810	
Nonproject	<u>9,327</u>	<u>8,275</u>	
	<u>156,520</u>	<u>174,031</u>	<u>111.83%</u>

NORTHEAST LOUISIANA COUNCIL OF GOVERNMENTS
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 1996

	FHWA 281-02-8181	FTA LA-88-208H	Section	Regional Geographic Information System	Non- Project	Total
Revenues:						
Federal grant	198,708	23,694	-	-	-	222,402
State and local grant	49,873	6,431	29,804	442,853	-	528,961
Interest	-	-	-	-	1,673	1,673
Total revenues	<u>248,581</u>	<u>30,125</u>	<u>29,804</u>	<u>442,853</u>	<u>1,673</u>	<u>754,036</u>
Expenditures:						
Direct labor	136,263	34,981	13,951	-	5,523	190,718
Consultant	-	-	-	429,344	-	429,344
Indirect costs	182,112	17,024	18,853	-	6,273	224,262
Nonproject costs	-	-	-	-	3,371	3,371
Total expenditures	<u>318,375</u>	<u>51,905</u>	<u>32,804</u>	<u>429,344</u>	<u>17,167</u>	<u>844,795</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,509</u>	<u>115,500</u>	<u>129,009</u>

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

COMBINED BALANCE SHEET ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1988

ASSETS	Governmental	Account	Total Non-subsidiary (Net)
	Fund Type	Group	
	General	General	
	Fund	Fund Group	
Cash/Note 18	65,904	-	65,904
Federal grant receivables	71,896	-	71,896
Local grant receivables-Note 7	41,608	-	41,608
Other receivables	160,807	-	160,807
Prepaid expenses	2,894	-	2,894
Other assets	1,614	-	1,614
General fixed assets-Note 5	-	136,236	136,236
Less-accumulated depreciation	-	(74,924)	(74,924)
Total assets	343,122	61,312	394,434
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	245,884	-	245,884
Deferred grant revenue	30,368	-	30,368
Local grants payable	9,730	-	9,730
Accrued compensated absences-Note 3	31,188	-	31,188
Total liabilities	296,984	-	296,984
Fund equity:			
Fund balance-unreserved	46,367	-	46,367
Investment in general fixed assets	-	61,312	61,312
Total fund equity	46,367	61,312	107,679
Total liabilities and fund equity	343,351	61,312	394,663

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

SUPPLEMENTARY INFORMATION

Harold, McElroy & Vestal, L.L.P.

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March 14, 1997

Northwest Louisiana Council of Governments
Shreveport, Louisiana

Independent Auditor's Report on Supplementary Information

We have audited the general-purpose financial statements of Northwest Louisiana Council of Governments, as of and for the year ended June 30, 1996, and have issued our report thereon dated March 14, 1997. These general-purpose financial statements are the responsibility of the Northwest Louisiana Council of Governments's management. Our responsibility is to express an opinion on these general-purpose 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose 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.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements of Northwest Louisiana Council of Governments taken as a whole. The accompanying supplementary information on Pages 10 through 12 is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

Harold, McElroy & Vestal, LLP

3. Compensated Absence (Continued)

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

Sick leave is granted at the rate of .03 days per month for full-time regular service or, in the case of part-time employment, at the proportionate rate as determined by comparing the employee's standard workweek to 40 hours. Sick leave is accrued up to a maximum of twenty days per year.

4. Pension Plan

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

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

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

During the year, the Council's required and actual contributions amounted to \$65,363 which was 9% of its current year covered payroll of \$718,700. Employee's required and actual contributions amounted to \$16,362 which was 9% of the Council's current year covered payroll.

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

The pension plan held in accordance of the Council or other related parties during the year or as of the close of the fiscal year.

5. Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

Balance July 1, 1993	118,378
Additions	15,888
Retirements	-
Balance June 30, 1994	<u>134,266</u>

3. Summary of Significant Accounting Policies (Continued)

b. Fixed Assets

Fixed assets used in governmental fund type operations (general fund assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. All fixed assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Depreciation is provided on the general fixed assets and charged to the grants in accordance with OMB Circular A-87.

c. Prepaid Expenses

Expensures for insurance and similar services that extend over more than one accounting period are capitalized and expensed as consumed.

d. Basis of Accounting

Basis of accounting refers to when revenues and expenditures 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 liability is incurred.

e. Budgetary and Budgetary Accounting

Budgets for PLADG are prepared by the Executive Director as part of the United Planning Work Program (UPWP). The budget is then ratified by the Council. UPWP planning activities encompass a time frame of twelve months starting July 1, 1993, and ending June 30, 1994. These activities outline the joint efforts required of the Louisiana Department of Transportation and Development, MACTCO, the Cities of Shreveport and Bossier, the Parishes of Calde and Bossier, the Shreveport and Bossier City MRC's, Shreveport Area Transit Personnel and affiliated agencies.

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

f. Presentation of Totals

Total of funds and account groups are presented for informational purposes, but are captioned "Memorandum Only" because they are not intended to be the equivalent of a consolidation.

3. Contingent Liabilities

Accumulated annual leave is accrued when incurred in the general fund.

Employees accrue annual leave under the following schedule:

Employee Length of Service	Annual Leave Accrued
Less than one year	8 1/2 days per month
From one year to ten years	1.25 days per month
Ten years or more	1.67 days per month

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March 14, 1997

Northwest Louisiana Council of Governments
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying general-purpose financial statements of Northwest Louisiana Council of Governments, as of and for the year ended June 30, 1996, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these general-purpose 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Northwest Louisiana Council of Governments, as of June 30, 1996, 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 a report dated March 14, 1997 on our consideration of the Council's internal control structure and a report dated March 14, 1997 on its compliance with laws and regulations.

Heard, McElroy & Ventura, L.L.P.

AUDITED FINANCIAL STATEMENTS

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SHREVEPORT, LOUISIANA

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**NORTHWEST LOUISIANA COUNCIL
OF GOVERNMENTS
SHREVEPORT, LOUISIANA
JUNE 30, 1968**

Financial Administrator
Legislative Auditor

By _____

Under provisions of state law, this report is a public document. A copy of the report was being submitted to the parish, or continued, entity and other appropriate public officials. This 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 _____

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 1998

Federal Grant/Pass-Through Grant/ Program Title	Federal CFDA Number	Award Amount	Federal Revenues	Federal Expenditures
U.S. Department of Transportation				
Passed through Louisiana State Department of Transportation and Development:				
Metropolitan Planning Federal Aid (PL-601 (319)) State Project 735-09-0107	20.205	208,000	198,300	198,790
Regional Planning FTA Aid PLA-80-3004 State Project 735-09-0108	20.500	30,000	25,000	25,000
Totals			<u>223,300</u>	<u>223,790</u>

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1996

1. Financial Reporting Entity

Northwest Louisiana Council of Governments (NLCOG) (formerly Shreve Area Council of Governments) was established October 25, 1996, under the authority of Louisiana R.S. 33:1311, et seq. under the pertinent section termed Intergovernmental Relations. The cities of Shreveport, Bossier City, and Minden, and the Parishes of Caddo, Bossier and Webster enacted resolutions authorizing the establishment of NLCOG under the referenced statute. During the current year, NLCOG, as a metropolitan planning organization, received funding from various federal, state and local planning grants as further outlined below.

Louisiana Department of Transportation and Development (No. 716-00-0103) Federal Aid Project No. FL-0011819, contract for Metropolitan Planning, Shreveport Urbanized Area, awarded July 1, 1995, in the amount of \$250,000 of which the maximum federal share comprises \$180,000. Eighty percent (80.00%) of the project is federally funded with the remaining twenty percent (20.00%) being funded through local monies.

Louisiana Department of Transportation and Development (No. 716-00-0106) FTA Project No. LA-80-0304, contract for Regional Planning, Shreveport Urbanized Area, awarded July 1, 1995, in the amount of \$48,500 of which the maximum federal share comprises \$34,800. Eighty percent (80.00%) of the project is federally funded with the remaining twenty percent (20.00%) being funded through local monies.

Shreveport Transit Authority, funding for the support of transit planning projects, in the amount of \$30,000.

Local participation of the City of Shreveport, Caddo Parish Tax Assessor, Caddo Parish Communications District No. 1, and Shreveport/Caddo Metropolitan Planning Commission in a contract to develop a regional geographic information system for the creation of a digital map for Caddo Parish and the City of Shreveport. This project is funded predominantly with local monies.

2. Summary of Significant Accounting Policies

1. Fund Accounting

The accounts of NLCOG are organized on the basis of a general fund and a fixed asset account group. The operations of NLCOG are accounted for with a set of self-balancing accounts that comprise assets, liabilities, fund equity, revenues and expenditures. There is one generic fund type categorized as follows:

General Fund - The General Fund is the general operating fund of the Council, and is used to account for all financial resources.

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March 14, 1997

Northwest Louisiana Council of Governments
Shreveport, Louisiana

Single-Audit Report on Compliance with General Requirements

We have audited the general-purpose financial statements of Northwest Louisiana Council of Governments, as of and for the year ended June 30, 1996, and have issued our report thereon dated March 14, 1997.

We have applied procedures to test the compliance of Northwest Louisiana Council of Governments with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the year ended June 30, 1996: political activity, civil rights, cash management, allowable cost/expense principles, federal financial reports, and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Northwest Louisiana Council of Governments' 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 these procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that Northwest Louisiana Council of Governments had not complied, in all material respects, with these requirements.

This report is intended for the information of the Board of Directors, management, and funding agencies. However, this report is a matter of public record and its distribution is not limited.

Blair, McElroy & Ventura, LLP

Heaman, McIlroy & Vignati, L.L.P.

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March 14, 1993

Northwest Louisiana Council of Governments
Shreveport, Louisiana

Single Audit Report on Compliance with Specific Requirements Applicable to Nonmajor Federal Financial Assistance Program Transactions

We have audited the general-purpose financial statements of Northwest Louisiana Council of Governments, as of and for the year ended June 30, 1990, and have issued our report thereon dated March 14, 1993.

In connection with our audit of the general-purpose financial statements of Northwest Louisiana Council of Governments, and with our consideration of the Northwest Louisiana Council of Governments' control structure used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-128, *Audit of State and Local Governments*, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the year ended June 30, 1990.

As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed, eligibility, matching, level of effort or cost-sharing, reporting, claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Northwest Louisiana Council of Governments' compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of these 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 Northwest Louisiana Council of Governments had not complied, in all material respects, with these requirements.

This report is intended for the information of the Board of Directors, management, and funding agencies. However, this report is a matter of public record and its distribution is not limited.

Heaman, McIlroy & Vignati, L.L.P.

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March 14, 1993

Northwest Louisiana Council of Governments
Shreveport, Louisiana

Single Audit Report on the Internal Control Structure Used in Administering Federal Financial Assistance Programs

We have audited the general-purpose financial statements of Northwest Louisiana Council of Governments, as of and for the year ended June 30, 1992, and have issued our report thereon dated March 14, 1993.

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-128, *Audit of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement.

In planning and performing our audit for the year ended June 30, 1992, we considered the internal control structure of Northwest Louisiana Council of Governments, in order to determine our auditing procedures for the purpose of expressing our opinion on the Council's general-purpose financial statements and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the general-purpose financial statements in a separate report dated March 14, 1993.

The management of Northwest Louisiana Council of Governments 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 general-purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance 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 financial assistance programs into the following categories: Payroll, Revenues/Receipts, Purchases/Disbursements and General Ledger.

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 June 30, 1996, Northwest Louisiana Council of Governments had no major federal financial assistance programs and expended 100% of its total federal financial assistance under nonmajor federal financial assistance programs which are identified in the accompanying Schedule of Federal Financial Assistance.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we have considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the Organization's nonmajor federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. 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 financial assistance 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 reportable 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 financial assistance 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 operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Directors, management, and funding agencies. However, this report is a matter of public record and its distribution is not limited.

David M. Slaby, CPA, CISA

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCED-GOVERNMENTAL FUND TYPE
FOR THE YEAR ENDED JUNE 30, 1998

	<u>General Fund</u>
Revenues:	
Federal grants	214,794
State and local grants	528,835
Interest and miscellaneous	<u>1,675</u>
Total revenues	754,304
Expenditures:	
Direct grant cost	340,062
Indirect grant cost-Plate 6	171,264
Nonproject cost	<u>3,377</u>
Total expenditures	514,703
Excess (deficiency) of revenues over expenditures	(1,399)
Transfer-fund assets purchased by general fund, net of depreciation	1,394
Fund balance at beginning of year	180,265
Prior period adjustment-Note 11	<u>(52,859)</u>
Fund balance at end of year	<u>48,702</u>

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

NORTHEAST LOUISIANA COUNCIL OF GOVERNMENTS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE-BUDGET (GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 1996

	General Fund		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Federal grants	730,800	714,304	(8,496)
State and local grants	483,186	528,819	45,633
Interest and miscellaneous	-----	1,673	1,673
Total revenues	<u>1,213,986</u>	<u>1,244,800</u>	<u>30,814</u>
Expenditures:			
Direct grant cost	938,800	980,062	(41,262)
Indirect grant cost	166,000	171,204	(4,204)
Nonproject cost	2,080	5,372	(3,292)
Total expenditures	<u>1,106,880</u>	<u>1,156,638</u>	<u>(49,758)</u>
Excess of revenues over expenditures	-	(1,838)	(1,838)
Transfer fund assets purchased by general fund, net of depreciation	-	1,374	1,374
Fund balance at beginning of year	89,738	89,268	470
Prior period adjustment	-----	(52,939)	(52,939)
Fund balance at end of year	<u>89,738</u>	<u>46,707</u>	<u>(43,031)</u>

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

5. Changes in General Fixed Assets (Continued)

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

6. Cost Allocation Method

Costs are allocated to MLCOG's grants pursuant to a method of allocation as required by Office of Management and Budget Circulars A-87 and A-122. Indirect costs and fringe benefits were applied to the grants during the year under provisional rates of 115.00% and 22.40% of direct labor. As a result of the audit, the actual indirect and fringe rate was adjusted to 123.62% and applied to the grant costs.

7. Local Support

Local supporting governments provide such or invited services in fulfilling the matching requirements of federal and state grants. Local supporting governments are billed for support deficiencies and excess support funds are returned upon completion and acceptance of the audit.

8. Members of Governing Board/Compensation

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

9. Operating Lease

Northwest Louisiana Council of Governments has one operating lease on the space that it occupies. The lease commenced on April 22, 1994, for a term of three years. Payments under the lease approximate \$1,858 per month. Total rent expense incurred by the Council for the fiscal year ending June 30, 1996, amounted to \$20,413.

10. Cash

Cash deposits (bank balances) with financial institutions amounted to \$69,904 at June 30, 1996, and are fully insured by deposit insurance.

11. Prior Period Adjustments

The prior period adjustment is the result of changes in certain project costs and revenues for the prior year, as follows:

Excess revenues accrued under FHWA project TX-09-0104	17,894
Additional expenses of the Regional Geographic Information System project	31,828
Other, net	<u>5,217</u>
Total	<u>54,939</u>

This report is intended for the information of the Board of Directors, management, and funding agencies. However, this report is a matter of public record and its distribution is not limited.

Heard, T.M. Elsay & Vandal, LLP