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**Louisiana Local Government  
Environmental Facilities and  
Community Development Authority  
Baton Rouge, Louisiana  
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 8/25/04

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HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

J. CHARLES PARKER, C.P.A.  
LOUIS C. MCKNIGHT, III, C.P.A.  
ANTHONY J. CRISTINA, III, C.P.A.  
CHARLES R. PEVEY, JR., C.P.A.  
DAVID J. BROUSSARD, C.P.A.



CERTIFIED PUBLIC ACCOUNTANTS

8555 UNITED PLAZA BLVD., SUITE 200  
BATON ROUGE, LOUISIANA 70809  
(225) 923-3000 • FAX (225) 923-3008

May 17, 2004

**Independent Auditor's Report**

Officers and Trustees  
Louisiana Local Government Environmental Facilities  
and Community Development Authority  
Baton Rouge, Louisiana

We have audited the accompanying balance sheet of the

**Louisiana Local Government Environmental Facilities  
and Community Development Authority  
(A Quasi-Public Organization)  
Baton Rouge, Louisiana**

as of December 31, 2003, and the related statements of revenues, expenses and changes in fund balance, and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Louisiana Local Government Environmental Facilities and Community Development Authority as of December 31, 2003, were audited by other auditors whose report dated April 2, 2003, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with *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 financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Local Government Environmental Facilities and Community Development Authority as of December 31, 2003, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report, dated May 17, 2004, on our consideration of the Louisiana Local Government Environmental Facilities and Community Development Authority'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.

Yours truly,

*Hautorn, Weymouth & Carroll, LLP*

**Louisiana Local Government Environmental Facilities  
and Community Development Authority  
Balance Sheets  
December 31, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>A s s e t s</b>		
<b>Current Assets</b>		
Cash	\$330,376	\$58,224
Prepaid expenses	10,887	8,470
Investments		<u>309,925</u>
	<u>341,263</u>	<u>376,619</u>
<b>Fixed Assets</b>		
Furniture and equipment	52,776	46,850
Less accumulated depreciation	<u>(27,140)</u>	<u>(17,179)</u>
	<u>25,636</u>	<u>29,671</u>
<u>Total assets</u>	<u>366,899</u>	<u>406,290</u>
 <b>L i a b i l i t i e s   a n d   F u n d   B a l a n c e</b>		
<b>Current Liabilities</b>		
Accounts payable		9,188
Other liabilities	<u>56,383</u>	<u>28,296</u>
<u>Total liabilities</u>	56,383	37,484
Fund balance	<u>310,516</u>	<u>368,806</u>
<u>Total liabilities and fund balance</u>	<u>366,899</u>	<u>406,290</u>

The accompanying notes are an integral part of these statements.

**Louisiana Local Government Environmental Facilities  
and Community Development Authority  
Statements of Revenues, Expenses and Changes in Fund balance  
Years Ended December 31, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>Revenues</b>		
Issuer fees	\$83,582	\$118,311
Application fees	1,500	3,250
Program administration fees	160,000	70,000
Interest income	3,962	6,757
Miscellaneous income	<u>12,610</u>	<u>26,528</u>
<u>Total revenues</u>	<u>261,654</u>	<u>224,846</u>
<b>Expenses</b>		
Management fees, dues, and subscriptions	3,900	3,863
Salaries	167,561	119,886
Employee benefits	46,520	29,696
Board per diem	8,400	9,275
Professional fees	9,800	3,100
Insurance	11,462	8,073
Travel	13,475	8,996
Member relations	5,255	6,229
Telephone	8,213	8,052
Depreciation	9,961	9,053
Rent	24,685	9,360
Other	<u>10,712</u>	<u>10,505</u>
<u>Total expenses</u>	<u>319,944</u>	<u>226,088</u>
<b>Net Income (Loss)</b>	(58,290)	(1,242)
<b>Fund balance, beginning of year</b>	<u>368,806</u>	<u>370,048</u>
<b>Fund balance, end of year</b>	<u>310,516</u>	<u>368,806</u>

The accompanying notes are an integral part of these statements.

**Louisiana Local Government Environmental Facilities  
and Community Development Authority  
Statements of Cash Flows  
Years Ended December 31, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>Cash Flows From Operating Activities</b>		
Net income (loss)	(\$58,290)	(\$1,242)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	9,961	9,053
Change in operating assets and liabilities		
Accounts receivable		27,865
Prepaid expenses	(2,417)	(2,266)
Accounts payable	(9,188)	5,680
Other liabilities	<u>28,087</u>	<u>8,139</u>
<u>Net cash provided (used) by operating activities</u>	<u>(31,847)</u>	<u>47,229</u>
<b>Cash Flows From Investing Activities</b>		
Equipment purchases	(5,926)	(10,463)
Decrease (increase) in investments, net	<u>309,925</u>	<u>(5,564)</u>
<u>Net cash provided (used) by investing activities</u>	<u>303,999</u>	<u>(16,027)</u>
<b>Net Increase in Cash</b>	272,152	31,202
<b>Cash, beginning of year</b>	<u>58,224</u>	<u>27,022</u>
<b>Cash, end of year</b>	<u>330,376</u>	<u>58,224</u>

The accompanying notes are an integral part of these statements.

**Louisiana Local Government Environmental Facilities  
and Community Development Authority  
Notes to Financial Statements  
December 31, 2003 and 2002**

**Note 1-Significant Accounting Policies**

A. Background and Financial Statement Presentation

The Louisiana Local Government Environmental Facilities and Community Development Authority (the "Authority") was created by the Louisiana Legislature R.S. 33:4548. The Authority, which is a political subdivision of the State of Louisiana, was created for the purpose of assisting political subdivisions in constructing, extending, rehabilitating, repairing, and renewing infrastructure, economic development and environmental facilities, and assisting in the financing of such needs by political subdivisions. Membership consists of municipalities, parishes, school boards and special districts.

The Authority has no taxing power and receives no appropriation from the State of Louisiana or any government body. Bonds issued by the Authority are limited obligations of the Authority payable only from income, receipts and assets pursuant to trust indentures related to each bond issue. Accordingly, these financial statements include only the financial position and operations of the Authority and are not intended to include or present assets, liabilities or activities of various bond issues.

B. Basis of Accounting

The Authority is considered an enterprise fund and, accordingly, uses the accrual method of accounting. The Authority applies all applicable FASB pronouncements issued on or before November 30, 1989, in accounting for its operations unless those pronouncements conflict with or contradict GASB pronouncements.

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes cash in demand accounts with banks. The Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

D. Investments

Investments are reported at fair value, which is the same as cost at December 31, 2002 and include amounts invested into the Louisiana Assets Management Pool (LAMP) at December 31, 2002.

During 2003 the investments were transferred from LAMP to AmSouth Bank and deposited in an interest bearing checking account. This account is insured up to \$100,000 by the Federal Deposit Insurance Corporation and also collateralized by securities.



**Louisiana Local Government Environmental Facilities  
and Community Development Authority  
Notes to Financial Statements  
December 31, 2003 and 2002**

**Note 1-Significant Accounting Policies (Continued)**

E. Issuer, Application and Program Fees

The Authority receives non-refundable issuer, application and program fees related to bond financing programs issued through the Authority. The Authority recognizes issuer, application and program fees as income when the respective bond programs are funded and the fees are earned.

F. Income Taxes

The Authority is exempt from federal and state income taxes.

G. Fixed Assets

The cost of fixed assets is depreciated over the estimated useful lives of the related assets using the straight-line method.

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2-Related Party Transactions**

The Authority had a contract with the Louisiana Municipal Association (LMA) to perform certain management and administrative functions. Expenses related to this agreement were \$3,863 at December 31, 2002. During 2002, full-time staff performed more of the functions previously performed by LMA. All LMA provided services were discontinued in 2003.

Rental expense paid to LMA for office space in 2002 was \$9,360. This lease was discontinued in 2003.

The Authority included in accounts payable \$1,500 owed to LMA, at December 31, 2002.

**Note 3-Multi-Employer Pension Plan**

The Authority's full-time employees participate in Plan A of the Municipal Employee's Retirement System of Louisiana (the Plan), a multiple-employer municipal employee retirement system. The Authority's payroll for its employees covered by the Plan was \$167,560 and \$119,886 for the years ended December 31, 2003 and 2002, respectively.

**Louisiana Local Government Environmental Facilities  
and Community Development Authority  
Notes to Financial Statements  
December 31, 2003 and 2002**

**Note 3-Multi-Employer Pension Plan (Continued)**

All employees of the Authority are required to participate in the Plan if they are under the age of 60, are full-time employees, and are not participating in another publicly funded retirement system. Any employee can retire provided he or she meets one of the following criteria: 1) any age with 25 or more years of credited service, or 2) age 60 with a minimum of 10 years of credited service. Retirees are entitled to a retirement benefit, payable monthly for life, equal to 3% of the member's final compensation multiplied by his years of creditable service, not to exceed 100% of the member's final salary. Employees become fully vested upon reaching 10 years of service. The plan also provides survivor's and disability benefits. Covered employees are required to contribute a percentage of their salary to the Plan (the rate is determined by the Plan and can fluctuate). The contributions required for the Authority for the years ended December 31, 2003 and 2002, were \$31,580 and \$20,100, which consisted of \$16,081 and \$14,100, from the Authority and \$15,499 and \$6,000 from the employees, respectively.

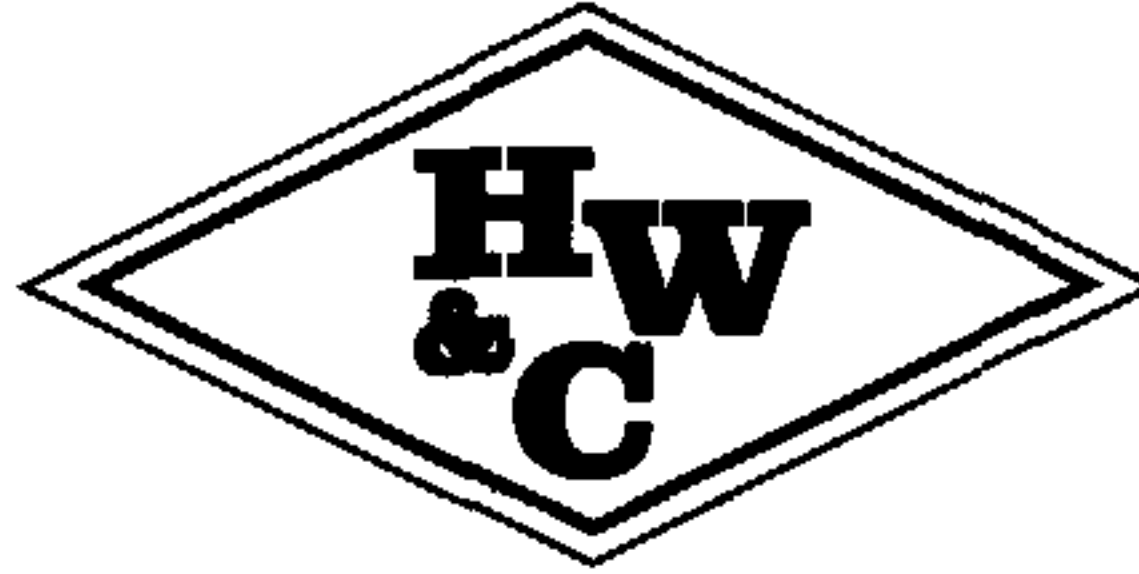
**Note 4-Lease**

The Authority leases its premises under a net operating lease which expires February 15, 2006, and includes two options to renew for one year each. Current monthly rental payments amount to \$1,912.50. Future minimum lease payment obligations for these leases are as follows:

For fiscal years ending:	
2004	\$22,950
2005	22,950
2006	2,869

Rent expense for fiscal years 2003 and 2002 was \$24,685 and \$9,360, respectively.

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May 17, 2004

**Report on Compliance and on Internal Control over Financial  
Reporting based on an Audit of Financial Statements  
Performed In Accordance With *Government Auditing Standards***

Officers and Trustees  
Louisiana Local Government Environmental Facilities  
and Community Development Authority  
Baton Rouge, Louisiana

We have audited the financial statements of the Louisiana Local Government Environmental Facilities and Community Development Authority as of and for the year ended December 31, 2003, and have issued our report thereon dated May 17, 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 Authority'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2003-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority'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 Louisiana Local Government Environmental Facilities and Community Development Authority and the Louisiana Legislative Auditor's office, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:523, this report is distributed by the Legislative Auditor as a public document.

Yours truly,

*Hawthorn, Weymouth & Carroll, LLP*

**Louisiana Local Government Environmental Facilities  
and Community Development Authority  
Schedule of Findings and Questioned Costs  
December 31, 2003**

2003-1 Unused Annual and Sick Leave

*Observation*

The Authority adopted R.S. 11:1755 which provides that unused annual and sick leave accumulated by an employee must be converted to retirement credit. The Authority violated this provision by paying unused annual and sick to a terminated employee rather than the Municipal Employees' Retirement System.

*Recommendation*

The Authority should adhere to its policies concerning payments for accumulated annual and sick leave.

*Management's Response*

The Authority is in the process of correcting the violation and proceeding in accordance with policy.