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**MACON RIDGE
ECONOMIC DEVELOPMENT REGION, INC.**

**FINANCIAL REPORT
DECEMBER 31, 1997**

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 JUN 10 1998

MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.

FINANCIAL REPORT
DECEMBER 31, 1997

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
FINANCIAL STATEMENTS	
Balance Sheet	2
Statement of Support, Revenue, Expenses and Changes in Fund Balances	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11
OTHER INDEPENDENT AUDITORS' REPORTS	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	12-13
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	14-15
Independent Auditors' Report on Schedule of Expenditures of Federal Awards	16
Schedule of Expenditures of Federal Awards	17
Schedule of Findings and Questioned Costs	18-20

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

CERTIFIED PUBLIC ACCOUNTANTS

2808 KILPATRICK BLVD., P.O. BOX 4044 - MONROE, LA 71211-4044 - (318) 388-0500
302 DEPOT STREET, SUITE A - DELHI, LA 71232 - (318) 878-5573

Independent Auditors' Report

April 10, 1998

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

We have audited the accompanying balance sheet of Macon Ridge Economic Development Region, Inc. (a Nonprofit Corporation) as of December 31, 1997, and the related statements of support, revenue, expenses and changes in fund balances, 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, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether 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, 1997, and the results of its operations 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 April 10, 1998, on our consideration of Macon Ridge Economic Development Region, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Martin, Harrison + Smallwood, LLP

MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.

BALANCE SHEET
DECEMBER 31, 1997

	OPERATING FUNDS	
	UNRESTRICTED	RESTRICTED
ASSETS		
Cash	685	10,225
Certificate of deposit	-	-
Grants receivable	-	170,260
Contracts receivable	-	86,830
Interest receivable - loans	-	-
Other receivables	3,248	400
Interfund receivables	41,653	-
Loans receivable		
Intermediary Relending Program, net of allowance for loan losses of \$117,204	-	-
Rural Business Enterprise Grant Program, net of allowance for loan losses of \$5,573	-	-
Property and equipment, net	19,051	80,025
TOTAL ASSETS	<u>64,637</u>	<u>347,740</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	-	141,010
Accrued liabilities	-	19,670
Interfund payables	-	66,245
Deferred revenue	-	44,335
Note payable	-	-
TOTAL LIABILITIES	-	271,260
FUND BALANCES	<u>64,637</u>	<u>76,480</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>64,637</u>	<u>347,740</u>

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

<u>LOAN PROGRAMS</u>	<u>TOTAL</u>
257,789	268,699
35,250	35,250
-	170,260
-	86,830
10,774	10,774
-	3,648
24,592	66,245
431,770	431,770
281,873	281,873
6,022	105,098
<hr/>	<hr/>
<u>1,048,070</u>	<u>1,460,447</u>
-	141,010
3,920	23,590
-	66,245
25,007	69,342
732,362	732,362
<hr/>	<hr/>
761,289	1,032,549
286,781	427,898
<hr/>	<hr/>
<u>1,048,070</u>	<u>1,460,447</u>

MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.

STATEMENT OF SUPPORT, REVENUE, EXPENSES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 1997

	OPERATING FUNDS	
	UNRESTRICTED	RESTRICTED
SUPPORT AND REVENUE		
Grants:		
Enterprise Community Program	-	995,070
Rural Business Enterprise Grant	-	-
Office of Rural Development	-	16,673
Louisiana Office of Rural Development - Loan programs - operating costs	-	-
Contracts:		
Family Preservation Plan	-	13,835
Louisiana Department of Economic Development:		
Cooperative Endeavors	-	140,203
Worker Recruitment	-	9,392
Drug Court	-	6,722
Contributions	510	1,000
Interest income	352	-
Loan application and origination fees and penalties	-	-
Miscellaneous income	-	1,432
	<u>862</u>	<u>1,184,327</u>
Total support and revenue		
EXPENSES		
Programs:		
Grant program:		
Enterprise Community	-	858,502
Loan programs	-	-
Other programs	-	157,332
	<u>-</u>	<u>1,015,834</u>
Total programs		
Management and general	26,517	139,597
	<u>26,517</u>	<u>1,155,431</u>
Total expenses		
EXCESS (DEFICIT) OF SUPPORT AND REVENUE OVER EXPENSES	(25,655)	28,896
TRANSFER OF FUND BALANCES	19,451	(19,451)
FUND BALANCES - BEGINNING OF YEAR	<u>70,841</u>	<u>67,035</u>
FUND BALANCES - END OF YEAR	<u>64,637</u>	<u>76,480</u>

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

<u>LOAN PROGRAMS</u>	<u>TOTAL</u>
-	995,070
109,300	109,300
-	16,673
92,131	92,131
-	13,835
-	140,203
-	9,392
-	6,722
-	1,510
68,841	69,193
14,787	14,787
-	1,432
<u>285,059</u>	<u>1,470,248</u>
-	858,502
209,078	209,078
-	157,332
<u>209,078</u>	<u>1,224,912</u>
<u>11,549</u>	<u>177,663</u>
<u>220,627</u>	<u>1,402,575</u>
64,432	67,673
-	-
<u>222,349</u>	<u>360,225</u>
<u>286,781</u>	<u>427,898</u>

MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1997

	<u>PROGRAM SERVICES</u>		
	<u>ENTERPRISE COMMUNITY</u>	<u>LOAN</u>	<u>OTHER</u>
Computer expenses	816	-	1,375
Contract labor	45,384	22	4,921
Consulting fees	11,000	-	17,000
Depreciation	20,881	1,450	1,278
Dues and subscriptions	6,326	-	-
Equipment acquisitions (under \$1,000)	12,546	2,132	1,779
Equipment and building maintenance	3,701	245	37
Fringe benefits	45,458	14,410	14,029
Insurance	150	1,383	-
Interest	-	7,057	-
LA DED - Strategic Planning	-	-	11,016
LA DED - RLF Matching Funds	-	-	5,000
LA DED - Brochures	-	-	11,937
LA DED - Worker Recruitment	-	-	4,725
LA DED - Delta Service Corporation	-	-	5,000
Other	2,376	297	236
Postage	1,703	806	1,127
Printing	3,290	835	1,412
Professional fees	1,507	141	-
Projects - infrastructure	16,500	-	-
Projects - industrial development	63,554	-	-
Projects - job training and education	282,809	-	-
Projects - leadership development	11,474	-	-
Projects - small business operations	64,182	-	-
Promotional	7,789	1,778	8,940
Provision for loan losses	-	115,829	-
Recruitment/Retention expense	1,164	62	-
Rent - building and equipment	5,259	331	69
Salaries and wages	166,383	49,631	49,364
Seminars	7,169	1,038	3,000
Supplies	5,929	1,876	1,402
Travel	49,864	7,280	12,586
Utilities	21,288	2,475	1,099
	<u>858,502</u>	<u>209,078</u>	<u>157,332</u>

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

<u>SUPPORTING SERVICES MANAGEMENT AND GENERAL</u>	<u>TOTAL</u>
4,036	6,227
6	50,333
616	28,616
9,427	33,036
2,365	8,691
5,746	22,203
416	4,399
18,993	92,890
5,599	7,132
-	7,057
-	11,016
-	5,000
-	11,937
-	4,725
-	5,000
2,319	5,228
1,623	5,259
2,093	7,630
23,567	25,215
-	16,500
-	63,554
-	282,809
-	11,474
-	64,182
561	19,068
-	115,829
502	1,728
7,523	13,182
64,364	329,742
3,031	14,238
5,536	14,743
10,093	79,823
9,247	34,109
<u>177,663</u>	<u>1,402,575</u>

MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1997OPERATING ACTIVITIES

Excess of support and revenue over expenses	67,673
Adjustments to reconcile excess of support and revenue over expenses to net cash provided by (used in) operating activities:	
Depreciation	33,036
Provision for loan losses	115,829
(Increase) decrease in:	
Grants receivable	378,799
Contracts receivable	(71,052)
Other receivables	(10,706)
Other assets	450
Increase (decrease) in:	
Accounts payable	111,475
Accrued liabilities	12,125
Deferred revenue	(47,801)
Grant and contract payable	(19,737)
Net cash provided by (used in) operating activities	<u>570,091</u>

INVESTING ACTIVITIES

Purchase of certificate of deposit	(35,250)
Loans made to others	(582,774)
Payments received on loans to others	102,519
Purchases of equipment and leasehold improvements	(60,595)
Net cash provided by (used in) investing activities	<u>(576,100)</u>

FINANCING ACTIVITIES

Decrease in book overdraft in bank account	(19,680)
Loan proceeds - Intermediary Relending Program	163,212
Payment of grantor advance	(524,140)
Net cash provided by (used in) financing activities	<u>(380,608)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (386,617)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 655,316

CASH AND CASH EQUIVALENTS AT END OF YEAR 268,699

SUPPLEMENTAL DISCLOSURE
OF CASH FLOW INFORMATION

Cash paid during the year for:
Interest 6,577

DISCLOSURE OF ACCOUNTING POLICY

For purposes of the statement of cash flows, the Company considers all highly liquid debt 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, 1997

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 municipalities and economic development organizations located in northeast Louisiana. The Corporation's mission is economic development, industrial recruitment and readiness, and job creation.

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 \$2,950,000. 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 Rural Business Enterprise Grant to operate a small business loan program solely for the Enterprise Community.

Periodically, the Corporation implements, on a contractual basis, other programs designated for economic and industrial development and job training.

BASIS OF ACCOUNTING AND PRESENTATION

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

For financial reporting purposes, the provisions of Governmental Accounting Standards Board Statement No. 29, The Use of Not-for-Profit Accounting and Financial Reporting Principles by Government Entities (GASB No. 29) apply to the Corporation. GASB No. 29, requires the Corporation to follow the financial statement presentation guidance of AICPA Statement of Position 78-10, Accounting Principles and Reporting Practices for Certain Nonprofit Organizations (SOP 78-10). Accordingly, the accounts of the Corporation are maintained in accordance with the principles of fund accounting. Resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. The assets, liabilities and fund balances of the Corporation are reported in two self-balancing groups as follows:

- Operating funds include unrestricted and restricted resources available for support of the Corporation's operations.

MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Loan Program Funds include resources restricted for the Corporation's lending programs.

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.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is maintained at a level which, in Management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on Management's evaluation of the collectibility of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions, and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. The allowance is increased by a provision for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries. Changes in the allowance relating to impaired loans are charged or credited to the provision for loan losses. Because of uncertainties inherent in the estimation process, Management's estimate of credit losses inherent in the loan portfolio and the related allowance may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment having estimated useful lives greater than one year 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 lives 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.

MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Certain property and equipment are restricted as to use and disposition by grant agreements and by contractual agreements.

EXPENSE ALLOCATION

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

INCOME TAX STATUS

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

TOTAL COLUMNS

Total columns are presented to facilitate financial analysis. Data in these columns do not present financial position and results of operations in conformity with generally accepted accounting principles.

NOTE 2 - CASH AND CERTIFICATE OF DEPOSIT

Cash at December 31, 1997, consisted of the following:

General fund - operating	685
Enterprise Community Program - operating (restricted)	10,225
Intermediary Relending Program (loan program)	197,800
Rural Business Enterprise Grant Program (loan program)	<u>59,989</u>
	<u>268,699</u>

Cash in the amount of \$184,914 in the Intermediary Relending Program account is restricted for lending purposes, for the program's administrative costs and for repayment of the debt to USDA. Cash in the Rural Business Enterprise Grant Program account is restricted for lending purposes and for the program's administrative costs.

The certificate of deposit is maintained by the Intermediary Relending Program and is restricted for lending purposes.

MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1997

NOTE 3 - GRANT RECEIVABLE - ENTERPRISE COMMUNITY PROGRAM

Grants receivable include unreimbursed costs in the amount of \$153,587 incurred in operating the Enterprise Community Program. The Enterprise Community 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 - LOANS RECEIVABLE

During 1996, the Corporation began making loans to business entities through USDA's Intermediary Relending Program and the Corporation's Rural Business Enterprise Grant Program. Under the Intermediary Relending Program, loans of up to \$150,000 may be made to business entities in the Corporation's eleven parish operational area as follows: At least seventy percent (70%) of the total Intermediary Relending Program funds available must be loaned to businesses within the Enterprise Community, and a maximum of thirty percent (30%) of the funds available may be loaned to businesses outside of the Enterprise Community. Under the Rural Business Enterprise Grant Program, loans of up to \$25,000 may be made to businesses within the Enterprise Community.

Principal payments received by the Corporation on loans made under the Intermediary Relending Program and Rural Business Enterprise Grant Program can be utilized only for relending purposes. Interest received on loans made under the Intermediary Relending Program can be used only for the following purposes: for payment of administrative costs of the program; for payment of the debt to USDA, and for relending purposes. Interest received on loans under the Rural Business Enterprise Grant Program can be utilized only for the payment of administrative costs and for relending purposes.

NOTE 5 - PROPERTY, EQUIPMENT AND DEPRECIATION

The major classes of owned property and equipment at December 31, 1997, are summarized below:

<u>CLASS</u>	
Furniture and fixtures	9,034
Equipment	101,178
Leasehold improvements	41,544
	<u>151,756</u>
Less accumulated depreciation	46,658
	<u>105,098</u>

Finding: Subrecipient receiving federal awards in excess of \$25,000 did not perform the required audit under OMB Circular A-133.

Macon Ridge has amended their subrecipient contract to include a statement making subrecipients clearly aware of the audit requirements of OMB Circular A-133. Subrecipients are required, before their program budget is approved, to include sufficient funds to cover the cost of an audit of their program.

Finding: The Corporation exceeded the approved administrative budget and did not request a written budget modification. The auditors questioned \$1,635.

A new monitoring procedure has been established to ensure that expenditures do not exceed budgeted amounts. Robin Charpentier has advised that Macon Ridge did not exceed the total amount of their administrative budget, but they had overspent in line items within their administrative budget. They have submitted a budget revision to move funds from another line item to the line items where they have overspent. The total amount of their administrative budget remains the same.

Finding: Financial reports, operating cost reports and project performance reports required by the grant and loan agreements were not filed by the required due dates.

Macon Ridge has shifted responsibility for filing required reports to personnel who have adequate time to file these reports in a timely manner. A second person has assumed responsibility for monitoring filing deadlines to ensure that reports are filed timely.

We feel that appropriate corrective action has been taken by Macon Ridge to address the audit findings. Should you have any questions or need additional information, please contact Mary Clary at 342-6640.

MN:mc

Enclosure

cc: Robin Charpentier
Rochelle Dugas



MACON RIDGE ECONOMIC
DEVELOPMENT REGION, INC.

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Ferriday, Louisiana 71334

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**MACON RIDGE ECONOMIC DEVELOPMENT REGION, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 1997**

UNITED STATES DEPARTMENT OF AGRICULTURE:

1996 - FINDING NO. 1: Enterprise Community - CFDA 10.772

Condition: A subrecipient did not obtain approval from the Corporation prior to incurring costs in excess of approved budgeted amounts.

Corrective action was taken. Please see attached memorandum dated August 8, 1997.

1996 - FINDING NO. 2: Enterprise Community - CFDA 10.772

Condition: Subrecipient receiving federal awards in excess of \$25,000 did not perform the required audit under OMB Circular A-133.

Corrective action was taken. Please see attached memorandum dated August 8, 1997.

1996 - FINDING NO. 3: Enterprise Community - CFDA 10.772

Condition: The Corporation exceeded the approved administrative budget and did not request a written budget modification.

Corrective action was taken. Please see attached memorandum dated August 8, 1997.

1996 - FINDING NO. 4: Enterprise Community - CFDA 10.772

Rural Business Enterprise Grant - CFDA 10.769
Intermediary Relending Program - CFDA 10.772

Condition: Financial reports, operating cost reports and project performance reports required by the grant and loan agreements were not filed by the required due dates.

Corrective action was taken. Please see attached memorandum dated August 8, 1997.



State of Louisiana
Department of Social Services
OFFICE OF COMMUNITY SERVICES
333 LAUREL STREET
P. O. BOX 3318 - PHONE - 504/342-2297
BATON ROUGE, LOUISIANA 70821

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MADLYN B. BAGNERIS
SECRETARY

August 8, 1997

MEMORANDUM

TO: Joe Green, Audit Supervisor
Office of Management and Finance

FROM: Marlyn Nelson *MN*
Division Director

RE: Audit report for Macon Ridge Economic Development Region, Inc. for
the period ending December 31, 1996

Please refer to your memo of June 20, 1997 and the attached letter from Buddy Spillers addressing the audit findings in your memo.

Macon Ridge Economic Development Region has addressed the findings as follows:

Finding: A subrecipient did not obtain approval from the Corporation prior to incurring costs in excess of approved budgeted amounts. The auditors questioned \$2,407.

Macon Ridge has established a new monitoring policy for subrecipients. This monitoring policy includes cost reimbursement forms which must be submitted with all support documentation. Before any expenditure by a subrecipient is reimbursed, they make certain that the expenditure is within the subrecipient's approved program budget.

The contract of the subrecipient in question had terminated prior to this finding. The accountant for Macon Ridge, Robin Charpentier, advised that the subrecipient did not expend funds in excess of their total contract amount. They expended funds in excess of the amount in one cost category. However, they did not expend their total contract amount.