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CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

**FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANT**

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 JUL 27 1999

Justin J. Scanlan, C.P.A.
CERTIFIED PUBLIC ACCOUNTANT

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

**FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANT**

December 31, 1998

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

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Justin J. Scanlan, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT
4769 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
TELEPHONE: (504) 288-0050

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Central City Economic Opportunity Corporation

I have audited the accompanying statement of financial position of Central City Economic Opportunity Corporation (a nonprofit corporation) as of December 31, 1998 and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of Central City Economic Opportunity Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central City Economic Opportunity Corporation as of December 31, 1998, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

My audit was made for the purpose of forming an opinion on the basic financial statements of the Central City Economic Opportunity Corporation as a whole. The accompanying financial information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Central City Economic Opportunity Corporation. The schedule of expenditures of federal awards is required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, I have also issued reports dated May 19, 1999, on my consideration of Central City Economic Opportunity Corporation's internal control structure over financial reporting and my test of its compliance with laws, regulations, contracts and grants.

Justin J. Scanlan, CPA

New Orleans, Louisiana
May 19, 1999

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

STATEMENT OF FINANCIAL POSITION

December 31, 1998

ASSETS

**MEMORANDUM
ONLY
December 31, 1997**

Cash	\$ 28,078	\$ 64,861
Receivables		
Grants (Notes A5 and B)	78,019	98,232
Other	3,213	4,549
Inventory (Note C)	154	495
Property and equipment - at cost (Note A4)		
Furniture and equipment	21,752	21,752
Transportation equipment	<u>107,312</u>	<u>107,312</u>
	129,064	129,064
less accumulated depreciation	<u>< 129,064 ></u>	<u>< 129,064 ></u>
	-	-
Undivided interests -- real estate (Note D)	-	-
Total assets	<u>\$ 109,464</u>	<u>\$ 168,137</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued liabilities	\$ 27,604	\$ 68,975
Accrued vested annual leave benefits	23,646	23,675
Due to funding source	7,149	-
Program advance	22,141	22,141
Commitment (Note F)	<u>-</u>	<u>-</u>
Total liabilities	80,540	114,791
Net assets		
Unrestricted	8,810	39,740
Temporarily restricted	<u>20,114</u>	<u>13,606</u>
Total net assets	<u>28,924</u>	<u>53,346</u>
Total liabilities and net assets	<u>\$ 109,464</u>	<u>\$ 168,137</u>

The accompanying notes are an integral part of this financial statement.

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

STATEMENT OF ACTIVITIES

For the year ended December 31, 1998

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL MEMORANDUM ONLY</u>	
			<u>FOR THE YEAR ENDED DECEMBER 31, 1998</u>	<u>FOR THE YEAR ENDED DECEMBER 31, 1997</u>
REVENUES				
Government grants (Note E)	\$ -	\$ 1,047,167	\$ 1,047,167	\$ 885,731
Contributions	3,340	2,500	5,840	7,558
Interest income	9	-	9	44
Fund-raising, net of direct cost of \$825	3,591	-	3,591	7,590
Other income	2,675	-	2,675	19,353
Net assets released from restrictions	<u>1,043,159</u>	<u>< 1,043,159 ></u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>1,052,774</u>	<u>6,508</u>	<u>1,059,282</u>	<u>920,276</u>
EXPENSES				
Salaries	480,501	-	480,501	485,016
Fringe benefits	92,033	-	92,033	93,050
Travel	2,637	-	2,637	3,606
Operating services	131,137	-	131,137	120,884
Supplies	100,645	-	100,645	126,661
Professional services	194,103	-	194,103	25,363
Capital outlay	20,986	-	20,986	3,840
Other costs	<u>61,662</u>	<u>-</u>	<u>61,662</u>	<u>33,517</u>
TOTAL EXPENSES	<u>1,083,704</u>	<u>-</u>	<u>1,083,704</u>	<u>891,937</u>
Increase <decrease> in net assets	<u>< 30,930 ></u>	<u>6,508</u>	<u>< 24,422 ></u>	<u>28,339</u>
Net assets, beginning of year	<u>39,740</u>	<u>13,606</u>	<u>53,346</u>	<u>25,007</u>
Net assets, end of year	<u>\$ 8,810</u>	<u>\$ 20,114</u>	<u>\$ 28,924</u>	<u>\$ 53,346</u>

The accompanying notes are an integral part of this financial statement.

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 1998

Increase <decrease> in cash and cash equivalents		
Cash flows from operating activities:		
Decrease in net assets		\$ < 24,422 >
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Changes in assets and liabilities:		
Decrease in grant receivable	\$ 20,213	
Decrease in other receivable	1,336	
Decrease in inventories	341	
Increase in accounts payable and accrued liabilities	< 41,371 >	
Decrease in accrued vested annual leave benefits	< 29 >	
Increase in due to funding source	<u>7,149</u>	<u>< 12,361 ></u>
Net cash used in operating activities		<u>< 36,783 ></u>
Net <decrease> in cash and cash equivalents		< 36,783 >
Cash and cash equivalents, beginning of year		<u>64,861</u>
Cash and cash equivalents, end of year		\$ <u>28,078</u>

The accompanying notes are an integral part of this financial statement.

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

Central City Economic Opportunity Corporation was organized to promote and develop economic opportunity to those in need of increased economic opportunity; to promote the education and welfare of the people of the community; and to form special interest groups as it seems necessary to solve special problems of the community.

2. Presentation of Financial Statements

The corporation financial statements are presented in accordance with requirements established by Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations," dated June 1993. Accordingly, the net assets of the corporation are reclassified to present the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. There were no permanently restricted net assets.

Net assets of the restricted class are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

3. Revenue Recognition

For financial reporting, the corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Property and Equipment

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on the straight-line method.

It is the policy of the corporation to capitalize all property, furniture, and equipment with an acquisition cost in excess of \$5,000.

5. Receivables

The corporation considers accounts receivable to be fully collectable since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

6. Cash Equivalents

For purpose of the statement of cash flows, the corporation considers all investments with original maturities of three months or less to be cash equivalents.

7. 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 these estimates.

8. Fair Values of Financial Investments

Cash, and cash equivalent amounts reported in the statement of financial position approximate fair values because of the short maturities of those investments.

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Total Columns of Combined Statements - Overview

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

NOTE B - GRANTS RECEIVABLE

The grants receivable at December 31, 1998 consist of the following:

City of New Orleans	\$ 56,067
State of Louisiana - Division of Alcohol and Drug Abuse	13,314
State of Louisiana - Department of Education	<u>8,638</u>
	<u>\$ 78,019</u>

NOTE C - INVENTORY

Inventory consists of food purchased in connection with the Child Care Food Program and is accounted for on the first-in first-out (FIFO) basis.

NOTE D -- UNDIVIDED INTERESTS – REAL ESTATE

In 1997, Central City Economic Opportunity Corporation and Central City Housing Development Corporation formed a joint venture to revitalize the Dryades Street Corridor through purchase and development of the Handleman building. The Handleman building was acquired in, December, 1997, as the initial phase of the revitalization. As of December 31, 1998, the financial position of the joint venture is as follows:

Land and Building	\$ 270,000
Note payable – bank, 0% interest, due July, 1999	<u>< 270,000 ></u>
	<u>\$ -</u>

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1998

NOTE E - SUMMARY OF FUNDING

The Central City Economic Opportunity Corporation funding for grants and contracts consists of the following:

<u>Grants</u>	<u>Period</u>	<u>Revenue Recognized</u>
Central City Day Care Services	1/1/98-12/31/98	\$ 89,421
Senior Citizens Program	1/1/98-6/30/98 7/1/98-12/31/98	42,146 42,146
Head Start Program	1/1/98-12/31/98	339,810
Multi Media Center	1/1/98-6/30/98 7/1/98-12/31/98	93,349 82,717
Food Service Program	1/1/98-9/30/98 10/1/98-12/31/98	33,351 14,450
Audit	-	2,000
Public Safety Initiative	8/1/98-7/31/99	7,922
Safe Harbor Program	11/11/96-7/31/98 10/19/98-4/30/99	78,621 28,101
Central City Senior Citizen Services	1/1/98-12/31/98	24,329
E.C. Ice Cream	7/29/98-4/30/99	15,357
Handleman Building Feasibility Analysis	-	35,000
Camp Head Start	6/1/98-8/31/98	38,447
Council Utilities	-	<u>80,000</u>
Total grant appropriations		<u>\$ 1,047,167</u>

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1998

NOTE F - COMMITMENT

The rental expense for the corporation totaled \$ 50,083 for the year ended December 31, 1998.

NOTE G - INCOME TAXES

The corporation is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE H - FUNCTIONAL EXPENSES

As of December 31, 1998, the functional expenses are as follows:

Management and General	\$ 42,536
Senior Citizens	122,356
Day Care	517,439
Alcohol and drug abuse	178,470
After school care	114,644
Economic development	<u>108,259</u>
	<u>\$ 1,083,704</u>

NOTE I - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

NOTE J - FEDERALLY ASSISTED PROGRAMS

The Corporation participates in a number of federally assisted programs. These programs are audited in accordance with the Single Audit Act Amendments of 1996. Audits of prior years have not resulted in any disallowed costs; however, grantor agencies may provide for further examinations. Based on prior experience, the corporation's management believes that further examinations would not result in any significant disallowed costs.

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1998

NOTE K - ECONOMIC DEPENDENCY

The Corporation received the majority of its revenue from funds provided through grants administered by the City of New Orleans, State of Louisiana, and Total Community Action, Inc. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of the funds the corporation receives could be reduced significantly and have an adverse impact on its operations. At the time of completion of the examination of the corporation's financial statements, management was not aware of any actions taken that would adversely affect the amount of funds the corporation will receive in the next fiscal year.

The corporation is supported primarily through government grants. Approximately 99% of the corporation's support for the year ended December 31, 1998 come from these grants.

SUPPLEMENTAL INFORMATION

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION
COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 1998

	<u>MULTI-MEDIA</u>	<u>HEAD START PROGRAM</u>	<u>SENIOR CITIZEN PROGRAM NOCOA</u>	<u>FOOD SERVICES</u>	<u>CAMP HEAD START</u>	<u>SAFE HARBOR</u>
REVENUE						
Grant appropriations	\$ 176,066	\$ 339,810	\$ 84,292	\$ 47,801	\$ 38,447	\$ 106,722
Contributions	2,500	-	-	-	-	-
Interest income	-	-	-	9	-	-
Fund raising, net of direct direct cost of \$825	-	-	-	-	-	-
Other	-	-	-	-	-	-
	<u>178,566</u>	<u>339,810</u>	<u>84,292</u>	<u>47,810</u>	<u>38,447</u>	<u>106,722</u>
EXPENSES						
Salaries	107,513	217,947	42,106	6,622	14,903	3,020
Fringe benefits	11,381	53,742	5,553	-	1,251	239
Travel	679	899	1,059	-	-	-
Operating services	35,656	35,160	37,383	-	478	2,402
Supplies	7,509	10,121	6,417	42,869	16,140	14,950
Professional services	4,592	8,410	3,050	-	-	85,670
Capital outlay	10,765	-	-	-	-	-
Other costs	375	13,531	2,459	270	5,675	441
	<u>178,470</u>	<u>339,810</u>	<u>98,027</u>	<u>49,761</u>	<u>38,447</u>	<u>106,722</u>
Increase <decrease> in net assets	96	-	< 13,735 >	< 1,951 >	-	-
Net assets, beginning of year	< 338 >	-	1,169	12,345	-	-
Net assets, end of year	<u>\$ < 242 ></u>	<u>\$ -</u>	<u>\$ < 12,566 ></u>	<u>\$ 10,394</u>	<u>\$ -</u>	<u>\$ -</u>

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended December 31, 1998

	<u>CENTRAL CITY DAY CARE SERVICES</u>	<u>AUDIT</u>	<u>SENIOR CITIZEN SERVICES</u>	<u>PUBLIC SAFETY INITIATIVE</u>	<u>E.C. ICE CREAM</u>	<u>HALEY PROJECT</u>	<u>GENERAL</u>	<u>TOTAL</u>
REVENUE								
Grant appropriations	\$ 89,421	\$ 2,000	\$ 24,329	\$ 7,922	\$ 15,537	\$ 115,000	\$ -	\$ 1,047,167
Contributions	-	-	-	-	-	-	3,340	5,840
Interest income	-	-	-	-	-	-	-	9
Fund raising, net of direct direct cost of \$825	-	-	-	-	-	-	3,591	3,591
Other	-	-	-	-	-	-	<u>2,675</u>	<u>2,675</u>
	<u>89,421</u>	<u>2,000</u>	<u>24,329</u>	<u>7,922</u>	<u>15,537</u>	<u>115,000</u>	<u>9,606</u>	<u>1,059,282</u>
EXPENSES								
Salaries	62,393	-	11,742	6,116	-	4,555	3,584	480,501
Fringe benefits	14,591	-	3,238	946	-	-	1,092	92,033
Travel	-	-	-	-	-	-	-	2,637
Operating services	7,251	-	-	380	1,600	8,912	1,915	131,137
Supplies	714	-	-	-	-	1,648	277	100,645
Professional services	3,000	-	-	480	4,100	77,613	5,188	194,103
Capital outlay	872	-	9,349	-	-	-	-	20,986
Other costs	600	-	-	-	9,657	174	28,480	61,662
	<u>89,421</u>	<u>2,000</u>	<u>24,329</u>	<u>7,922</u>	<u>15,537</u>	<u>92,902</u>	<u>40,536</u>	<u>1,083,704</u>
Increase <decrease> in net assets	-	-	-	-	-	22,098	< 30,930 >	< 24,422 >
Net assets, beginning of year	<u>430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,740</u>	<u>53,346</u>
Net assets, end of year	<u>\$ 430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,098</u>	<u>\$ 8,810</u>	<u>\$ 28,924</u>

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 1998

	<u>CFDA#</u>	<u>EXPENDITURES</u>
<u>PROGRAM</u>		
U.S. DEPARTMENT OF HEALTH AND HUMAN RESOURCES		
Passed through Total Community Action, Inc.:		
Head Start Program	93.600	\$ 339,810
Camp Head Start	93.600	38,447
Passed through State of Louisiana		
Department of Health & Hospitals:		
Alcohol and Drug Abuse	93.959	<u>178,470</u>
		<u>556,727</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
U.S. DEPARTMENT OF AGRICULTURE		
Passed through State of Louisiana		
Department of Education:		
Food Service Program	10.558	<u>49,761</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		
		<u>49,761</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed through City of New Orleans:		
Central City Day Care Services	14.218	89,421
Audit	14.218	2,000
Senior Citizen Services	14.218	24,329
Afterschool	14.231	106,722
Public Safety Initiative	14.231	7,922
E.C. Ice Cream	14.231	15,357
Handleman Building Feasibility Analysis	14.231	<u>35,000</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
		<u>280,751</u>
Total federal awards		<u>\$ 887,239</u>

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

STATEMENT OF EXPENDITURES COMPARED
TO BUDGET – CENTRAL CITY DAY CARE SERVICES

For the year ended December 31, 1998

	<u>BUDGET</u>	<u>EXPENDITURES</u>	<u>ACTUAL <OVER> UNDER BUDGET</u>
Salaries	\$ 62,393	\$ 62,393	\$ -
Fringe benefits	15,143	14,591	552
Insurance	3,077	3,075	2
Accounting services	3,600	3,600	-
Rent	4,176	4,176	-
Supplies	717	714	3
Equipment	894	872	22
	<u>\$ 90,000</u>	<u>\$ 89,421</u>	<u>\$ 579</u>

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

**STATEMENT OF EXPENDITURES COMPARED
TO BUDGET -- SENIOR CITIZEN SERVICES**

For the year ended December 31, 1998

	<u>BUDGET</u>	<u>EXPENDITURES</u>	<u>ACTUAL <OVER> UNDER BUDGET</u>
Salaries	\$ 12,000	\$ 11,742	\$ 258
Fringe benefits	3,651	3,238	413
Equipment	9,349	9,349	-
	<u>\$ 25,000</u>	<u>\$ 24,329</u>	<u>\$ 671</u>

Justin J. Scanlan, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT
4769 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"

Board of Directors
Central City Economic Opportunity Corporation

I have audited the financial statements of Central City Economic Opportunity Corporation, as of and for the year ended December 31, 1998, and have issued my report thereon dated May 19, 1999. I conducted my 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 Central City Economic Opportunity Corporation's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my audit, I considered Central City Economic Opportunity Corporation's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Central City Economic Opportunity Corporation'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 98-1.

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Justin J. Scanlan, CPA

New Orleans, Louisiana
May 19, 1999

Justin J. Scanlan, C.P.A.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Central City Economic Opportunity Corporation

Compliance

I have audited the compliance of Central City Economic Opportunity Corporation with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended December 31, 1998. Central City Economic Opportunity Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Central City Economic Opportunity Corporation's management. My responsibility is to express an opinion on Central City Economic Opportunity Corporation's compliance based on my audit.

I conducted my audit of compliance 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 OMB Circular A-133, "Audits of the States, Local Governments, Non-Profit Organizations." Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central City Economic Opportunity Corporation's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Central City Economic Opportunity Corporation's compliance with those requirements.

In my opinion, Central City Economic Opportunity Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1998.

Internal Control Over Compliance

The management of Central City Economic Opportunity Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Central City Economic Opportunity Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect Central City Economic Opportunity Corporation's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-1.

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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Justin J. Scanlan, CPA

New Orleans, Louisiana
May 19, 1999

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 1998

A. SUMMARY OF AUDIT RESULTS

1. An unqualified opinion was issued on the financial statements of Central City Economic Opportunity Corporation.
2. A reportable condition disclosed during the audit of the financial statements is reported in the section titled "Findings-Financial Statements Audit". This condition is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Central City Economic Opportunity Corporation were disclosed during the audit.
4. A reportable condition disclosed during the audit of the major federal award program is reported in the section titled "Finding and Questioned Costs – Major Federal Award Programs Audit". This condition is not reported as a material weakness.
5. The auditors report on compliance for the major federal award programs for Central City Economic Opportunity Corporation expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Central City Economic Opportunity Corporation are reported in this Schedule.
7. The programs tested as major programs included:
 - Head Start Program – CFDA #93.600
 - Camp Head Start – CFDA #93.600
 - Central City Day Care Services – CFDA #14.218
 - Audit – CFDA #14.218
 - Senior Citizen Services – CFDA #14.218
8. The dollar threshold used to distinguish Type A and Type B programs was \$300,000. A Type B program was classified as Type A to comply with the 50% coverage rule.
9. Central City Economic Opportunity Corporation did not qualify as a low-risk auditee.

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended December 31, 1998

B. FINDINGS - FINANCIAL STATEMENTS AUDIT OF REPORTABLE CONDITIONS

98-1. Intergrant receivables/payable balances.

Condition:

The intergrant receivables/payables were not in agreement at year end.

Criteria:

To assure the accuracy of the financial statements, the intergrant receivables/payables should be reconciled monthly and adjusted accordingly.

Effect:

The accuracy of the financial statements may be compromised.

Recommendation:

To assure the accuracy of the financial statements, the intergrant receivable/payables should be reconciled monthly and adjusted accordingly.

Response:

See Corrective Action Plan.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

ALL PROGRAMS

98-1. Intergrant receivables/payable balances.

Condition:

The intergrant receivables/payables were not in agreement at year end.

Criteria:

To assure the accuracy of the financial statements, the intergrant receivables/payables should be reconciled monthly and adjusted accordingly.

Effect:

The accuracy of the financial statements may be compromised.

Recommendation:

To assure the accuracy of the financial statements, the intergrant receivable/payables should be reconciled monthly and adjusted accordingly.

Response:

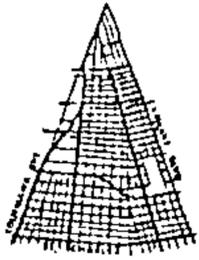
See Corrective Action Plan.

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the year ended December 31, 1998

D. STATUS OF PRIOR YEAR AUDIT FINDINGS

There were no prior year audit findings.



Central City Economic Opportunity Corporation

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Barbara R. Lacen
President

Priscilla Edwards
Executive Director

King S. Wells
Deputy Director

June 14, 1999

Justin J. Scanlan
Certified Public Accountant
4769 St. Roch Avenue
New Orleans, LA 70122

Dear Mr. Scanlan:

In connection with the "Schedule of Findings and Questioned Costs" in relation to the audit of Central City Economic Opportunity Corporation's financial position as of December 31, 1998, we submit that the following will be implemented immediately:

Corrective Action Plan 98.1

To assure the accuracy of the financial statements, all intergrant receivables and payables will be reconciled monthly and adjusted accordingly.

Sincerely,

Priscilla Edwards
Executive Director

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