



LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

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DISTRICT 99 ENHANCEMENT CORPORATION, INC.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND THE RELATED SINGLE AUDIT REPORTS FOR THE YEARS ENDED JUNE 30, 1998 AND 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 ~~DEC 16 1998~~

Receipt Acknowledged
Legislative Auditor

By *Blh*

DISTRICT 99 ENHANCEMENT CORPORATION, INC.
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LUTHER C. SPEIGHT & COMPANY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
District 99 Enhancement Corporation, Inc.

We have audited the accompanying statement of net assets of District 99 Enhancement Corporation, Inc. (the Organization) (a non-profit organization) for the years ended June 30, 1998 and 1997 and the related statement of activity, statement of changes in net assets and statement of cash flows for the years then ended. These financial statements are the responsibility of the Organization'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, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of the Office of Management and Budget. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 in the first paragraph present fairly, in all material respects, the net assets of District 99 Enhancement Corporation, Inc. and the results of operations and its cash flows for the years ended June 30, 1998 and 1997 in conformity with generally accepted accounting principles.

New Orleans, Louisiana
September 25, 1998

DISTRICT 99 ENHANCEMENT CORPORATION, INC.

STATEMENT OF NET ASSETS
AS OF JUNE 30, 1998 AND 1997

	1998	1997
ASSETS		
Current Assets		
Cash	\$ 6,492	\$ 37,573
Investments (Note 1)	<u>25,579</u>	<u>23,510</u>
Total Current Assets	32,071	61,083
Other Assets		
Deposits	1,450	1,450
Property and Equipment, Net (Note 2)	<u>41,047</u>	<u>17,719</u>
TOTAL	<u>\$ 74,568</u>	<u>\$ 80,252</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 19,950	\$ 14,550
Taxes Payable	<u>2,355</u>	<u>2,055</u>
Total Current Liabilities	22,305	16,605
Total Liabilities	<u>22,305</u>	<u>16,605</u>
NET ASSETS	<u>52,263</u>	<u>63,647</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 74,568</u>	<u>\$ 80,252</u>

See Notes to the Financial Statements

DISTRICT 99 ENHANCEMENT CORPORATION, INC.

STATEMENT OF ACTIVITY
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

	1998	1997
REVENUE:		
Grant Revenue	\$ 318,235	\$ 268,560
Interest Income	<u>1,183</u>	<u>3,440</u>
Total Revenue	319,418	272,000
EXPENSES:		
Support Services:		
Salaries	222,029	207,215
Payroll Taxes	21,466	19,343
Professional Services	6,000	6,000
Audit Fees	<u>3,750</u>	<u>3,750</u>
Total Support Services:	253,245	236,308
Program Services:		
Truck Fuel	3,886	3,913
Insurance	20,330	12,345
Rent	5,400	5,400
Office Supplies	5,426	4,610
Telephone	7,514	6,275
Utilities	1,743	2,410
Consulting Fees	13,000	7,500
Repair & Maintenance	9,155	4,408
Bank Service Charges	337	78
Depreciation	4,735	4,383
Other Expenses	<u>6,031</u>	<u>1,208</u>
Total Program Services	77,557	52,530
Total Expenditures	<u>330,802</u>	<u>288,838</u>
CHANGES IN NET ASSETS	<u>\$ (11,384)</u>	<u>\$ (16,838)</u>

See Notes to the Financial Statements

DISTRICT 99 ENHANCEMENT CORPORATION, INC.

STATEMENT OF CHANGES IN NET ASSETS
AS OF JUNE 30, 1998 AND 1997

	1998	1997
NET ASSETS - JUNE 30, 1997	\$ 63,647	\$ 80,485
NET REVENUE OVER EXPENDITURES	<u>(11,384)</u>	<u>(16,838)</u>
NET ASSETS - JUNE 30, 1998	\$ <u>52,263</u>	\$ <u>63,647</u>

See Notes to the Financial Statements

DISTRICT 99 ENHANCEMENT CORPORATION, INC.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 1998 and 1997

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ (11,384)	\$ (16,838)
Adjustments to Reconcile Net Revenues over Expenditures to net Cash Provided by Operating Activities:		
Depreciation Expense	4,735	4,383
Changes in Operating Assets and Liabilities:		
Accounts Payable	5,400	4,650
Taxes Payable	299	685
	<u> </u>	<u> </u>
Net Increase In Cash From Operating Activities	(950)	(7,120)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Machinery and Equipment	(28,062)	0
NET DECREASE IN CASH	(29,012)	(7,120)
CASH, BEGINNING OF YEAR	<u>61,083</u>	<u>68,203</u>
CASH, END OF YEAR	<u>\$ 32,071</u>	<u>\$ 61,083</u>

See Notes to the Financial Statements

**DISTRICT 99 ENHANCEMENT CORPORATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The District 99 Enhancement Corporation office is located at 1616 Caffin Ave., New Orleans, La. 70117. The program began in 1986. District 99 provides information, referrals, and support in the areas of beautification, education outreach, employment opportunities, economic development food bank, health care referrals, housing referrals, judicial referrals, recreation and Church Adopt-A-Mile program. The District 99 Enhancement Corporation has a goal to establish a comprehensive approach to providing vital community services to the constituents of this area.

The primary source of funding for the program is State Grant money. The organization also accepts charitable donations to assist in funding its program but these resources are extremely limited.

Basis of Accounting

The financial statements of the organization are prepared on the accrual basis of accounting wherein revenues are recognized in the accounting period in which they are earned. Expenditures are generally recognized when the related expenditure is incurred.

Property and Equipment

Depreciation is provided over a range of estimated useful life of 3 to 5 years for all asset categories. The organization utilizes the straight-line method of depreciation.

Income Taxes

The corporation was approved as an Exempt Organization under Provision of Sec. 501© (3) of the IRS code effective June 11, 1995. Form 990 return for Organizations Exempt from taxes for the year ended June 30, 1998 has been filed.

Cash

Cash is comprised of cash on hand and in banks.

Investments

The Organization's investments consist of solely of a money market checking account.

Rent Expense

The organization is disputing their lease agreement with the City of New Orleans. At the time of our engagement the legal proceedings had not concluded but rent expense was accrued for the year ended June 30, 1998.

NOTE 2: PROPERTY AND EQUIPMENT

	1998		1997
Furniture and Fixtures	\$ 1,614	\$	1,614
Trucks	23,605		23,605
Machinery & Equipment	25,517		23,070
Tractor & Bush Hog	52,879		27,264
Telephones	3,706		3,706
Air Conditioning	839		839
Computers	<u>5,874</u>		<u>5,874</u>
Total Property & Equipment	114,034		85,972
Less: Accumulated Depreciation	<u>72,987</u>		<u>68,253</u>
Net Property & Equipment	41,047		17,719



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

To the Board of Directors of
District 99 Enhancement Corporation, Inc.

We have audited the financial statements of District 99 Enhancement Corporation, Inc. (the Organization) (a non-profit organization) as of and for the years ended June 30, 1998 and 1997, and have issued our report thereon dated September 25, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

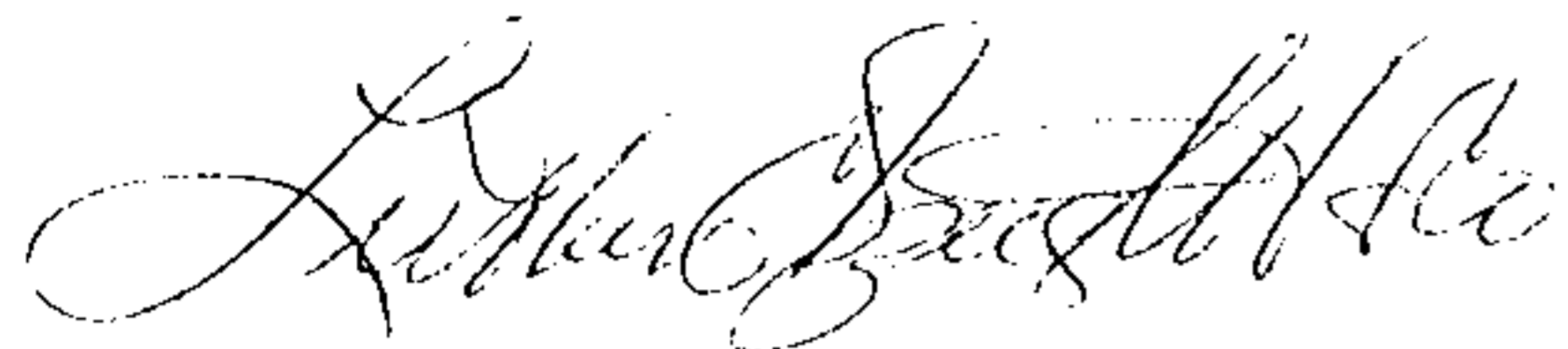
As part of obtaining reasonable assurance about whether District 99 Enhancement Corporation, Inc. financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation on the internal control over financial reporting 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 in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item #1.

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

This report is intended for the information of the Organization's Board of Directors, management, the City of New Orleans and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in cursive script, appearing to read "Arthur B. Smith".

New Orleans, Louisiana
September 25, 1998

**DISTRICT 99 ENHANCEMENT CORPORATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1998**

Finding #1: LACK OF SEGREGATION OF DUTIES

QUESTIONED COST:

CONDITION:

During our review of the organization's internal control system, we noted a lack of segregation of duties. The accountant signs checks, posts transactions to the general ledger and performs bank reconciliations. This appears to be in part attributable to the relative small size of the organization which employs only three office personnel, the Executive Director, Secretary, and the Public Relations Supervisor. The Executive Director approves all expenses, however the accountant signs all checks. In recognizing this internal control weakness we performed *additional substantive tests to ensure that checks signed were previously approved by the Executive Director* and found no exceptions.

EFFECT OF CONDITION:

Segregation of duties serves as a key internal control mechanism for safeguarding of assets.

CRITERIA:

It is industry standard that various members of the staff are assigned independent duties relative to bank reconciliation's, account postings, and check approvals.

RECOMMENDATION:

We recommend that the organization implement segregation of duties in their internal control system.

**DISTRICT 99 ENHANCEMENT CORPORATION
UPDATE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 1998**

	<u>Resolved</u>	<u>Unresolved</u>
Finding #1 - Current year audit not engaged timely	X	

District "99" Enhancement Corporation, Inc.

1616 Caffin Ave.
New Orleans, Louisiana 70117

Larry Spencer
Director

December 7, 1998

Eather C. Speight & Company
10001 Lake Forest Blvd. Suite 404
New Orleans, La. 70127


RE: Finding #1 LACK OF SEGREGATION OF DUTIES

District 99 Enhancement / Advocacy Office has reviewed the recommendation of your Accounting Firm and will adhere to the explanation of segregation of duties in our internal control system.

We will convene a Board Meeting at which time we will recommend and implement that our Executive Director, Larry Spencer Sr. co-sign all checks in order to improve the control environment. We are anticipating having this system in effect by January of 1999.

If any further explanation is needed, please give us a call at 943-2388.

Sincerely,



Larry Spencer Sr.

cc: Gilbert Lainez
Staff Accountant