

POVERTY POINT REGIONAL ECONOMIC
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS
DECEMBER 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 8-11-04

POVERTY POINT REGIONAL ECONOMIC DEVELOPMENT CORPORATION

DECEMBER 31, 2003

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Cochran, Clark & Robinson

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Poverty Point Regional Economic Development Corporation
809 Julia Street; Suite A
Rayville, LA 71269

We have audited the accompanying statement of financial position of Poverty Point Regional Economic Development Corporation (a nonprofit corporation) as of December 31, 2003, and the related statements of activities and cash flows for the year ending December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits in *Government Auditing Standards* issued by the Comptroller General of the United States of America. 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 accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2004 on our consideration of Poverty Point Regional Economic Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Poverty Point Regional Economic Development Corporation as of December 31, 2003, and the changes in net assets and its cash flows for the year ending December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

Cochran Clark & Robinson

June 22, 2004

POVERTY POINT REGIONAL ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2003

ASSETS

CURRENT ASSETS		
Cash in Bank	35,960	
Certificate of Deposit	100,000	
Accounts Receivable	32,787	
Interest Receivable	<u>779</u>	
TOTAL CURRENT ASSETS		169,526
PROPERTY, PLANT AND EQUIPMENT		
Land	293,786	
Furniture & Equipment	2,514	
Construction In Progress	447,177	
Accumulated Depreciation	<u>(779)</u>	
NET PROPERTY, PLANT AND EQUIPMENT		742,698
OTHER ASSETS		
Organization Costs	5,346	
Accumulated Amortization	<u>(1,634)</u>	
TOTAL OTHER ASSETS		<u>3,712</u>
TOTAL ASSETS		<u>915,936</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	32,787	
Retainage Payable	11,728	
Payroll Taxes Payable	<u>280</u>	
TOTAL LIABILITIES		44,795
NET ASSETS		
Unrestricted Net Assets	137,125	
Permanently Restricted Net Assets	<u>734,016</u>	
TOTAL NET ASSETS		<u>871,141</u>
TOTAL LIABILITIES AND NET ASSETS		<u>915,936</u>

See Auditors' Report. The accompanying notes are an integral part of these financial statements.

POVERTY POINT REGIONAL ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING
DECEMBER 31, 2003

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE, GAINS AND OTHER SUPPORT				
State Revenue	-	524,786	-	524,786
Contributions	-	-	103,057	103,057
Interest Income	2,389	-	-	2,389
Net Assets Released from Restriction	<u>22,427</u>	<u>(653,386)</u>	<u>630,959</u>	<u>-</u>
TOTAL REVENUE, GAINS AND OTHER SUPPORT	<u>24,816</u>	<u>(128,600)</u>	<u>734,016</u>	<u>630,232</u>
EXPENSES				
Advertising	189	-	-	189
Amortization	1,069	-	-	1,069
Consulting	7,937	-	-	7,937
Depreciation	494	-	-	494
Dues	63	-	-	63
Legal and Professional	18,307	-	-	18,307
Office Expense	2,644	-	-	2,644
Meals and Travel	6,233	-	-	6,233
Repairs and Maintenance	875	-	-	875
Salaries and Taxes	<u>8,567</u>	<u>-</u>	<u>-</u>	<u>8,567</u>
TOTAL EXPENSES	<u>46,378</u>	<u>-</u>	<u>-</u>	<u>46,378</u>
CHANGE IN NET ASSETS	(21,562)	(128,600)	734,016	583,854
NET ASSETS BEGINNING OF YEAR	<u>158,687</u>	<u>128,600</u>	<u>-</u>	<u>287,287</u>
NET ASSETS END OF YEAR	<u>137,125</u>	<u>-</u>	<u>734,016</u>	<u>871,141</u>

See Auditors' Report. The accompanying notes are an integral part of these financial statements.

POVERTY POINT REGIONAL ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING
DECEMBER 31, 2003

RECONCILIATION OF NET INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES

Change in Net Assets		583,854
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Amortization	1,069	
Depreciation	494	
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(21,153)	
(Increase) in Other Assets	(29)	
Increase (Decrease) in Payables	<u>32,964</u>	
Total Adjustments		<u>13,345</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		597,199
CASH FLOWS FROM INVESTING ACTIVITIES:		
Construction In Progress	(323,358)	
Land	<u>(293,786)</u>	
NET CASH USED IN INVESTING ACTIVITIES		<u>(617,144)</u>
Net Decrease in Cash and Cash Equivalents		(19,945)
Cash and Cash Equivalents at Beginning of Year		<u>155,905</u>
Cash and Cash Equivalent at End of Year		<u>135,960</u>

See Auditors' Report. The accompanying notes are an integral part of these financial statements.

POVERTY POINT REGIONAL ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company's Activities - Poverty Point Regional Economic Development Corporation (the corporation) was incorporated on March 25, 2002 for the purpose of providing and encouraging economic development in East Carroll, Madison, Richland and West Carroll Parishes in the State of Louisiana.

The corporation, which is designated as a non-profit economic development corporation, was created under the authority of Louisiana Revised Statute 33:9021. This statute authorizes the creation and organization of non-profit economic development corporations, when approved by the governing authority of a local governmental subdivision. Poverty Point Reservoir District authorized the formation of Poverty Point Regional Economic Development Corporation. Once created, the Corporation is independent of the governmental subdivision that authorized its formation.

Poverty Point Regional Economic Development's goal is to alleviate the conditions of economic distress present in the above-mentioned parishes by providing jobs and economic stimulus. The Company's plan of action is to act as a catalyst for the construction and development of retirement, recreational and related service businesses and facilities in order to encourage and promote economic development. The initial development project consists of a golf course and related facilities, including a clubhouse, a golf shop, convention and meeting rooms, a hotel and/or condominium units, and a golf teaching area. A retirement development community is under study. The projects shall be for public access and will encourage other private economic development.

Funding for this project is provided by the State of Louisiana through a cooperative endeavor agreement with the Louisiana Department of Transportation and Development (DOTD). The DOTD administers funds appropriated by the Louisiana legislature for capital outlay projects.

Basis of Accounting - The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles generally accepted in the United States of America, applicable for not-for-profit organizations. The statements reflect all significant receivables, payables, and other liabilities.

State Capital Outlay Revenue is considered to be earned to the extent that the liability for the expenditure has been incurred. The expenses are recognized when incurred for the capital outlay project.

Contributions are recorded as revenue upon receipt of cash or unconditional pledges. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

See Auditors' Report.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Restricted Resources - All funds received from the State of Louisiana are restricted for use in achieving the corporation's stated purpose of improving economic development in the specified area.

Cash - Cash consists of cash on hand, cash in bank and certificates of deposits with maturity dates of less than three months.

Accounts Receivable - Accounts Receivables are reimbursements from the DOTD for pre-approved costs incurred in the project. Because receivables are not recorded until approved, there is no allowance for doubtful accounts.

Property, Plant and Equipment - Property, plant, and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is calculated using the straight-line method with estimated useful lives ranging from five to seven years.

Revenue - The Company receives substantially all of its support from DOTD. State contract support is recognized to the extent of approved reimbursable expenses.

Income Taxes - The Company is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and did not conduct any unrelated business activities. Therefore, there is no provision for federal income taxes in the accompanying financial statements.

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.

NOTE 2 - CASH

The Company maintains checking accounts and a certificate of deposit at BancorpSouth. On December 31, 2003, \$36,363 was uninsured by the FDIC.

NOTE 3 - RECEIVABLES - TRADE

Accounts Receivable consists of DOTD receivables for reimbursement of project expenses incurred by the Company. The accounts receivables recorded at year-end were received in 2004.

NOTE 4 - INTEREST RECEIVABLE

Accrued interest of \$779 on the certificate of deposit is recorded as a receivable as of the end of December, 2003.

See Auditors' Report.

NOTE 5 - PROPERTY, PLANT & EQUIPMENT

The book value of property, plant and equipment at December 31, 2003 is as follows:

<u>CLASS</u>	<u>ESTIMATED LIFE</u>	<u>COST</u>	<u>ACCUMULATED DEPRECIATION</u>	<u>BOOK VALUE</u>
Land	-	293,786	-	293,786
Furniture & Equipment	5-7 yrs.	2,514	779	1,735
Construction In Progress	not determined	<u>447,177</u>	<u>-</u>	<u>447,177</u>
TOTALS		<u>743,477</u>	<u>779</u>	<u>742,698</u>

Furniture and Equipment items were purchased with unrestricted funds and are included as components in "Unrestricted Net Assets." Construction In Progress items were purchased with DOTD funds and are included as components in "Restricted Net Assets."

At December 31, 2003, Construction In Progress includes costs for construction, engineering services, project development and golf course design. Costs will be maintained in this category until completion of the project. Upon completion, the costs will be allocated among the various components of the project and capitalized based on generally accepted accounting principles.

Depreciation expense for the year ended December 31, 2003 calculated using the straight-line method is \$494.

NOTE 6 - ORGANIZATION COSTS

Start-up costs of \$5,346 are amortized over a 60-month period on the straight-line method. The annual amortization expense is \$1,069.

NOTE 7 - INCOME TAXES

The Company has received tax-exempt status from the Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code. Because their application and approval occurred within 27 months of the date of the corporation's organization, their tax-exempt status is retroactive to the date of organization.

NOTE 8 - NET ASSETS

Funds transferred from the Poverty Point Reservoir District as grant funds in 2002 for initial operating capital, are unrestricted. Any residual assets from this funding source are classified as "Unrestricted Net Assets."

See Auditors' Report.

NOTE 8 - NET ASSETS (Continued)

All State Revenue received by the Company is restricted by DOTD for use in the development, design, and construction of recreational improvements in the designated economically depressed area. Based on the specified intent expressed in the Cooperative Endeavor Agreement between the Company and DOTD, any residual assets funded by DOTD are classified as "Permanently Restricted Net Assets."

Contributions of property for the golf course are classified as "Permanently Restricted Net Assets." The property would revert to the donee if the property ceases to be used for its stated purpose. Property contributions of 149.32 acres were accepted in 2003. Additional property contributions of 176.17 acres were received in 2004.

NOTE 9 - MEMBERSHIP IN THE CORPORATION

The corporation is organized on a non-stock basis. Membership in the corporation is represented by membership certificates pursuant to the terms of L.S.A.-R.S. 12:210. The members must be adult persons residing in Richland, Madison, West Carroll, or East Carroll Parishes, Louisiana. At present the corporation has five members.

NOTE 10 - BOARD OF DIRECTORS' COMPENSATION

As per the Articles of Incorporation dated March 25, 2002, Article XI "The Board of Directors shall receive no compensation." In 2003 the members of the Board of Directors did not receive any compensation.

NOTE 11 - RELATED PARTY TRANSACTIONS

As previously mentioned, the Company was created subject to Louisiana Revised Statute 33:9023 with Poverty Point Reservoir District acting as the creating governmental unit. Upon creation, Poverty Point Reservoir District provided grant funds in the amount of \$161,830 in unrestricted operating funds to be used as initial operating capital for the corporation.

Poverty Point Reservoir District transferred 11.91 acres of land during the current year to the Company to be used for the golf course.

NOTE 12 - COMPENSATED ABSENCES

The Company has not accrued compensated absences because the amount cannot be reasonably estimated.

See Auditors' Report.

NOTE 13 - CONCENTRATIONS

The State of Louisiana Department of Transportation and Development provides the Company's support through appropriated capital outlay funds. The availability of these funds is subject to approval by acts of state legislation.

Financial instruments that potentially subject the corporation to concentrations of credit risk consist principally of cash investments in banks in excess of the FDIC insured \$100,000 limit.

Management believes that the Corporation is not exposed to any significant credit risk related to cash or to accounts receivable under the State Capital Outlay appropriation.

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Because of the short maturity of the following instruments, their carrying amount approximates fair value: Cash and cash equivalents, trade receivables, trade accounts payable, and accrued expenses.

NOTE 15 - SUBSEQUENT EVENTS

The Corporation accepted the bid of Weitz Golf International, L.L.C. to build the golf course in accordance with the bid laws of the State of Louisiana. The contract was signed on April 14, 2004, and is expected to be completed by August 1, 2005. Progress under the contract will be monitored and progress payments will be approved for payment by the architect, engineers and DOTD.

See Auditors' Report.

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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

Poverty Point Regional Economic Development Corporation
Rayville, LA 71269

We have audited the financial statements of Poverty Point Regional Economic Development Corporation (a non-profit corporation) as of December 31, 2003, and for the year ending December 31, 2003 and have issued our report thereon dated June 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the Poverty Point Regional Economic Development Corporation's 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 Poverty Point Regional Economic Development Corporation'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. 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 solely for the information and use of the Poverty Point Regional Economic Development Corporation management, others within the organization, and Louisiana Department of Transportation and Development and is not intended to be and should not be used by anyone other than these specified parties.

Cochran, Clark & Robinson

Cochran Clark & Robinson

Rayville, LA
June 22, 2004

POVERTY POINT REGIONAL ECONOMIC DEVELOPMENT CORPORATION
RAYVILLE, LOUISIANA

Schedule of Findings and Questioned Costs
For the Year Ending December 31, 2003

A. SUMMARY OF AUDIT RESULTS

1. The Auditors' report expresses an unqualified opinion on the financial statements of the Poverty Point Regional Economic Development Corporation.
2. No instances of noncompliance material to the financial statements of the Poverty Point Regional Economic Development Corporation were disclosed during the audit.
3. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None