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**Northeast Louisiana Delta Community  
Development Corporation**

**Audited Financial Statements**

**As Of And For The Year Ended  
Decemeber 31, 2002**

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 8/27/03

**LITTLE & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

NORTHEAST LOUISIANA DELTA COMMUNITY  
DEVELOPMENT CORPORATION

DECEMBER 31, 2002

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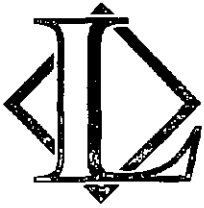
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**LITTLE & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA  
JAMES C. BOND, CPA  
CHARLES R. MARCHBANKS, JR., CPA

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Northeast Louisiana Delta Community Development Corporation  
(A Nonprofit Organization)

We have audited the accompanying consolidated statement of financial position of Northeast Louisiana Delta Community Development Corporation ("NELDCDC") and subsidiaries as of December 31, 2002, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of NELDCDC's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northeast Louisiana Delta Community Development Corporation as of December 31, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that NELDCDC will continue as a going concern. As discussed in Note 14 to the consolidated financial statements, NELDCDC's funding from private and public sources has decreased substantially since December 31, 2002. Furthermore, NELDCDC has incurred a significant amount of debt for operating purposes and has limited resources available with which to repay the debt. These conditions raise substantial doubt about NELDCDC's ability to continue as a going concern. Management's plans regarding those matters also are

described in Note 14. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2003, on our consideration of Northeast Louisiana Delta Community Development Corporation's internal control over financial reporting and 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.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements of Northeast Louisiana Delta Community Development Corporation taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.



Monroe, Louisiana  
June 27, 2003

NORTHEAST LOUISIANA DELTA COMMUNITY DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2002

**Assets**

Current Assets:

Cash and cash equivalents	\$ 431,700
Grants receivable	62,437
Construction costs in excess of billings	3,385
Notes receivable - current	<u>16,500</u>

Total current assets 514,022

Noncurrent assets:

Property and equipment, net	930,463
Notes receivable - long-term	<u>302,100</u>

Total noncurrent assets 1,232,563

Total Assets \$ 1,746,585

**Liabilities**

Current liabilities:

Accounts payable	\$ 29,136
Accrued liabilities	19,638
Current portion of long-term debt	37,590
Note payable	<u>100,000</u>

Total current liabilities 186,364

Long-term debt 907,337

Total liabilities 1,093,701

**Net Assets**

Unrestricted

Operating	(277,579)
Property and equipment	<u>930,463</u>

Total net assets 652,884

Total Liabilities and Net Assets \$ 1,746,585

The accompanying notes are an integral part of these financial statements.

NORTHEAST LOUISIANA DELTA COMMUNITY DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, Support and Reclassifications</b>			
Contractual revenue - grants	\$ 579,198	\$ -	\$ 579,198
Interest income	31,004	-	31,004
Other income	71,949	-	71,949
Net assets released from restrictions:			
Restrictions satisfied by payments	<u>313,532</u>	<u>(313,532)</u>	<u>-</u>
Total Revenues, Support and Reclassifications	<u>995,683</u>	<u>(313,532)</u>	<u>682,151</u>
<b>Expenses</b>			
Programs:			
Economic development	433,602	-	433,602
Education	59,948	-	59,948
Youth development and recreational programs	11,726	-	11,726
Housing programs	100,229	-	100,229
Other programs	<u>13,229</u>	<u>-</u>	<u>13,229</u>
Total Program Expenses	618,734	-	618,734
Management and General	<u>265,030</u>	<u>-</u>	<u>265,030</u>
Total Expenses	<u>883,764</u>	<u>-</u>	<u>883,764</u>
Change in Net Assets	111,919	(313,532)	(201,613)
Net Assets at Beginning of Year	<u>540,965</u>	<u>313,532</u>	<u>854,497</u>
Net Assets at End of Year	<u>\$ 652,884</u>	<u>\$ -</u>	<u>\$ 652,884</u>

The accompanying notes are an integral part of these financial statements.

NORTHEAST LOUISIANA DELTA COMMUNITY DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2002

**Operating Activities**

Change in Net Assets	\$ (201,613)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	44,297
Provision for loan losses	58,581
(Increase) decrease in:	
Grants receivable	(58,272)
Construction Costs in Excess of Billings	(3,385)
Increase (decrease) in:	
Accounts payable	14,707
Accrued liabilities	8,123
Net Cash Provided by (Used in) Operating Activities	<u>(137,562)</u>

**Investing Activities**

Payments for property and equipment	(90,931)
Proceeds from sale of land	4,500
Payments received on loans receivable	19,494
Loans made	(10,000)
Net Cash Provided by (Used in) Investing Activities	<u>(76,937)</u>

**Financing Activities**

Proceeds from long-term debt	150,000
Principal payments debt	(55,391)
Net Cash Provided by (Used in) Financing Activities	<u>94,609</u>

Net Decrease in Cash and Cash Equivalents	(119,890)
Cash and Cash Equivalents at Beginning of Year	<u>551,590</u>
Cash and Cash Equivalents at End of Year	<u>\$ 431,700</u>

**Supplemental Disclosure of Cash Flow Information**

Cash paid during the year for interest	<u>\$ 14,403</u>
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**Disclosure of Accounting Policy**

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The accompanying notes are an integral part of these financial statements.

NORTHEAST LOUISIANA DELTA COMMUNITY DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2002

**Schedule of Noncash Investing/Financing Operations**

Property and equipment acquired through seizure of collateral on loans receivable	\$ <u>63,200</u>
Construction in progress converted to depreciable property and equipment	\$ <u>78,123</u>

The accompanying notes are an integral part of these financial statements.



**NORTHEAST LOUISIANA DELTA  
COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES**

**Nature of Activities**

Northeast Louisiana Delta Community Development Corporation ("NELDCDC") is a private non-profit corporation incorporated under the laws of the State of Louisiana. NELDCDC is governed by a Board of Directors.

The following program and supporting services are included in the accompanying financial statements:

Economic Development – Provides a comprehensive community revitalization plan for the Louisiana Delta region.

Education – Provides a community-based program to improve the success of students and raise standardized test scores to the state average.

Youth Development and Recreational Programs – Increases recreational, mentoring and educational programs for youth living in areas where no such services exist.

Housing Programs – Develops comprehensive single housing program and comprehensive housing rehabilitation and demolition program.

General and Administration – Includes functions necessary to support the administrative activity of the Northeast Louisiana Delta Community Development Corporation.

**Basis of Consolidation**

The consolidated financial statements present the statement of financial position, changes in net assets, and cash flows of Northeast Louisiana Delta Community Development Corporation and its wholly owned subsidiary Louisiana Delta Enterprises, Inc. ("LDEI") and its wholly owned subsidiary Delta Builders & Supply Center, LLC ("DB&SC"). Intercompany transactions and balances have been eliminated in the consolidated financial statements.

**Basis of Accounting**

The financial statements of NELDCDC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**NORTHEAST LOUISIANA DELTA  
COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation**

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, NELDCDC 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.

**Pervasiveness of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash Account Requirement**

Funds received through the Intermediary Relending Program – revolving loan fund are required by the funding source to be kept separate from all other funds and accounts. NELDCDC complied with this requirement during the year ended December 31, 2002.

**Property, Equipment and Depreciation**

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The Federal government has a reversionary interest in property purchased with Federal funds. The disposition of such property and the ownership of any proceeds from the disposition are subject to federal regulations. NELDCDC's policy is to capitalize assets with an individual cost of \$1,000 or more as property and equipment.

Maintenance and repairs are charged to operations; significant improvements are capitalized. The cost and related accumulated depreciation of assets retired or otherwise disposed are eliminated from the accounts and the resulting gain or loss is included in income.

**NORTHEAST LOUISIANA DELTA  
COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue and Support**

NELDCDC follows SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contractual grant revenue is reported as unrestricted support when the restrictions placed on those funds by the funding source are met in the same reporting period as the revenue is earned.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets are released from restrictions.

**Expense Allocations**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income Taxes**

NELDCDC is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the Louisiana Corporation Income Tax Act. However, income from certain activities not directly related to NELDCDC's tax-exempt purpose is subject to taxation as unrelated business income. In addition, income from the activities of the subsidiaries is subject to taxation.

**NOTE 2 – CONCENTRATIONS OF CREDIT RISK – GRANTS RECEIVABLE AND CASH**

Financial instruments that potentially subject NELDCDC to concentrations of credit risk consist principally of temporary cash investments and grants receivable.

Concentrations of credit risk with respect to grants receivable are limited due to these amounts being due from governmental agencies under contractual terms. As

**NORTHEAST LOUISIANA DELTA  
COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

**NOTE 2 – CONCENTRATIONS OF CREDIT RISK – GRANTS RECEIVABLE AND CASH (CONTINUED)**

of December 31, 2002, NELDCDC had concentrations of credit risk in relation to grants receivable totaling \$62,437.

NELDCDC maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At December 31, 2002, total cash balances held at financial institutions was \$426,036. Of this amount, \$112,881 was insured by the FDIC, and \$313,155 was collateralized by pledged securities.

**NOTE 3 – CONCENTRATIONS OF CREDIT RISK – NOTES RECEIVABLE**

As of December 31, 2002, NELDCDC had notes receivable totaling \$497,139, comprised of numerous loans to businesses. The collateral on the notes receivable is comprised of property and equipment. These notes receivable potentially subject NELDCDC to credit risk.

**NOTE 4 – GRANTS RECEIVABLE**

Various funding sources provide reimbursement of allowable costs under contracts or agreements. These balances represent amounts due from funding sources at December 31, 2002, but received after those dates.

**NOTE 5 – NOTES RECEIVABLE**

The notes receivable balance at December 31, 2002 consisted of notes receivable from several local businesses through the following funding sources:

	<u>Amount</u>
IRP revolving loan funds, due in monthly installments over one to fifteen years, including interest at 8.00%, collateralized by real estate and equipment	\$370,759
RBEG Micro-Loan program, due in monthly installments over one to fifteen years, including interest at 8.00%, collateralized by real estate and equipment	94,018

**NORTHEAST LOUISIANA DELTA  
COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

**NOTE 5 – NOTES RECEIVABLE (CONTINUED)**

SSBG loan, due in monthly installments over one to fifteen years, including interest at 8.00%, collateralized by real estate and equipment	22,362
Other with various terms	<u>10,000</u>
	497,139
Allowance for doubtful accounts	<u>(178,538)</u>
Total	<u>\$318,601</u>

**NOTE 6– PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2002:

	<u>Estimated Depreciable Life</u>	<u>Purchased With Federal Funds</u>	<u>Purchased With Non-Federal Funds</u>	<u>Total</u>
Building and Improvements	20-30 years	\$ 510,295	\$ 170,000	\$ 273,458
Furniture and Equipment	5- 10 years	170,067	57,123	292,098
Land		170,658	20,000	185,344
Accumulated depreciation		<u>(125,280)</u>	<u>(42,400)</u>	<u>(115,388)</u>
Net investment in property & equipment		<u>\$ 725,740</u>	<u>\$ 204,723</u>	<u>\$ 934,463</u>

Depreciation expense for the year ended December 31, 2002 was \$52,292.

**NOTE 7 – TEMPORARILY RESTRICTED**

Temporarily restricted net assets at December 31, 2002, represent grant funds received by the agency but not yet spent.

**NOTE 8 – CONTRACTUAL REVENUE - GRANTS**

During the year ended December 31, 2002, NELDCDC received contractual revenue from federal, state and other grants in the amount of \$524,836. The continued existence of these funds is based on contract renewals with various funding sources.

**NORTHEAST LOUISIANA DELTA  
COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

**NOTE 9 – LEASES**

NELDCDC leases certain property and equipment under operating leases. Rental costs on the leases for the year ended December 31, 2002, were \$11,433. Commitments under lease agreements having initial or remaining non-cancelable terms in excess of one year at December 31, 2002, were as follows:

2003	\$ 2,274
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**NOTE 10 – LONG-TERM DEBT**

Long-term debt at December 31, 2002, consists of the following notes payable:

Northeast Louisiana Delta Community Development Corporation

A note payable to the U.S. Department of Agriculture with a stated interest rate of 1.00% for the agency's IRP revolving loan program. During the first three years, interest is due semi-annually and principal payments are deferred. Principal and interest will then be paid in 27 equal annual amortized installments of \$42,450, with any remaining balance due and payable 30 years from the date of the note. The amount available to be drawn down on this loan is \$1,000,000. Principal balance as of December 31, 2002, was \$712,610. Interest expense incurred on this loan for 2002 was \$7,209. The loan matures in 2026. The loan is collateralized by the assignments of the promissory notes given by the ultimate recipients of the IRP program.

A note payable to Cross Keys Bank for a vehicle; principal balance as of December 31, 2002, was \$11,842; interest rate of 8.25%; payable in 48 monthly installments of \$414; with a final payment due August 25, 2005. The loan is collateralized by a vehicle. Interest expense incurred on this loan for the year ended December 31, 2002, was \$821.

A note payable to Cross Keys Bank for operating purposes; principal balance as of December 31, 2002, was \$100,000; interest rate of 6.75%; refinanced in full on April 22, 2003, with an additional \$35,000 borrowed; refinanced loan is payable in 120 monthly installments of \$1,505; maturing on April 22, 2013. The loan is collateralized by real estate. Interest expense incurred on this loan for the year ended December 31, 2002, was \$3,619.

A note payable to AmSouth Bank for relending purposes; principal balance as of December 31, 2002, was \$50,000; interest rate of 2.00%; annual payments of interest only until maturity at June 25, 2012. The loan is unsecured. Interest expense incurred on this loan for the year ended December 31, 2002, was \$525.

**NORTHEAST LOUISIANA DELTA  
COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

**NOTE 10 – LONG-TERM DEBT (CONTINUED)**

Louisiana Delta Enterprises, Inc.

A note payable to Cross Keys Bank for real estate; principal balance as of December 31, 2002, was \$170,457; interest rate of 0.50% over Wall Street Journal Prime; payable in 180 monthly installments of \$1,942; with a final payment due March 2, 2016. The loan is collateralized by real estate. Interest expense incurred on this loan for the year ended December 31, 2002, was \$8,979.

The five-year maturities of long-term debt are summarized as follows:

	Total
2003	\$ 37,590
2004	38,970
2005	38,852
2006	36,770
2007	38,040
Thereafter	704,705
	\$ 894,927

**NOTE 13 – RELATED PARTY ACTIVITIES**

Related party transactions during 2002 are summarized below:

- NELDCDC made subawards totaling \$60,697 and \$33,652 to LDEI and DB&SC, respectively.
- NELDCDC advanced \$55,360 and \$14,000 to LDEI and DB&SC, respectively. These amounts had not been repaid as of December 31, 2002.
- NELDCDC purchased \$40,589 in building materials from LDEI.
- LDEI advanced \$1,980 to DB&SC. This amount had not been repaid as of December 31, 2002.

**NORTHEAST LOUISIANA DELTA  
COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

**NOTE 14 – GOING CONCERN UNCERTAINTY**

The funding of programs by private and public sources has decreased substantially since December 31, 2002. Also, NELDCDC has incurred significant borrowings for funding the entity's operations and has limited resources available with which to repay the debt. Management plans regarding these matters include the restructuring of debt and the continual seeking of funds with which to carry out its programs and fund its day-to-day operations. There is no assurance that NELDCDC will be successful in accomplishing its objectives. Because of these uncertainties, there is doubt about the NELDCDC's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might be necessary should NELDCDC be unable to continue as a going concern.



To the Board of Directors  
Northeast Louisiana Delta Community Development Corporation  
(A Nonprofit Organization)  
Independent Auditors' Report on Compliance  
And Internal Control Over Financial Reporting, etc.  
December 31, 2002

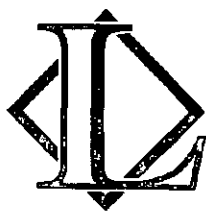
ability to record, process, summarize and report financial data consistent with the assertions of management in the consolidated financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as 02-01.

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 consolidated 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. 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 reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider 02-01 to be a material weakness.

This report is intended for the information and use of the Board of Directors and management of Northeast Louisiana Delta Community Development Corporation, the Louisiana Legislative Auditor, 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.



Monroe, Louisiana  
June 27, 2003



**LITTLE & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA  
JAMES C. BOND, CPA  
CHARLES R. MARCHBANKS, JR., CPA

**Independent Auditors' Report on Compliance With Requirements  
Applicable to Each Major Program and Internal Control Over  
Compliance in Accordance With OMB Circular A-133**

To the Board of Directors  
Northeast Louisiana Delta Community Development Corporation  
(A Nonprofit Organization)

**Compliance**

We have audited the compliance of Northeast Louisiana Delta Community Development 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 its major federal programs for the year ended December 31, 2002. Northeast Louisiana Delta Community Development Corporation's major federal programs are identified in the summary of audit 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 Northeast Louisiana Delta Community Development Corporation. Our responsibility is to express an opinion on Northeast Louisiana Delta Community Development Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with U. S. 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 States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we 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 Northeast Louisiana Delta Community Development Corporation's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Northeast Louisiana Delta Community Development Corporation's compliance with those requirements.

To the Board of Directors  
Northeast Louisiana Delta Community Development Corporation  
(A Nonprofit Organization)  
Independent Auditors' Report on Compliance  
With Requirements Applicable to Each Major  
Program and Internal Control Over Compliance, etc.  
December 31, 2002

As described in item 02-01 in the accompanying schedule of findings and questioned costs, Northeast Louisiana Delta Community Development Corporation did not comply with requirements regarding unallowed activities and unallowable costs that are applicable to its Urban and Rural Community Economic Development program. Compliance with such requirements is necessary, in our opinion, for Northeast Louisiana Delta Community Development Corporation to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Northeast Louisiana Delta Community Development 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, 2002. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 02-02, 02-3, and 02-04.

### **Internal Control Over Compliance**

The management of Northeast Louisiana Delta Community Development 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 our audit, we considered Northeast Louisiana Delta Community Development 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 our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Northeast Louisiana Delta Community Development 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 02-01, 02-02, and 02-03.

To the Board of Directors  
Northeast Louisiana Delta Community Development Corporation  
(A Nonprofit Organization)  
Independent Auditors' Report on Compliance  
With Requirements Applicable to Each Major  
Program and Internal Control Over Compliance, etc.  
December 31, 2002

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 the 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. Our 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, of the reportable conditions described above, we consider 02-01 to be a material weakness.

This report is intended for the information of members of Northeast Louisiana Delta Community Development Corporation, management of the police jury, 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.

*Little + Associates*

Monroe, Louisiana  
June 27, 2003

NORTHEAST LOUISIANA DELTA  
COMMUNITY DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2002

**A. SUMMARY OF AUDIT RESULTS**

1. The Auditors' report expresses an unqualified opinion on the consolidated financial statements of Northeast Louisiana Delta Community Development Corporation.
2. One reportable condition relating to the audit of the financial statements is reported in the Independent Auditors' Report on Compliance and Internal Control Over Financial Reporting Based on an Audit Performed in Accordance With *Government Auditing Standards*. The condition is reported as a material weakness.
3. Three instances of noncompliance material to the financial statements of Northeast Louisiana Delta Community Development Corporation were disclosed during the audit.
4. Three reportable conditions relating to the audit of the major federal award programs is reported in the Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133. One condition is reported as a material weakness.
5. The Auditors' report on compliance for the major federal awards program for Northeast Louisiana Delta Community Development Corporation expresses a qualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The following program was tested as a major program:  

CFDA No. 93.570	Urban and Rural Community and Economic Development
-----------------	--
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Northeast Louisiana Delta Community Development Corporation qualified as a low-risk auditee.

NORTHEAST LOUISIANA DELTA  
COMMUNITY DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2002

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

DEPARTMENT OF HEALTH AND HUMAN SERVICES – OFFICE OF COMMUNITY SERVICES  
CFDA #93.570

Grant Award No. 90EE0518/01 - Builder Supply & Construction Co.

Grant Award No. 90EE0605/01 - Urban and Rural Community Economic Development

**Finding 02-01 – Unallowed Activities and Costs**

Criteria: The types of activities allowed and the allowable costs for each grant award are prescribed in the grant agreement.

Condition: Northeast Louisiana Delta Community Development Corporation did not comply with the provisions of the grant agreements relative to activities allowed and allowable costs. NELDCDC expended grant funds to develop and enhance other programs not included in the grant agreements and to support its operations. Also, NELDCDC incurred costs under these grants that were deemed to be unallowable program costs. In addition, NELDCDC made subawards to two subsidiaries of NELDCDC. The budgets for the grants did not include provisions for making subawards to other entities.

Cause: Management did not adhere to NELDCDC's internal controls over compliance with the provisions of these grant agreements.

Effect: The following costs are subject to disallowance and thus, are considered questioned costs:

Grant Award No. 90EE0518/01 – Builder Supply & Construction Co.:

Subawards to subsidiary	\$99,442
-------------------------	----------

Grant Award No. 90EE0605/01 - Urban and Rural Community  
Economic Development:

Subawards to subsidiaries	134,937
Costs utilized to develop and enhance other programs and to support NELDCDC's operations	151,510
Unallowable program costs	<u>32,961</u>

Total Questioned Costs	<u>\$418,850</u>
------------------------	------------------

Recommendation: We recommend that management of NELDCDC review its internal controls over compliance with the requirements of grant agreements. Also, management should review the requirements of each grant agreement, particularly, those requirements relevant to allowed activities and allowable costs (budgets). Management should place an emphasis on

NORTHEAST LOUISIANA DELTA  
COMMUNITY DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2002

ensuring that the internal controls in place will enable proper ongoing monitoring of the nature of the costs incurred under the program and compliance with the program's budget. Internal controls should be modified, if necessary, to ensure compliance with grant requirements.

DEPARTMENT OF HEALTH AND HUMAN SERVICES - SSBG

Enterprise Community

**Finding 02-04 – Collateral for Loan**

**Criteria and Condition:** Title to real property acquired by non-Federal entities with Federal awards vests with the non-Federal entity. The non-Federal entity may not dispose of or encumber the title to real property without the prior consent of the awarding agency. During 2002, NELDCDC obtained a loan from a local financial institution. The loan was collateralized with a first mortgage on real property owned by NELDCDC. Such real property was acquired with Federal funds provided by the Department of Health and Human Services ("DHHS"). NELDCDC did not obtain DHHS's consent prior to mortgaging the real property.

**Cause:** Unknown

**Effect:** The Federal government's interest in the real property may have been subordinated to the first mortgage.

**Recommendation:** NELDCDC should inform USDA – RD that the real property has been mortgaged. Also, in the future, NELDCDC should obtain awarding agency approval prior to encumbering real property.

ENTITY-WIDE

**Finding 02-05 – Open Meetings Law**

**Criteria and Condition:** In accordance with LSA-RS 42:1 – 42:12 (the open meetings law), the NELDCDC is required to post a notice of each board of commissioner's meeting and the accompanying agenda on the door of its office building at least twenty-four hours prior to the meeting. NELDCDC did not post a notice of each board of commissioner's meeting and the accompanying agenda on the door of its office building.

**Cause:** Unknown

**Effect:** The public may not have been aware of the meetings of the Board of Commissioners, thereby, limiting public input relevant to the utilization of public funds.

NORTHEAST LOUISIANA DELTA  
COMMUNITY DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2002

Recommendation: NELDCDC should begin posting a notice of each board of commissioner's meeting and the accompanying agenda on the door of its office building at least twenty-four hours prior to the meeting.

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

DEPARTMENT OF HEALTH AND HUMAN SERVICES – OFFICE OF COMMUNITY SERVICES  
CFDA #93.570

Grant Award No. 90EE0518/01 - Builder Supply & Construction Co.

Grant Award No. 90EE0605/01 - Urban and Rural Community Economic Development

**Finding 02-01 – Unallowed Activities and Costs**

Criteria: The types of activities allowed and the allowable costs for each grant award are prescribed in the grant agreement.

Condition: Northeast Louisiana Delta Community Development Corporation did not comply with the provisions of the grant agreements relative to activities allowed and allowable costs. NELDCDC expended grant funds to develop and enhance other programs not included in the grant agreements and to support its operations. Also, NELDCDC incurred costs under these grants that were deemed to be unallowable program costs. In addition, NELDCDC made subawards to two subsidiaries of NELDCDC. The budgets for the grants did not include provisions for making subawards to other entities.

Cause: Management did not adhere to NELDCDC's internal controls over compliance with the provisions of these grant agreements.

Effect: The following costs are subject to disallowance and thus, are considered questioned costs:

Grant Award No. 90EE0518/01 – Builder Supply & Construction Co.:

Subawards to subsidiary	\$99,442
-------------------------	----------

Grant Award No. 90EE0605/01 - Urban and Rural Community  
Economic Development:

Subawards to subsidiaries	134,937
Costs utilized to develop and enhance other programs and to support NELDCDC's operations	151,510
Unallowable program costs	<u>32,961</u>

Total Questioned Costs	<u>\$418,850</u>
------------------------	------------------



NORTHEAST LOUISIANA DELTA  
COMMUNITY DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2002

Recommendation: We recommend that management of NELDCDC review its internal controls over compliance with the requirements of grant agreements. Also, management should review the requirements of each grant agreement, particularly, those requirements relevant to allowed activities and allowable costs (budgets). Management should place an emphasis on ensuring that the internal controls in place will enable proper ongoing monitoring of the nature of the costs incurred under the program and compliance with the program's budget. Internal controls should be modified, if necessary, to ensure compliance with grant requirements.

DEPARTMENT OF HEALTH AND HUMAN SERVICES – OFFICE OF COMMUNITY SERVICES  
CFDA #93.570 (CONTINUED)

Grant Award No. 90EE0605/01 - Urban and Rural Community Economic Development

**Finding 02-02 – Receipt of Grant Funds**

Criteria and Condition: Federal regulations require that when grant funds are advanced, the recipient must minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement of the funds for program purposes. NELDCDC received advances under the grant program on a monthly basis. However, portions of the funds were not disbursed for program purposes.

Cause: Unknown

Effect: Funds were received and disbursed for other than program purposes and may be subject to disallowance. See Finding 02-01.

Recommendation: Management of NELDCDC should not draw down funds that are not for the immediate needs of the grant program. Also, management should review, and modify, if necessary, the internal controls over the cash management aspects of the grant agreements.

Grant Award No. 90EE0518/01 - Builder Supply & Construction Co.

Grant Award No. 90EE0605/01 - Urban and Rural Community Economic Development

**Finding 02-03 – Reporting**

Criteria and Condition: The terms of the grant agreement require that NELDCDC submit semi-annual Financial Status Reports (SF269) and semi-annual Performance Reports to the grantor agency. NELDCDC failed to submit the required reports for the following semi-annual periods:

July 1, 2001 – December 31, 2001

January 1, 2002 – June 30, 2002

July 1, 2002 – December 31, 2002

NORTHEAST LOUISIANA DELTA  
COMMUNITY DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended December 31, 2002

Cause: Unknown

Effect: The grantor agency was unable to adequately monitor the grant programs.

Recommendation: Management should file the required reports as soon as possible. Furthermore, management should review the reporting requirements of grant agreements at the time grants are obtained. Also, at such time, management should review its internal controls over reporting and should modify them, if necessary, to ensure compliance with the reporting requirements of grant agreements.

DEPARTMENT OF HEALTH AND HUMAN SERVICES - SSBG

Enterprise Community

**Finding 02-04 – Collateral for Loan**

Criteria and Condition: Title to real property acquired by non-Federal entities with Federal awards vests with the non-Federal entity. The non-Federal entity may not dispose of or encumber the title to real property without the prior consent of the awarding agency. During 2002, NELDCDC obtained a loan from a local financial institution. The loan was collateralized with a first mortgage on real property owned by NELDCDC. Such real property was acquired with Federal funds provided by the Department of Health and Human Services ("DHHS"). NELDCDC did not obtain DHHS's consent prior to mortgaging the real property.

Cause: Unknown

Effect: The Federal government's interest in the real property may have been subordinated to the first mortgage.

Recommendation: NELDCDC should inform USDA – RD that the real property has been mortgaged. Also, in the future, NELDCDC should obtain awarding agency approval prior to encumbering real property.

NORTHEAST LOUISIANA DELTA COMMUNITY DEVELOPMENT CORPORATION  
TALLULAH, LOUISIANA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2002

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Health and Human Services</u>			
Direct Programs:			
Urban and Rural Economic Development	93.570	90EE0605/01	\$ 325,614
Pass-through:			
Louisiana Office of Women's Services	93.558	578230	<u>43,010</u>
Total U.S. Department of Health and Human Services			
<u>U.S. Department of Agriculture</u>			
Direct Programs:			
Intermediary Relending Program	10.767	220330001298779-03	712,610
Rural Business and Enterprise Grant - Farmer's Market	10.769	N/A	122,248
Total Direct Programs			<u>834,858</u>
Passthrough:			
Local Initiative Support Corporation	10.446	41389-0010	<u>3,000</u>
Total U.S. Department of Agriculture			
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Local Initiative Support Corporation:			
Section 4 Funds	14.218	41389-0006	12,523
Section 4 Funds	14.218	41389-0009	15,000
	14.218	41389-0011	<u>3,441</u>
Total U.S. Department of Housing and Urban Development			
Total Federal Expenditures			
			<u>\$ 1,237,446</u>

NORTHEAST LOUISIANA DELTA  
COMMUNITY DEVELOPMENT CORPORATION

Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2002

**1. GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of Northeast Louisiana Delta Community Development Corporation. Northeast Louisiana Delta Community Development Corporation reporting entity is defined in Note 1 to Northeast Louisiana Delta Community Development Corporation's consolidated financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**2. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to Northeast Louisiana Delta Community Development Corporation's primary government financial statements.

**3. RELATIONSHIP TO PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with U. S. generally accepted accounting principles.

**4. INTERMEDIARY RELENDING PROGRAM**

The expenditures shown for the Intermediary Relending Program represents the balance of the loan outstanding at December 31, 2002.

Northeast Louisiana Delta  
Community Development Corporation

Summary Schedule of Prior Audit Findings  
December 31, 2002

**Findings and Questioned Costs – Major Federal ward Programs Audit**

2001-C1-FINDING

DEPARTMENT OF HEALTH AND HUMAN SERVICES – OFFICE OF  
COMMUNITY SERVICES

Grant Award No. 90EE518/01 – Builder Supply Construction Co., CFDA #93.570

Finding – Funds received by NELDCDC for the above grant were transferred to a for-profit corporation – Louisiana Delta Enterprises, Inc. (LDEI) for purposes stated in the grant award. LDEI purchased property for \$190,000 by obtaining a loan from a local financial institution and expended \$17,476 of the grant funds on loan payments. The grant award does not specify and NELDCDC did not obtain prior written approval to purchase property or pay loan payments with the grant funds.

Resolution – The finding has not been resolved. See current year Finding 02-01.

MANAGEMENT LETTER FINDINGS

(1) – Corporate Minutes

Finding: Board minutes had not been typed since July 12, 2001.

Resolution: Board minutes are now being typed.

(2) – Stock Issuance of an Affiliated Company

Finding: Stock for a for profit subsidiary had not been issued.

Resolution: Stock has been issued.

# NORTHEAST LOUISIANA DELTA COMMUNITY DEVELOPMENT CORPORATION

*"BUILDING BETTER COMMUNITIES"*  
*"EQUAL OPPORTUNITY ORGANIZATION"*

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June 30, 2003

Mr. Charles Marchbanks, CPA  
Little and Associates  
805 North 31<sup>st</sup> Street  
Monroe, LA 71211

RE: RESPONSE TO AUDIT FINDINGS 02-01 THROUGH 02-05

Response: Finding 02-01

Management believed that expenditure of funds in support of the grant objectives and related activities was appropriate.

Management will review and revise internal controls to ensure compliance with the requirements of each grant agreement, particularly the requirements relevant to allowed activities and allowable costs, as per budget. Management will monitor the use of grant funds on a monthly basis to ensure adherence to the approved budget and will request modification from the granting agency if it believes a change is necessary to more appropriately meet program objectives.

Response: Finding 02-02

Management will revise and adhere to internal controls to track the receipt and expenditure of funds independently as per each grant agreement and monitor them monthly, drawing down only such amount as may be reasonably expected to be expended.

Management will ensure that all expenditures comply with the approved budget, or request modification of the budget by the granting agency if management deems modification is necessary to more appropriately meet program objectives.

Response: Finding 02-03

Due in part to a turnover in key personnel assigned to compile and prepare grant reports, they were not timely submitted.

Management will adopt and adhere to internal controls over grant reporting requirements. Missing reports will be filed immediately and future reports will be timely filed as required by the grant agreement.

Response: Finding 02-04

Management was not aware that it was required to obtain approval from the granting agency to mortgage property it acquired in part or in whole with funds from the federal granting agency.

In the future, management will request the approval of the pertinent federal granting agency prior to encumbering property obtained with its grant funds.

Response: Finding 02-05

Management was not aware that as a private, non-profit entity, it was required to post notice of its board meetings, along with the agenda.

Management will comply with the requirement to post notice of its meeting and accompanying agenda on the door of its office building at least 24 hours prior to the meeting.

By:

  
\_\_\_\_\_  
President/CEO

\*\*\*\*\*  
\*\*\* TX REPORT \*\*\*  
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CONNECTION TEL 913183241630  
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Legislative Auditor's Office  
1600 N. 3<sup>rd</sup> Street  
Baton Rouge, LA 70804

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03 JUL -7 AM 9:11

**Acknowledgment of Receipt**  
*General purpose Financial Statements*

Entity Name: Northeast Louisiana Delta Community Development Corporation  
Tallulah, Louisiana

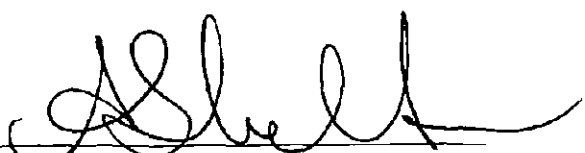
Audit Date(s): As of and for the Year Ended December 31, 2002

Enclosures:

One Unbound: General Purpose Financial Statement With Independent Auditors' Report

One: Data Collection Form

Date Received by Legislative Auditor's Office: 7/7/03

Signed By:   
(Legislative Auditor's Staff)

Please return by mail or facsimile to: Little & Associates  
P. O. Box 4058  
Baton Rouge, LA 70811 4058



State of Louisiana  
Legislative Auditor's Office  
1600 N. 3<sup>rd</sup> Street  
Baton Rouge, LA 70804

07-11-7 11:11

**Acknowledgment of Receipt**  
*General purpose Financial Statements*

Entity Name: Northeast Louisiana Delta Community Development Corporation  
Tallulah, Louisiana

Audit Date(s): As of and for the Year Ended December 31, 2002

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(Legislative Auditor's Staff)

Please return by mail or facsimile to: Little & Associates  
P O. Box 4058  
Monroe, LA 71211-4058  
Fax: 318/324-1630

6/27/03