

**LAFAYETTE NEIGHBORHOODS'
ECONOMIC DEVELOPMENT
CORPORATION
Lafayette, Louisiana**

**Financial Report
Years Ended April 30, 2009 and 2008**

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 11/4/09

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Darnall, Sikes, Gardes Frederick.

(A Corporation of Certified Public Accountants)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lafayette Neighborhoods' Economic
Development Corporation
Lafayette, Louisiana

We have audited the accompanying statements of financial position of the Lafayette Neighborhoods' Economic Development Corporation (LNEDEC) (a nonprofit corporation) as of April 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 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 audits provide 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 the Lafayette Neighborhoods' Economic Development Corporation as of April 30, 2009 and 2008, and its changes in net assets and its cash flows for the years 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 October 14, 2009 on our consideration of the Lafayette Neighborhoods' Economic Development Corporation's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants.

Darnall, Sikes, Gardes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana
October 14, 2009

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LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Statements of Financial Position
April 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 255,456	\$ 225,548
Loans receivable (net)	478,652	575,535
Accrued interest receivable	35,047	15,644
Other receivables	<u>1,643</u>	<u>5,043</u>
TOTAL CURRENT ASSETS	<u>\$ 770,798</u>	<u>\$ 821,770</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,200	\$ 2,500
Due to affiliated organization	<u>105,096</u>	<u>105,004</u>
TOTAL CURRENT LIABILITIES	108,296	107,504
NET ASSETS		
Permanently restricted	<u>662,502</u>	<u>714,266</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 770,798</u>	<u>\$ 821,770</u>

See independent auditor's report and notes to financial statements.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Statements of Activities
 Years Ended April 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
PERMANENTLY RESTRICTED NET ASSETS		
Revenue:		
Governmental grants	\$ -	\$ -
Interest:		
Loans	41,860	36,672
Investments	442	653
Other	<u>2,760</u>	<u>9,566</u>
Total support and revenue	<u>45,062</u>	<u>46,891</u>
Expenses:		
Support services - Management and general	<u>96,826</u>	<u>34,497</u>
Increase (decrease) in permanently restricted net assets	(51,764)	12,394
Net assets, beginning	<u>714,266</u>	<u>701,872</u>
Net assets, ending	<u>\$ 662,502</u>	<u>\$ 714,266</u>

See independent auditor's report and notes to financial statements.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Statements of Cash Flows
Years Ended April 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ (51,764)	\$ 12,394
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in loans receivable	96,883	(26,822)
Change in other receivables	3,400	3,314
Change in accrued interest receivable	(19,403)	(9,107)
Change in accounts payable	700	1,450
Change in due to affiliated organization	<u>92</u>	<u>153</u>
Net cash provided (used by) operating activities	<u>29,908</u>	<u>(18,618)</u>
Net increase (decrease) in cash	29,908	(18,618)
CASH AND CASH EQUIVALENTS, beginning of year	<u>225,548</u>	<u>244,166</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 255,456</u>	<u>\$ 225,548</u>

See independent auditor's report and notes to financial statements.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Lafayette Neighborhoods' Economic Development Corporation (LNEDEC) is a non-profit corporation organized under the provisions of the Cooperative Economic Development Law of the State of Louisiana. The LNEDEC operates as a component unit of the Lafayette Consolidated Government who provides oversight to the program.

Nature of Activities

The LNEDEC was organized to help alleviate conditions of economic distress in the City of Lafayette's low and moderate-income neighborhoods by stimulating greater private capital investment in these target areas. To accomplish this goal, the LNEDEC provides financing to new and expanding small businesses in Lafayette. The organization is exempt from income taxes.

Significant Accounting Policies

A. Loans

Loans are stated at principal amounts outstanding as of the statement of financial position date, less the allowance for possible loan losses.

B. Allowance for Possible Loan Losses

The allowance for possible loan losses is maintained at a level considered adequate by management to absorb potential losses. The allowance is increased by provisions charged to program expenses and reduced by net charge-offs. The Corporation makes continuous credit reviews of the loan portfolio and considers current economic conditions, historical loan loss experience, and other relevant factors in determining the adequacy of the allowance.

C. Expenses

Revenue and expenses are recognized on the accrual basis.

D. Statement of Cash Flows

For purposes of the statements of cash flows, the organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

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

E. Uses 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 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.

NOTE 2 LOANS

Loans receivable are comprised of loans to local business owners in a specific geographical area. These loans were made for working capital, debt refinancing, and fixed asset acquisition. Collateral is comprised of chattel mortgages on business equipment and collateral mortgages on real estate. Interest is accrued on outstanding loans from the date of the last principal payment.

The following summary reflects activities in the loan accounts for the years ending April 30, 2009 and 2008:

	<u>2008</u>	<u>2009</u>
Balance, beginning	\$ 604,087	\$ 632,829
Loans made	155,337	-
Payment received	(128,515)	(46,387)
Collection of loans previously written off	1,920	6,822
Loans written off	<u>-</u>	<u>(40,271)</u>
Balance, ending	<u>\$ 632,829</u>	<u>\$ 552,993</u>

The following is an analysis of the allowance for loan losses:

	<u>2008</u>	<u>2009</u>
Balance, beginning	\$ 55,375	\$ 57,295
Loans written off	-	(40,271)
Collection of loans previously written off	1,920	6,822
Increase in provision for loan losses	<u>-</u>	<u>50,495</u>
Balance, ending	<u>\$ 57,295</u>	<u>\$ 74,341</u>

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 3 COMPENSATION OF BOARD OF DIRECTORS

Members of the Board of Directors were not paid per diem or other compensation during the years ended April 30, 2009 and 2008.

NOTE 4 RELATED-PARTY TRANSACTIONS

The Sterling Grove Housing Development, Inc. has the same Board of Directors as LNEDEC. During the year ending April 30, 1992, Sterling Grove Housing Development, Inc. received approval for a maximum \$1,296,300, Department of Housing and Urban Development, Section 202 loan to construct a 36-unit elderly housing complex. LNEDEC is the sponsor of this housing project.

During the year ended April 30, 1999, LNEDEC and the Lafayette City-Parish Consolidated Government (LCPCG) entered into a revised grant agreement. The agreement calls for the LCPCG to provide \$200,000 to LNEDEC to be used for loans and an additional \$17,000 to be used for administrative purposes. Additionally, this agreement allows LNEDEC to retain 100% of the annual interest earned on loans and deposits to be used for administrative costs which are in direct support of CDBG, eligible economic development activities.

NOTE 5 CONCENTRATION OF CREDIT RISK

The Organization provides financing to a diversified group of businesses located primarily in the Lafayette area. This assistance is provided based on an evaluation of each customer's financial condition, business knowledge, sufficiency of collateral, etc. Credit losses, upon occurrence, are provided for within the financial statements.

NOTE 6 UNINSURED DEPOSITS

LNEDEC maintains its cash deposits in high quality financial institutions. Cash balances may, at times, exceed FDIC insurance coverage. However, LNEDEC has securities pledged to cover any cash balances not insured by FDIC insurance. At April 30, 2008 and April 30, 2007, the market value of the pledged securities plus the federal deposit insurance equal or exceeded the amount on deposit with the bank.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 7 DUE TO AFFILIATED ORGANIZATION

During the year ended April 30, 1997, LNEDEC entered into a joint venture with the Downtown Development Authority (DDA) to establish a low interest loan fund administered by LNEDEC to assist with exterior renovations of commercial buildings in the downtown area. LNEDEC contributed \$35,000 and DDA contributed \$100,000. These funds are restricted for loan purposes only. Upon dissolution of the Facade Grant Program, the \$100,000 will be paid to DDA as well as any interest earned on loans made, prorated between LNEDEC and DDA. Included in the balance sheet under the captions "Other Receivables" and "Due to Affiliated Organization," are receivables and payables relating to this program.

NOTE 8 REAL ESTATE TRANSACTION

During the year ended April 30, 1994, the Organization was the recipient of a donation of real estate from the State of Louisiana. LNEDEC subsequently sold the property and received \$50,000 cash and a 15-year, six-percent promissory note for \$1,198,000 (which is subordinated to a construction mortgage obtained for renovations). The intent of the parties is that the buyer will pay accrued interest annually to the extent of surplus cash from operation of the property (after all operating expenses, debt service obligations, distributions required to be made to the purchaser of limited partnership interests and reasonable reserves). Any unpaid interest shall be accrued and deferred; but not compounded. Upon maturity of the note (March 1, 2010) LNEDEC will receive a donation of the property as payment of the outstanding balance of its mortgage and accrued interest receivable. In accordance with FASB 66, Accounting for Sales of Real Estate, recognition of the profit on the sale of property should be reported when (1) the collectibility of the sale price is reasonably assured and (2) the earnings process is virtually complete. Since collectibility of the entire sales price is questionable, gain on the sale of property has been calculated based on the difference between LNEDEC's basis in the property, the fair market value at the date of donation (\$45,900), and the cash payment received (\$50,000). For the years ended April 30, 2008 and 2007, no payments were received.

NOTE 9 FAIR VALUE MEASUREMENTS

On May 1, 2008, the Organization adopted the provisions of SFAS No. 157, *Fair Value Measurement*. SFAS No. 157 clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy that prioritizes the inputs used to develop those assumptions and measure fair value. The hierarchy requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing methods, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The following methods and assumptions were used by the Organization in estimating fair values of financial instruments as disclosed herein:

Cash and cash equivalents – The carrying amount of cash and short-term instruments approximate fair value.

Accrued interest – The carrying amounts of accrued interest approximate their fair values.

The Organization's adoption of SFAS No. 157 did not have a material impact on its financial statements. The Organization has no financial assets and liabilities that are measured at fair value on a recurring basis.

The Organization has segregated all financial assets and liabilities that are measured at fair value on a nonrecurring basis into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date in the table below.

Nonrecurring Basis

Description	Fair Value Measurements at April 30, 2009			
	April 30, 2009	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Impaired Loans	\$ 76,428	\$ -	\$ -	\$ 76,428
Total	\$ 76,428	\$ -	\$ -	\$ 76,428

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

In accordance with the provisions of FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan*, the Organization records loans considered impaired at their fair value. A loan is considered impaired if it is probable the Organization will be unable to collect all amounts due according to the contractual terms of the loan agreement. Fair value is measured at the fair value of the collateral for collateral-dependent loans. Impaired loans with a carrying amount of \$107,503 were recorded at their fair value at April 30, 2009.

INTERNAL CONTROL AND COMPLIANCE



Darnall, Sikes, Gardes Frederick.

(A Corporation of Certified Public Accountants)

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Lafayette Neighborhoods' Economic
Development Corporation
Lafayette, Louisiana

In planning and performing our audit as of and for the year ended April 30, 2009, in accordance with auditing standards generally accepted in the United States of America we considered LNEDEC's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LNEDEC's internal control. Accordingly, we do not express an opinion on the effectiveness of LNEDEC's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of LNEDEC's financial statements that is more than inconsequential will not be prevented or detected by LNEDEC's internal control. We considered the deficiencies described in the accompanying schedule of findings and questioned costs, as items 09-1 and 09-3, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by LNEDEC's internal control.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items 09-1 and 09-3, to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of LNEDC are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 two instances of noncompliance that are required to be reported under *Government Auditing Standards*. We describe these instances in the accompanying schedule of findings and questioned costs, as items 09-1 and 09-3.

LNEDC's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit LNEDC's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management, others within the organization and is not intended to be and should not be used by anyone other than those specified parties. However, Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Dannall, Sikes, Gaudes & Frederick

A Corporation of Certified Public Accountants

Lafayette, Louisiana
October 14, 2009

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Summary Schedule of Prior Year Findings
Year Ended April 30, 2009

- 08-1 Finding: Incomplete Loan Files
Status: This finding is unresolved. See current year finding 09-1.
- 08-2 Finding: Inadequate Segregation of Accounting Functions
Status: This finding is unresolved. See current year finding 09-2.
- 08-3 Finding: Lack of Business Transactions Recorded in Accounting Records
Status: LNEDC's third party contract person responsible for maintaining accounting records now records cash activity for the various cash accounts and loan activity on a regular basis.
- 08-4 Finding: Annual Monitoring
Status: This finding is unresolved. See current year finding 09-3.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs
Year Ended April 30, 2009

Part 1: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report - Financial Statements

An unqualified opinion has been issued on the Lafayette Neighborhoods' Economic Development Corporation's (LNEDC) financial statements as of and for the year ended April 30, 2009.

Significant Deficiencies – Financial Reporting

One significant deficiency in internal control over financial reporting was disclosed during the audit of the financial statements and is shown as item 09-1 in Part 2, it is considered to be a material weakness.

Material Noncompliance - Financial Reporting

Two material instances of non-compliance were disclosed during the audit of the financial statements, and are shown as items 09-1 and 09-03 in Part 2.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended April 30, 2009.

Part 2: Findings Relating to an Audit in Accordance with Government Auditing Standards

09-1 Finding: Incomplete Loan Files

LNEDC has a standard checklist for loans which details the documentation required on each loan. This checklist is to be completed annually; however, in our review of the loan files we found that various required information was not on file for some borrowers.

During the course of our audit, we noted that required submissions and reports required to be filed with the Lafayette Consolidated Government had not been filed timely or in some cases not filed at all.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs
Year Ended April 30, 2009

Recommendation :

We recommend the LNE DC perform a thorough examination of the outstanding loan files and determine if the required documentation is on file. For those loans which lack specific documentation, LNE DC should obtain the necessary information; also, LNE DC should review the loan files subsequent to issuance and preferably annually, to ensure that documentation is current for all information required. Additionally, required reports should be filed timely with the Lafayette Consolidated Government as required.

09-2 Finding: Inadequate Segregation of Accounting Functions

Due to the small number of personnel, LNE DC did not have adequate segregation of functions within the accounting system.

Recommendation :

Based on the size of the operation and the cost-benefit of additional accounting personnel, it may not be feasible to achieve complete segregation of duties.

09-3 Finding: Annual Monitoring

The loan program administered by LNE DC requires annual monitoring to be performed on loan recipients. During the year, most outstanding loans had no such monitoring performed.

Recommendation :

LNE DC should perform annual monitoring procedures on outstanding loans.

Part 3: Findings and Questioned Costs Relating to Federal Programs

At April 30, 2009, the LNE DC did not meet the requirements to have a single audit in accordance with OMB Circular A-133; therefore, this section is not applicable.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Management's Corrective Action Plan for Current Year Findings
Year Ended April 30, 2009

Response to 09-1:

Incomplete Loan Files

LNEDC management has stated that loan reviews utilizing contract services of a consultant are continuing in the current period under audit. Reviews are being performed on existing loans and will continue with future loans to determine that all required documentation is present in the loans files maintained. Annual monitoring will be performed and reports will be submitted to LNEDC and the Lafayette Consolidated Government.

Response to 09-2:

Inadequate Segregation of Accounting Functions

No response is considered necessary.

Response to 09-3:

Annual Monitoring

Annual monitoring will be performed and reports will be submitted to LNEDC and the Lafayette Consolidated Government.