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OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.

Monroe, Louisiana

**Component Unit Financial Statements, Supplemental Information
and Independent Auditors' Reports**

As of and For the Year Ended December 31, 1998

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 7-14-99



Luffey
Huffman
& Monroe

(A Professional Accounting Corporation)
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA
Francis I. Huffman, CPA
L. Fred Monroe, CPA
Esther Atleberry, CPA
Carolyn A. Clarke, CPA

INDEPENDENT AUDITORS' REPORT

**To the Board of Directors
Ouachita Community Enhancement Zone, Inc.
Monroe, Louisiana**

We have audited the component unit financial statements of **Ouachita Community Enhancement Zone, Inc. (OCEZ)**, a component unit of the Ouachita Parish Police Jury, as of and for the year ended December 31, 1998, as identified in the accompanying Table of Contents. These financial statements are the responsibility of OCEZ'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 and the standards for financial audits contained in *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 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 component unit financial statements referred to above present fairly, in all material respects, the financial position of OCEZ as of December 31, 1998, 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 our report dated May 7, 1999, on our consideration of OCEZ's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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**Ouachita Community Enhancement Zone, Inc.
Monroe, Louisiana**

Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplementary information listed as Schedules in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of OCEZ. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly stated in all material respects in relation to the component unit financial statements taken as a whole.

Ruppberg, Huffman & Messner (APAC)

May 7, 1999

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)**

**COMPONENT UNIT FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1998**

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OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.
A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY
MONROE, LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP
DECEMBER 31, 1998

	<u>GOVERNMENTAL FUND TYPE - GENERAL FUND</u>	<u>ACCOUNT GROUP - GENERAL LONG-TERM OBLIGATIONS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
ASSETS			
Assets			
Cash	\$ 362	\$ -	\$ 362
Due from other governments (Note 3)	13,848	-	13,848
Equipment	2,531	-	2,531
Accumulated Depreciation	(633)	-	(633)
Amount to be provided for Accrued compensated absences	-	1,808	1,808
TOTAL ASSETS	<u>\$ 16,107</u>	<u>\$ 1,808</u>	<u>\$ 17,915</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts payable	\$ 13,159	\$ -	\$ 13,159
Accrued compensated absences (Note 6)	-	1,808	1,808
Total Liabilities	<u>13,159</u>	<u>1,808</u>	<u>14,967</u>
Fund Equity			
Fund Balance - unreserved	<u>2,948</u>	<u>-</u>	<u>2,948</u>
Total Fund Equity	<u>2,948</u>	<u>-</u>	<u>2,948</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 16,107</u>	<u>\$ 1,808</u>	<u>\$ 17,915</u>

The accompanying notes are an integral part of this statement.

OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.
A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY
MONROE, LOUISIANA
GOVERNMENTAL FUND TYPE - GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 1998

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues			
Federal Grants	\$ 483,377	\$ 244,564	\$ (238,813)
Miscellaneous Revenue	3,000	1,050	(1,950)
Total Revenues	486,377	245,614	(240,763)
Expenditures			
General Government - Economic Development:			
Economic Opportunity	239,400	168,511	70,889
Revolving Loan Guarantee	150,000	14	149,986
Innovative Neighborhood Network	43,176	16,785	26,391
Youth Build Program	8,700	6,955	1,745
Workforce Preparedness Development	33,350	35,813	(2,463)
Incubator Project	-	256	(256)
Americorps	2,000	13,848	(11,848)
Capital Outlay	4,000	484	3,516
Total Expenditures	480,626	242,666	237,960
Excess of Revenues Over Expenditures	5,751	2,948	(2,803)
Fund Balance at Beginning of Year	-	-	-
FUND BALANCE AT END OF YEAR	\$ 5,751	\$ 2,948	\$ (2,803)

The accompanying notes are an integral part of this statement.

OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)
Monroe, Louisiana

Notes to the Financial Statements
As of and For the Year Ended December 31, 1998

INTRODUCTION

The Ouachita Community Enhancement Zone, Inc. (OCEZ) was incorporated October 15, 1996 by various citizens of Ouachita Parish, Louisiana. Its Board of Directors is elected from its membership and one additional board member is appointed by each of the City of Monroe, the City of West Monroe, the Ouachita Parish School Board, the Monroe City School Board and the Ouachita Parish Police Jury. The corporation is a tax-exempt private non-profit organization pursuant to section 501(c)(3) of the Internal Revenue Code. The purpose of the organization is to develop and implement programs that empower Enterprise Community residents spiritually, economically, socially, educationally and culturally, as well as to assume their civic responsibilities.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

Although it is a not-for-profit corporation, the accompanying component unit financial statements of the OCEZ have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units as permitted under GAAP. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the Ouachita Parish Police Jury (the Police Jury) is the reporting entity for Ouachita Parish. The financial reporting entity consists of (a) the primary government (the Police Jury); (b) organizations for which the reporting entity is financially accountable; and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the reporting entity for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is

OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)
Monroe, Louisiana

Notes to the Financial Statements
As of and For the Year Ended December 31, 1998

financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the primary government to impose its will on that organization, or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.
2. Organizations for which the primary government does not appoint a voting majority, but are fiscally dependent on the primary government.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

The Ouachita Parish Police Jury and OCEZ have entered into a Cooperative Endeavor Agreement under which the Police Jury provides funding from a Federal grant to the OCEZ. The OCEZ, as subrecipient, carries out the economic development activities specified in the grant award. The Police Jury approves OCEZ's budget, advances operating funds to the OCEZ and maintains the payroll and accounting records for OCEZ. Although the OCEZ is governed by a separate board, the OCEZ has fiscal dependency on the Police Jury and therefore it is considered a component unit of the Ouachita Parish Police Jury reporting entity.

The accompanying financial statements present information only on the funds maintained by the OCEZ and do not present information on the Police Jury, the general governmental services provided by that governmental unit, or other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING

The accounts of the OCEZ are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. A fund is a separate accounting entity with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. On the other hand, an

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Monroe, Louisiana

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account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. OCEZ operates one governmental fund type, the General Fund, which is used as the general operating fund to account for all financial resources.

D. ACCOUNT GROUP

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Obligations Account Group, not in the governmental funds. The account group is not a "fund". It is concerned only with the measurement of financial position. It is not involved with the measurement of results of operations.

E. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

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 fund liability is incurred.

F. BUDGETING PRACTICES

Preliminary budgets based on the modified accrual basis of accounting are prepared annually by OCEZ. The proposed budget is reviewed by the Police Jury's Budget Committee and revised as deemed necessary. The proposed budget is included in the public hearing process conducted by the Police Jury for its proposed budgets. The

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Monroe, Louisiana

Notes to the Financial Statements
As of and For the Year Ended December 31, 1998

budgets are adopted during the Police Jury's selected December meeting. The budgetary data included in the accompanying financial statements includes the originally adopted budget and any amendments thereto.

G. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Expenditures greater than \$500 are capitalized. All other expenditures are expensed as incurred. The cost of assets retired or otherwise removed and the related accumulated depreciation are eliminated from the accounts in the year of removal, with the resulting gain or loss credited or charged to operations. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets.

H. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the Combined Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

Note 2 - CASH AND CASH EQUIVALENTS

The Police Jury maintains cash and investment accounts from funds received pursuant to a Federal Grant that are used to finance the operating mission of the OCEZ. These deposits are stated at cost, which approximates market, on the books of the Police Jury. Under state law, these deposits (or the resulting book balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times

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Monroe, Louisiana

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As of and For the Year Ended December 31, 1998

at least equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Note 3 - DUE FROM OTHER GOVERNMENTS

Due From Other Governments consisted of the following at December 31, 1998:

Due from Ouachita Parish Police Jury	\$ 13,848
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Note 4 - RETIREMENT PROGRAM

All permanent employees of OCEZ working at least 28 hours per week are eligible to participate in a retirement program under a plan administered by a third party. No distributions may be requested by an employee before the employee attains the age of 59 ½ years unless the employee has separated from the service of OCEZ, incurred a disability, or encountered certain financial hardship. The plan provides for distributions of the assets of the participant account by a lump-sum payment, installment payments over a period certain not to exceed the life expectancy of the employee or the joint and last survivor life expectancy of the employee and his or her beneficiary, or by the purchase and distribution of an annuity contract providing annuity payments over the life of the of the employee and his or her spouse.

Funding Policy. Employees covered by the Plan contribute 9.50 percent of their annual covered salaries and OCEZ contributes at an actuarially determined rate. The current actuarially determined rate is 7.75 percent of annual covered payroll. OCEZ's contributions to the Plan for the years ended December 31, 1998 and 1997 were \$7,384 and \$2,941, respectively.

Note 5 - COMPENSATED ABSENCES

OCEZ has adopted the same compensated absence policies as the Police Jury. The amount of each type of leave earned by employees is dependent upon length of service of that employee, ranging from 40 hours of leave for employees with less than two years

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Notes to the Financial Statements
As of and For the Year Ended December 31, 1998

of service up to a maximum of 160 hours of leave for an employee with twenty or more years of service. Employees are allowed to carry forward all accrued unused sick leave to succeeding calendar years. Unused accrued annual leave may be carried forward to succeeding years to a maximum of 320 hours.

An employee permanently separated from employment as a result of voluntary resignation, discharge, retirement, or death shall receive a terminal payment for annual leave earned. This terminal payment shall be computed on the basis of the employee's hourly rate of pay at the time of his separation. This payment shall be made to the estate of the employee separated by death. Employees who have completed 3 consecutive years of full-time employment shall receive a terminal payment for 25% to 50% of accrued sick leave based on their hourly rate of pay at the time of separation, not to exceed 480 hours. At December 31, 1998, employees had earned and accumulated annual leave totaling \$1,808 and unused sick leave totaling \$4,009.

Note 6 - SUMMARY OF CHANGES IN GENERAL LONG-TERM OBLIGATIONS

	Balance 01/01/98	Net Decrease	Balance 12/31/98
Compensated Absences	\$ 1,979	\$ 171	\$ 1,808

Note 7 - RELATED PARTY TRANSACTIONS

During the year, OCEZ paid \$9,000 to the Ouachita Parish Police Jury for services rendered in connection with accounting, payroll, payment of invoices, and other administrative matters.

Note 8 - NONMONETARY TRANSACTIONS

OCEZ's office facilities are located in a building that is owned by a local financial institution. The office space, utilities, and use of certain items of furniture, fixtures, and equipment are being utilized by OCEZ at no cost. The estimated fair value of these non-monetary transactions has not been determined.

OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY)
Monroe, Louisiana

Notes to the Financial Statements
As of and For the Year Ended December 31, 1998

Note 9 - RISK FINANCING ACTIVITIES

Through its primary government (the Police Jury), OCEZ participates in the Parish Government Risk Management Agency, a public entity risk pool providing group health and life insurance programs. In addition, OCEZ participates in the self insurance program created by the Police Jury for the purpose of self funding potential insurance losses for property and vehicle insurance, workers compensation and comprehensive general liability claims. The self insurance plan is administered by a third party, with claims in excess of the self-insured amount of \$530,000 being paid from the internal service funds. The Police Jury is using internal service funds to account for its risk financing activities. At December 31, 1998 the balance available in the self insurance funds to pay liabilities if and when they arise is \$3,200,000.

Note 10 - COMMITMENTS AND CONTINGENCIES

A. PARTNERSHIPS

In March of 1998, OCEZ entered into a partnership agreement, renewable annually, with North Louisiana Area Health Education Center to educate and train minor, unmarried parents who are classified as non-custodial welfare recipients. Under the terms of this agreement, OCEZ will fund up to 50% of salary and benefits for a case manager and provide other non-financial resources.

In May 1998, OCEZ entered into a cooperative agreement with the City of West Monroe to establish and operate an individual development account program for residents within Census Tract 56. This program will create a mechanism that encourages and supports individual asset accumulation for use as a down payment on first time home purchases. This agreement provides that OCEZ will contribute cash of \$12,200 and provide other nonfinancial program support.

In November 1998, OCEZ guaranteed a one year loan for Carey Jones, dba Jones Manufacturing and Upholstery, for \$50,000 with Enterprise Corporation of the Delta. OCEZ will receive a fee of 2%.

OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.
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Notes to the Financial Statements
As of and For the Year Ended December 31, 1998

B. YEAR 2000 COMPLIANCE

The worldwide challenge facing organizations, commonly referred to as the Year 2000 (Y2K) issue, is the result of problems that may be encountered with date-related transactions on systems that have historically recognized years using two digits vs. four digits, e.g. 98 versus 1998. These systems will potentially recognize the "00" as the year 1900 instead of 2000. On the surface, the Y2K problem sounds simple enough; however, the implications of this problem are far reaching and could impact a full range of business services and activities.

OCEZ has conducted a study of its own systems and operations. Based on this study, OCEZ has initiated a project to take all necessary and reasonable steps to get the mission critical systems and operations Y2K compliant in a timely manner. The project will include confirming the Y2K preparedness of significant third parties.

The assessment of the costs of the Y2K compliance effort, and the timetable for the planned completion of the internal Y2K modifications, are management's estimates. The estimates were based on numerous assumptions as to future events. There can be no guarantee that these estimates will prove accurate, and actual results could differ from those estimated if these assumptions prove inaccurate. Additionally, there can be no absolute guarantee that significant third parties will successfully and timely convert their systems.

SUPPLEMENTAL INFORMATION

OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.
A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY
MONROE, LOUISIANA
SCHEDULE OF EXPENDITURES - BUDGET (GAAP BASIS AND ACTUAL)
FOR THE YEAR ENDED DECEMBER 31, 1998

Economic Opportunity	
Personnel Services	\$ 95,975
Contractual Services	30,297
Operating Services	23,526
Materials & Supplies	3,377
Travel and Other Expenses	15,337
Total	<u>168,511</u>
Revolving Loan Guarantee	
Operating Services	14
Total	<u>14</u>
Innovative Neighborhood Network	
Personnel Services	14,261
Operating Services	2,398
Materials & Supplies	126
Total	<u>16,785</u>
Youth Build Program	
Operating Services	6,731
Materials & Supplies	224
Total	<u>6,955</u>
Workforce Preparedness Development	
Contractual Services	6,836
Stipends	5,000
Operating Services	21,084
Materials & Supplies	124
Travel and Other Expenses	2,769
Total	<u>35,813</u>
Incubator Project	
Operating Services	256
Total	<u>256</u>
Americorps	
Contractual Services	3,000
Stipends	9,831
Materials & Supplies	565
Travel and Other Expenses	452
Total	<u>13,848</u>
Capital Outlay	<u>484</u>
 Total Expenditures	 <u><u>\$ 242,666</u></u>

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.
MONROE, LOUISIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1998**

<u>Federal Grantor/ Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Direct Program:		
U. S. Department of Housing and Urban Development/ Louisiana Department of Social Services/ Empowerment Zone	14.244	\$ 230,717
Pass Through Program:		
Corporation for National and Community Service/Louisiana Service Commission/AmeriCorps	94.006	<u>13,847</u>
TOTAL		\$ <u>244,564</u>

The accompanying notes are an integral part of this statement.

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY
Monroe, Louisiana**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 1998**

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards presents the activities of all Federal awards of the Ouachita Community Enhancement Zone, Inc. (OCEZ). The OCEZ reporting entity is defined in Note 1 to the OCEZ's financial statements. All Federal awards passed through other government agencies are included on the schedule.

Note 2 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the OCEZ's financial statements.

**OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.
(A COMPONENT UNIT OF THE OUACHITA PARISH POLICE JURY
Monroe, Louisiana**

STATUS OF PRIOR YEAR FINDINGS

The following is a summary of the status of the prior year findings included in Luffey, Huffman & Monroe's report on internal control over financial reporting and compliance dated May 15, 1998 covering our examination of the financial statements of the Ouachita Community Enhancement Zone, Inc. as of and for the year ended December 31, 1997:

Minutes of Meetings Held by the Board of Directors:

Minutes of meetings for the months of March, April and May 1997 were not available which included, during the April and May 1997 meetings, details of the discussion of the hiring of the Executive Director.

Status:

Cleared in fiscal 1998.

Approval of By-Laws

Minutes of meetings held by the Board of Directors indicated the By-Laws were approved and adopted. However, a finalized version of the By-Laws could not be located in OCEZ's records.

Status:

Cleared in fiscal 1998.

Participation in Parish Government Risk Management Insurance Pool

OCEZ was charged with certain expenses resulting from participation in an insurance risk pool of the Police Jury but was not eligible to participate. Eligible participants in such risk pools are limited to agencies, boards, commissions, and instrumentalities of the State or local government.

Status:

Cleared in fiscal 1998.

***REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS***



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CERTIFIED PUBLIC ACCOUNTANTS

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Carolyn A. Clarke, CPA

**INDEPENDENT AUDITORS' 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
OUACHITA COMMUNITY ENHANCEMENT ZONE, INC.
Monroe, Louisiana**

We have audited the primary government financial statements of the **Ouachita Community Enhancement Zone, Inc. (OCEZ)** as of and for the year ended December 31, 1998, and have issued our report thereon dated May 7, 1999. We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Compliance

As part of obtaining reasonable assurance about whether OCEZ's component unit 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 OCEZ's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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

**Ouachita Community Enhancement Zone, Inc.
Monroe, Louisiana**

low level the risk that misstatements in amounts that would be material in relation to the component unit financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management of OCEZ, Federal awarding agencies and pass-through entities, other entities granting funds to OCEZ and the Legislative Auditor for the state of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Luffey, Huffman & Kerne (APAC)

May 7, 1999