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VERNON COMMUNITY ACTION COUNCIL, INC.
LEESVILLE, LOUISIANA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
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 8-4-04

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ELLIOTT & ASSOCIATES, INC.

A Professional Accounting Corporation

P. O. Box 1287

Leesville, Louisiana 71496-1287

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W. Micheal Elliott, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Vernon Community Action Council, Inc.
Leesville, Louisiana:

I have audited the accompanying statement of financial position of Vernon Community Action Council, Inc. (a nonprofit organization) as of December 31, 2003, and the related statements of activities and cash flows for the year then ended. These statements are the responsibility of the Vernon Community Action Council, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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. 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 the Vernon Community Action Council, Inc. as of December 31, 2003, and changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 29, 2004, on my consideration of Vernon Community Action Council, Inc.'s internal control over financial reporting and my tests of its compliance with 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.

My audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for

purposes of additional analysis and is not a required part of the basic financial statements of Vernon Community Action Council, Inc. Such information has been subjected to the auditing procedures applied in the audit 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.

Elliott & Assoc. "APAC"
Leesville, Louisiana
June 29, 2004

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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
Vernon Community Action Council, Inc.
Leesville, Louisiana

I have audited the financial statements of the Vernon Community Action Council, Inc. as of and for the year ended December 31, 2003, and have issued my report thereon dated June 29, 2004. I conducted my 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 Vernon Community Action Council, Inc.'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 is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Vernon Community Action Council, Inc.'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. My 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 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information of the Board of Directors and management of the Vernon Community Action Council, Inc., the Legislative Auditor's office of the State of Louisiana, and federal and state awarding agencies. This report is not intended to be, and should not be, used by anyone other than these specified parties.

Elliott + Assoc. "APAC"

Leesville, Louisiana

June 29, 2004

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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
Vernon Community Action Council, Inc.
Leesville, Louisiana:

Compliance

I have audited the compliance of the Vernon Community Action Council, Inc. 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, 2003. The Vernon Community Action Council, Inc.'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 the Vernon Community Action Council, Inc.'s management. My responsibility is to express an opinion on the Vernon Community Action Council, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America, 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 States, Local Governments, and 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 the Vernon Community Action Council, Inc.'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 the Vernon Community Action Council, Inc.'s compliance with those requirements.

In my opinion, the Vernon Community Action Council, Inc. 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, 2003.

Internal Control Over Compliance

The management of the Vernon Community Action Council, Inc. 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 the Vernon Community Action Council, Inc.'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.

My consideration of the internal control over compliance 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 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. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information of the Board of Directors and management of the Vernon Community Action Council, Inc., the Legislative Auditor's office of the State of Louisiana, and federal and state awarding agencies. This report is not intended to be, and should not be, used by anyone other than these specified parties.

Elliott & Assoc. "APAC"

Leesville, Louisiana

June 29, 2004

Vernon Community Action Council, Inc.
STATEMENT OF FINANCIAL POSITION

December 31, 2003

ASSETS

Current Assets:

Cash and cash equivalents	\$ 21,439
Grant receivable	<u>11,733</u>

Total Current Assets	<u>33,172</u>
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Noncurrent Assets:

Property and equipment (net)	<u>26,562</u>
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Total Noncurrent Assets	<u>26,562</u>
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Total Assets	<u>\$ 59,734</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 14,456
Payroll taxes payable	<u>9,400</u>

Total Current Liabilities/Total Liabilities	<u>23,856</u>
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Net Assets

Unrestricted	<u>35,878</u>
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Total Unrestricted Net Assets/Total Net Assets	<u>35,878</u>
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Total Liabilities and Net Assets	<u>\$ 59,734</u>
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The accompanying notes are an integral part of this statement.

Vernon Community Action Council, Inc.
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2003

UNRESTRICTED NET ASSETS	
Unrestricted Revenues	
Grants	\$469,762
Services	---
Other	<u>2,114</u>
Total Unrestricted Revenues	<u>471,876</u>
Expenses	
Program Services	
Community Service Block Grant	229,476
LIHEAP Energy Assistance	60,159
Transitional Housing	102,116
Weatherization Assistance	88,891
Other programs	<u>64,440</u>
Total Program Services	<u>525,082</u>
Support Services	
Depreciation	<u>2,572</u>
Total Support Services	<u>2,572</u>
Total Expenses	<u>527,654</u>
Decrease in Unrestricted Net Assets	(55,778)
NET ASSETS AT BEGINNING OF YEAR	<u>91,656</u>
NET ASSETS AT END OF YEAR	<u>\$ 35,878</u>

The accompanying notes are an integral part of this statement.

Vernon Community Action Council, Inc.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES

Net increase in net assets	\$ (55,778)
Adjustment to reconcile change in net assets to net cash provided by operating activities	
Depreciation	2,572
Increase in grants receivable	59,681
Increase in accounts payable	(9,553)
Other current liabilities	<u>(1,123)</u>
Net cash provided by operating activities	<u>(4,201)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>---</u>
Net cash provided by investing activities	<u>---</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Purchase of equipment	<u>---</u>
Net cash used by financing activities	<u>---</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,201)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>25,640</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 21,439</u>

The accompanying notes are an integral part of this statement.

Vernon Community Action Council, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

Vernon Community Action Council, Inc., (Agency) is a nonprofit corporation incorporated to strengthen and preserve the dignity and economic mix of the parish. The work of the corporation significantly affects three levels of community life: helping individuals and families with housing and social services; establishing other programs designed to meet pressing community needs; and acting as the sponsor of the Head Start program in Cameron Parish neighborhood environment.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with principles generally accepted in the United States of America.

Basis of Presentation

The Vernon Community Action Council, Inc. has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS no. 117, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Agency does not use fund accounting. Furthermore, the Agency does not have any temporarily restricted or permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Agency considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentration of Revenue/Support

The Agency receives its annual revenue and support from a number of State and Federal agencies. The major portion of that support is derived from the U.S. Department of Health and Human Services.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increase in unrestricted net assets unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the agency reports

Vernon Community Action Council, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Agency reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Income Taxes

The Agency is exempt from Federal income tax as a non-profit organization under Section 501 (c) (3) of the Internal Revenue Code. The laws of the State of Louisiana also exempt the corporation from income taxation.

Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the assets generally as follows;

Furniture and equipment	5 years
Vehicles	3 years
Buildings	27 years

Note 2 - Cash Collateral

As of December 31, 2003, cash held by the Vernon Community Action Council, Inc. was secured in full by FDIC (Federal Depositors Insurance Corporation) insurance at the financial institution where deposited.

Note 3 - Property and Equipment

Property and equipment consist of the following:

Land	\$ 4,000
Buildings	39,000
Equipment	22,296
Less: Accumulated depreciation	<u>(38,734)</u>
Net	<u>\$ 26,562</u>

Vernon Community Action Council, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Note 4 - Grants Receivable

Grants receivable represent amounts that have been expended for grant purposes and are to be reimbursed by the grantor. Management considers all receivables to be collectible. Therefore, no allowance for doubtful accounts has been established.

Note 5 - Pension Plans

The Agency does not have a pension plan for its employees; however, they do participate in the FICA program.

Note 6 - Off-Balance Sheet Risk

The Agency does not engage in off-balance sheet financing as defined in FAS Statement 105.

Note 7- Commitments

None

Note 8- Long-term Debt

None

Note 9- Related Party Transaction

None

Note 10 - Economy Dependency

As discussed in Note 1, the Vernon Community Action Council, Inc. receives a substantial amount of its support from the Federal Government. These funds are passed through various Departments of the State of Louisiana and renewal of these grants are subject to approval from year to year. Currently, the Council does not expect a significant reduction in these grants.

Note 11 - Subsequent Events

None

Note 12 - Contingencies

On May 14, 1998, the State Inspector General reported that the Vernon Community Action Council, Inc. owed the Vernon Council on Aging, Inc. a total of \$29,110 in back rental payments for the period July, 1994 through June, 1997. The Governor's Office of Elderly Affairs had previously made the same determination.

The Vernon Community Action Council, Inc. is still involved in this dispute with Vernon Council on Aging, Inc. about the amount of back rent that it allegedly owes the Vernon Council on Aging, Inc.

Vernon Community Action Council, Inc.
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

On October 27, 1999 the Vernon Parish Council, Inc., filed suit in the Thirtieth Judicial District Court, Parish of Vernon. State of Louisiana requesting they be awarded \$29,110 plus interest and attorney's fees.

Management intends to defend the Council against this action and is confident that it will prevail because it intends to show that no liability exists. Consequently, no liability for back rent has been recorded in the financial statements because there is substantial doubt about the legitimacy of the Vernon Council on Aging, Inc.'s assertion. There has been no activity in this case since the year 2000 and management does not expect any future legal action on this case. The following represents insurance coverage for the Council at December 31, 2002:

	LIMITS OF <u>COVERAGE</u>
Workmen's compensation	Statutory
Auto liability	300,000
Commercial general liability	1,000,000
District-owned buildings and equipment	70,000

The Agency covers all other losses, claim settlements, and judgments from operating resources. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The Agency was not involved in any litigation nor did it have asserted claims lodged against it.

SUPPLEMENTARY DATA

Vernon Community Action Council, Inc.
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 For the Year Ended December 31, 2003

Federal Grantor/ Pass Through Grantor <u>Program Title</u>	Federal CFDA <u>Number</u>	Amount <u>Expended</u>
<u>Department of Health and Human Resources</u>		
Community Services Block Grant	93.569	<u>229,476</u> *
Total U.S. Department of Health and Human Resources		\$ <u>229,476</u>
<u>U.S. Department of Housing and Urban Development:</u>		
Emergency Shelter Grant Program	14.231	\$ 25,393
Supportive Housing Program	14.235	<u>102,116</u>
Total U.S. Department of Housing and Urban Development		\$ <u>127,509</u>
<u>U.S. Department of Energy (DOE):</u>		
LIHEAP Energy Assistance	93.568	\$ 60,159
Weatherization Assistance for Low Income Persons	81.042	<u>88,891</u>
Total U.S. Department of Energy (DOE)		\$ <u>149,050</u>
<u>FEMA:</u>		
Emergency Food and Shelter National Board Program	83.523	\$ <u>11,223</u>
Total FEMA		<u>11,223</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ <u>517,258</u>

*Denotes Major Federal Program

Vernon Community Action Council, Inc.
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
For the Year Ended December 31, 2003
(Schedule 1 Continuation)

Note: All expenditures reported on the schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Note 1 to the financial statements provides additional information relative to the Agency's accounting policies.

See independent auditor's report.

Vernon Community Action Council, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended December 31, 2003

Financial Statements

Types of auditor's report issued:	Unqualified	
Internal Control		
Material weaknesses identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Reportable conditions identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Prior year audit findings		NONE
Management's Corrective Action Plan		NONE
Memorandum of Other Comments and Recommendations		None

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Reportable conditions identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> None reported
Type of auditor's report issued on compliance for major program:		Qualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510 (a)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> No

Vernon Community Action Council Inc.
COMPENSATION FOR BOARD MEMBERS

For the Year Ended December 31, 2003

During the year ended December 31, 2003, no per diem payments or other compensation payments were made to board members.