

**NORTHWEST LOUISIANA COUNCIL
OF GOVERNMENTS
SHREVEPORT, LOUISIANA
JUNE 30, 2005**

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 2-22-06

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

	<u>Page</u>
Management's Discussion and Analysis (Unaudited)	i-iii

AUDITED FINANCIAL STATEMENTS

Independent Auditor's Report	1-2
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet	5
Statement of Revenues, Expenditures and Changes in Fund Balance	6
Notes to Financial Statements	7-13

REQUIRED SUPPLEMENTARY FINANCIAL INFORMATION

Budgetary Comparison Schedule-General Fund (Unaudited)	14
--	----

SUPPLEMENTARY FINANCIAL INFORMATION

Schedule of Revenues and Expenditures by Project	15
Computation of Indirect Cost Rate	16
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17-18
Schedule of Findings and Responses	19-20
Summary Schedule of Prior Audit Findings	21

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the financial performance of Northwest Louisiana Council of Governments provides an overview of the Council's financial activities for the fiscal years ended June 30, 2005 and 2004. Please read it in conjunction with the Council's financial statements, which begin on Page 3.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on Pages 3 and 4) provide information about the activities of the Council as a whole. Fund financial statements start on Page 5. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Council's operations in more detail than the government-wide statements by providing information about the Council's most significant funds. The accompanying financial statements present information only on the funds maintained by the Council.

Reporting the Funds Maintained by the Commission as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the funds maintained by the Council as a whole begins on Page 3. The Statement of Net Assets and the Statement of Activities report information about the funds maintained by the Council as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting.

These two statements report the Council's *net assets* and changes in them. The Council's net assets - the difference between assets and liabilities - is one way to measure the Council's financial health, or *financial position*. Over time, *increases or decreases* in the Council's net assets are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, we record the activities in the funds maintained by the Council as governmental activities:

Governmental activities - expenses related to, and resources provided for, regional and metropolitan transportation planning.

Reporting the Most Significant Funds Maintained by the Council

Our analysis of the major funds maintained by the Council begins on Page 5. The fund financial statements provide detailed information about the most significant funds maintained by the Council - not necessarily the Council as a whole. The Council's funds use the following accounting approaches.

Governmental fund - All of the Council's expenses in transportation planning are reported in a governmental fund, which focuses on how money flows into and out of this fund and the balances left at year-end that are available for spending. This fund is reported using an accounting method called *modified accrual basis*. The governmental fund statements provide a detailed *short-term view* of the Council's operations and the expenses paid from the fund. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain Council expenses. However, because the Council recovers the costs of depreciation and

statements include capital assets and accrued compensated absences liabilities. Consequently, there are no differences between governmental activities (reported in the Statement of Net Assets and the Statement of activities) and the governmental fund financial statements.

THE FUNDS MAINTAINED BY THE COUNCIL AS A WHOLE

The Council's total net assets changed from a year ago, decreasing from \$348,978 to \$183,428. This decrease amounted to \$165,550, or 47.4%. Both current assets and current liabilities declined during the year, as cash was used to liquidate accounts payable and to pay project expenses.

**Table 1
Net Assets**

	<u>Government-Wide Activities</u>	
	<u>2005</u>	<u>2004</u>
Current assets	242,424	418,085
Capital assets, net	<u>8,405</u>	<u>11,800</u>
Total assets	250,829	429,885
Current liabilities	<u>67,401</u>	<u>80,907</u>
Total liabilities	67,401	80,907
Net assets:		
Investment in capital assets	8,405	11,800
Unreserved and undesignated	<u>175,023</u>	<u>337,178</u>
Total net assets	<u>183,428</u>	<u>348,978</u>

**Table 2
Changes in Net Assets**

	<u>Government-Wide Activities</u>	
	<u>2005</u>	<u>2004</u>
Revenues		
Operating Grants	647,435	770,583
Other	<u>8,363</u>	<u>2,542</u>
Total revenues	655,798	773,125
Expenses		
General governmental-transportation planning	<u>821,348</u>	<u>752,047</u>
Increase (decrease) in net assets	<u>(165,550)</u>	<u>21,078</u>

For the funds maintained by the Council, net assets decreased by \$165,550. This decrease was mainly the result of the current expending of funds received in the prior year for transit related projects, including the Extended Service Hours Study for which a contract was executed in late fiscal year 2004.

CAPITAL ASSETS

At the end of 2005, the Council had invested \$160,793 in capital assets from those funds maintained by the Council.

Table 3
Capital Assets At Year End

	<u>Government-Wide Activities</u>	
	<u>2005</u>	<u>2004</u>
Furniture and equipment	160,793	158,398
<u>Less-accumulated depreciation</u>	<u>(152,388)</u>	<u>(146,598)</u>
	<u>8,405</u>	<u>11,800</u>
The years' major additions included:		
Computer equipment	<u>2,395</u>	<u>8,795</u>

FUTURE OPERATIONS

The Council expects, in addition to its normal transportation planning, to administer a federal grant for environment assessment and cleanup planning in 2006. This work will be performed almost entirely by subcontractors; consequently, no significant change in net assets is expected due to this program. The Council also expects to finalize the Extended Service Hours Study and to begin work on a Transit Development Program for SporTran. A decrease in carryover funds previously allocated for this project is anticipated.

CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our readers with a general overview of the finances for those funds maintained by the Council and to show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Northwest Louisiana Council of Governments at 401 Market Street, Suite 460, Shreveport, Louisiana 71101.

AUDITED FINANCIAL STATEMENTS

**HEARD
McELROY
& VESTAL**
LLP
CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET
15TH FLOOR
SHREVEPORT, LA 71101
318 429-1525
318 429-2070 FAX
POST OFFICE BOX 1607
SHREVEPORT, LA
71165-1607

PARTNERS
J. PETER GAFFNEY, CPA, APC
SPENCER BERNARD, JR., CPA
H.Q. GAHAGAN, JR., CPA, APC
GERALD W. HEDGCOCK, JR., CPA, APC
TIM B. NIELSEN, CPA, APC
JOHN W. DEAN, CPA, APC
MARK D. ELDREDGE, CPA
ROBERT L. DEAN, CPA
STEPHEN W. CRAIG, CPA

ROY E. PRESTWOOD, CPA
A. D. JOHNSON, JR., CPA
RON W. STEWART, CPA, APC

OF COUNSEL
GILBERT R. SHANLEY, JR., CPA
C. CODY WHITE, JR., CPA, APC
WILLIAM L. HIGHTOWER, CPA

September 16, 2005

Board of Directors
Northwest Louisiana Council of Governments
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Northwest Louisiana Council of Governments as of and for the year ended June 30, 2005, which collectively comprise the Council's basic financial statements as listed in the table of contents. *These financial statements are the responsibility of the Northwest Louisiana Council of Governments' management.* Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits 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 audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Northwest Louisiana Council of Governments as of June 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying required supplementary information, consisting of management's discussion and analysis on pages i through iii and budgetary comparison information on page 14, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of Northwest Louisiana Council of Governments. The supplementary financial information listed in the table of contents for pages 15 through 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such

information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2005 on our consideration of Northwest Louisiana Council of Governments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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 assessing the results of our audit.

Heard, McElroy & Vestal, LLP

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

GOVERNMENT WIDE STATEMENT OF NET ASSETS

JUNE 30, 2005

	<u>Governmental Activities</u>
<u>Assets:</u>	
Cash	105,736
Federal grant receivables	57,911
Local receivables	72,349
Other receivables	4,814
Other assets	1,614
Fixed assets, net of accumulated depreciation	<u>8,405</u>
Total assets	250,829
<u>Liabilities:</u>	
Accounts payable	31,392
Accrued compensated absences	35,541
Other liabilities	<u>468</u>
Total liabilities	<u>67,401</u>
<u>Net assets:</u>	
Fund balance unreserved/undesignated	175,023
Investment in general fixed assets	<u>8,405</u>
Total net assets	<u><u>183,428</u></u>

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

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2005

	<u>Governmental Activities</u>
<u>Expenses:</u>	
Governmental activities:	
Transportation planning	<u>821,348</u>
Total expenses	821,348
<u>Program revenue:</u>	
Operating grants	<u>647,435</u>
<u>Net expenses</u>	(173,913)
<u>General revenue:</u>	
Interest and miscellaneous	8,363
<u>Net assets at beginning of year</u>	<u>348,978</u>
<u>Net assets at end of year</u>	<u>183,428</u>

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

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

BALANCE SHEET-GOVERNMENTAL FUNDS

JUNE 30, 2005

<u>A S S E T S</u>	<u>Governmental Fund Type General Fund</u>
Cash-Note 10	105,736
Federal grant receivables	57,911
Local receivables-Note 7	72,349
Other receivables	4,814
Other assets	1,614
Fixed assets-Note 5	160,793
Less-accumulated depreciation	<u>(152,388)</u>
Total assets	<u>250,829</u>
 <u>LIABILITIES AND FUND EQUITY</u>	
<u>Liabilities:</u>	
Accounts payable	31,392
Accrued compensated absences-Note 3	35,541
Other liabilities	<u>468</u>
Total liabilities	67,401
 <u>Fund equity:</u>	
Fund balance-unreserved	175,023
Fund balance-reserved for fixed assets	<u>8,405</u>
Total fund equity	<u>183,428</u>
Total liabilities and fund equity	<u>250,829</u>

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

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	<u>General Fund</u>
<u>Revenues:</u>	
Federal grants	397,356
Local funds	250,079
Interest and miscellaneous	<u>8,363</u>
Total revenues	655,798
<u>Expenditures:</u>	
Direct labor	290,435
Indirect costs-Note 6	419,637
Nonproject costs	50,510
Other	<u>60,766</u>
Total expenditures	<u>821,348</u>
<u>Excess (deficiency) of revenues over expenditures</u>	(165,550)
<u>Fund balance at beginning of year</u>	<u>348,978</u>
<u>Fund balance at end of year</u>	<u>183,428</u>

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

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

1. Financial Reporting Entity

Northwest Louisiana Council of Governments (NLCOG) was established October 25, 1966 as Shreve Area Council of Governments, under the authority of Louisiana R.S. 33:1321, et seq. under the pertinent section termed *Intergovernmental Relations*. The cities of Shreveport, Bossier City, and Minden, and the Parishes of Caddo, Bossier and Webster enacted resolutions authorizing the establishment of NLCOG under the referenced statutes. During the current year, NLCOG, as a metropolitan planning organization, received funding from various federal, state and local grants as further outlined below.

Louisiana Department of Transportation and Development (No. 736-09-0134) Federal Aid Project No. PL-0011(028), contract for Metropolitan Planning, Shreveport Urbanized Area, effective July 1, 2004, in the amount of \$319,580 of which the maximum federal share comprises \$255,664. A maximum of eighty percent (80.00%) of the project is federally funded with the remainder being funded through local monies.

Louisiana Department of Transportation and Development (No. 736-09-0136) FTA Project No. LA-80-X013, contract for Regional Planning, Shreveport Urbanized Area, effective July 1, 2004, in the amount of \$57,431 of which the maximum federal share comprises \$45,945. A maximum of eighty percent (80.00%) of the project is federally funded with the remainder being funded through local monies.

Shreveport Transit Authority, funding for the support of transit planning projects, in the approximate amount of \$37,000.

Louisiana Department of Transportation and Development (No. 700-09-0153) Federal Aid Project No. STP-0901(500), contract for Aerial Photography for Caddo Parish and coordination of a program to supply digitally generated terrain contours, in the amount of \$1,836,125 of which the maximum federal share comprises \$1,468,900. A maximum of eighty percent (80.00%) is federally funded with the remainder being funded through local monies.

Louisiana Department of Transportation and Development (No. 700-09-0148) Federal Aid Project No. TCP-TCSP(001), contract for a pilot program for the preparation of a *transportation, community, and system preservation strategic plan to establish a regional technology and residential center (InterTech)* in Shreveport's core inner city neighborhoods. The contract was effective August 3, 2000 in the amount of \$225,000.

2. Summary of Significant Accounting Policies

a. Presentation of Statements:

The Council's statements are prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

2. Summary of Significant Accounting Policies (Continued)

The Council has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds; however, the Council has chosen not to do so because it does not have any business-type activities or enterprise funds. The more significant accounting policies established in GAAP and used by the Council are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Council's overall financial position and results of operations.
- Governmental-Wide Financial statements prepared using full accrual accounting for all of the Council's activities.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

b. Basic Financial Statements - Government-Wide Statements:

The Council's basic financial statements include both Government-Wide (reporting the Council as a whole) and fund financial statements (reporting the Council's major funds). Both the Government-Wide and Fund Financial Statements categorize primary activities as either governmental or business type. The Council's functions and programs have been classified as governmental activities. The Council does not have any business-type activities, fiduciary funds, or any component units that are fiduciary in nature. Accordingly, the Government-Wide financial statements do not include any of these activities or funds.

In the Government-Wide Statement of Net Assets, the governmental type activities column is presented on a consolidated basis by column, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Council's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Invested in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. Restricted net assets consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Unrestricted net assets include all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The Government-Wide Statement of Activities reports both the gross and net cost of the Council's functions and significant programs. The Statement of Activities begins by presenting gross direct and indirect expenses that include depreciation, and then reduces the expenses by related program revenues, such as operating and capital grants and contributions,

2. Summary of Significant Accounting Policies (Continued)

to derive the net cost of each function or program. Program revenues must be directly associated with the function or program to be used to directly offset its cost. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. The Council did not receive any capital-specific grants this year.

The Government-Wide Statements focus upon the Council's ability to sustain operations and the change in its net assets resulting from the current year's activities.

c. **Basic Financial Statements - Fund Financial Statements:**

The financial transactions of the Council are reported in individual funds in the Fund Financial Statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are reported by generic classification within the financial statements.

The Council uses governmental fund types. The focus of the governmental funds' measurement (in the fund statements) is on determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on net income. An additional emphasis is placed on major funds within the governmental fund types. A fund is considered major if it is the primary operating fund of the Council or if its total assets, liabilities, revenues, or expenditures are at least 10% of the corresponding total for all funds of that category or type.

Governmental fund equity is called the fund balance. Fund balance is further classified as reserved and unreserved, with unreserved being further split into designated and undesignated. Reserved means that the fund balance is not available for expenditure because resources have already been expended (but not consumed), or a legal restriction has been placed on certain assets that makes them only available to meet future obligations. Designated fund balances result when management tentatively sets aside or earmarks certain resources to expend in a designated manner. In contrast to reserved fund balances, designated amounts can be changed at the discretion of management.

The following is a description of the governmental funds of the Council:

- **The General Fund** is the general operating fund of the Council. It is used to account for all financial resources except those required to be accounted for in another fund. It is the only fund on the Council's financial statements, and therefore the only major fund.

d. **Measurement Focus and Basis of Accounting:**

Basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

2. Summary of Significant Accounting Policies (Continued)

i. **Accrual Basis - Government-Wide Financial Statements (GWFS):**

The Statement of Net Assets and the Statement of Activities display information about the Council as a whole. Both of these statements have been prepared using the economic measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

ii. **Modified Accrual Basis - Fund Financial Statements (FFS):**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when they are both measurable and available.

e. **Cash and Cash Equivalents:**

Cash includes amounts in demand deposits, interest-bearing demand deposits, and petty cash. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Cash and cash equivalents are reported at their carrying amounts that equal their fair values.

f. **Fixed Assets:**

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. Fixed assets are long-lived assets that have been purchased or acquired with an original cost of at least \$1,500 and that have an estimated useful life of greater than one year. When purchased or acquired, these assets are recorded as fixed assets in the Government-Wide Statement of Net Assets. Also, in the Fund Financial Statements, fixed assets are recorded as expenditures of the fund that provided the resources to acquire the asset because the related depreciation is a component of indirect costs of the Council's program. If the asset was purchased, it is recorded in the books at its cost. If the asset was donated, then it is recorded at its estimated fair market value at the date of donation.

g. **Unpaid Compensated Absences:**

The Council's policies for vacation time permit employees to accumulate earned but unused vacation leave. Accordingly, a liability for the unpaid vacation leave has been recorded in the Government-Wide Statements. The amount accrued as the compensated absence liability was determined using the number of vested vacation hours for each employee multiplied by the employee's wage rate in effect at the end of the year.

In addition, the governmental funds in the Fund Financial Statements report compensated absence liabilities because the related costs are a component of the Council's indirect costs charged to its grants.

2. Summary of Significant Accounting Policies (Continued)

h. **Management's Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

i. **Budgets and Budgetary Policy:**

Budgets for NLCOG are prepared by the Executive Director as part of the Unified Planning Work Program (UPWP). The budget is then adopted by the Council. UPWP planning activities encompass a time frame of twelve months starting July 1, 2004, and ending June 30, 2005. These activities outline the joint efforts required of the Louisiana Department of Transportation and Development, NLCOG, the Cities of Shreveport and Bossier, the Parishes of Caddo and Bossier, the Shreveport and Bossier City MPC's, Shreveport Mass Transit Personnel and affected agencies.

Budgets approved as conditions of the grants fall under the guidelines of the contractual requirements of those various grants. Budget revisions are approved by grantor agencies as required.

3. Compensated Absences

Employees accrue annual leave under the following schedule:

<u>Employee Length of Service</u>	<u>Annual Leave Accrual</u>
Less than one year	.83 days per month
From one year to ten years	1.25 days per month
Ten years or more	1.67 days per month

A maximum of fifteen days of accrued unused annual leave may be carried forward to the succeeding fiscal year.

Sick leave is granted at the rate of .83 days per month for full-time regular service or, in the case of part-time employment, at the proportionate rate as determined by comparing the employee's standard work week to 40 hours. A maximum of 20 days can be carried forward to the succeeding fiscal year.

The following is a summary of transactions relating to the Council's accrued compensated absences during the year.

	<u>Balance</u> <u>6-30-04</u>	<u>Increase</u>	<u>Balance</u> <u>6-30-05</u>
Accrued compensated absences	<u>31,399</u>	<u>4,142</u>	<u>35,541</u>

4. **Pension Plan**

Northwest Louisiana Council of Governments contributes to the NLCOG Employees Retirement Plan which is a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments on those contributions. As established by the pension plan agreement, each employee in active service is eligible to participate in the pension plan within three months from the entrance date on which he first becomes eligible to become a participant. Contributions made by an employee vest immediately and contributions made by the Council vest fully after six years of service. An employee who leaves the employment of the Council is entitled to his contribution plan accrued interest thereon, in addition to funds contributed by the Council, in accordance with the following vesting schedule:

<u>Years of Service</u>	<u>Participant's Vested Interest</u>
2	20%
3	40%
4	60%
5	80%
6	100%

Each employee contributes 9% of his earnings to the pension plan. The Council is also required to contribute an amount equal to 9% of the employee's gross earnings.

During the year, the Council's required and actual contributions amounted to \$35,119 which was 9% of its current year covered payroll of \$390,000. Employee's required and actual contributions also amounted to \$35,119.

No pension provision changes occurred during the year that affected the required contributions to be made by the Council or its employees.

The pension plan held no securities of the Council or other related parties during the year or as of the close of the fiscal year.

5. **Changes in Fixed Assets**

A summary of changes in fixed assets is as follows:

	<u>Balance</u> <u>6-30-04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6-30-05</u>
Fixed assets, at cost:				
Furniture and equipment	158,398	2,395	-	160,793
Accumulated depreciation:				
Furniture and equipment	<u>(146,598)</u>	<u>(5,790)</u>	<u>-</u>	<u>(152,388)</u>
Net fixed assets	<u>11,800</u>	<u>(3,395)</u>	<u>-</u>	<u>8,405</u>

5. **Changes in Fixed Assets (Continued)**

Depreciation is recorded in the general fund, as it constitutes a component of indirect costs. Fixed assets consist of office furniture and equipment, and are depreciated under the straight-line method over estimated useful lives of two to seven years.

6. **Cost Allocation Method**

Costs are allocated to NLCOG's grants pursuant to a method of allocation as required by Office of Management and Budget Circulars A-87 and A-102. Indirect costs and fringe benefits were applied to the grants during the year, under provisional rates of 132.91% and 150.00% of direct labor. As a result of the audit, the actual indirect and fringe rate was computed at 144.49%.

7. **Local Support**

Local supporting governments provide cash or in-kind services in fulfilling the matching requirements of federal and state grants. Local supporting governments are billed for support in accordance with amounts established by agreement and the annual budget.

8. **Members of Governing Board-Compensation**

During the audit period no compensation or per diem was paid to any member of the governing board by NLCOG.

9. **Operating Leases**

Northwest Louisiana Council of Governments leases its office space and employee parking under an operating lease that expires in November 2007. Pursuant to the lease agreement, the monthly rent of \$3,900 beginning July 1, 2004 was increased during the fiscal year to \$4,010 per month. Total rent expense amounted to \$46,563 for the year ended June 30, 2005. Future minimum lease payments under this lease for the next three years at June 30, 2005 are as follows:

June 30, 2006	48,113
June 30, 2007	49,482
June 30, 2008	<u>21,020</u>
	<u>118,615</u>

10. **Cash**

Cash deposits (bank balances) with financial institutions amounted to \$116,833 at June 30, 2005, and were protected by deposit insurance up to \$100,000. Excess balances are secured by a pledge of qualified U.S. government agency securities.

11. **Risk Management**

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. No settlements were made during the current or prior three fiscal years that exceeded the Council's insurance coverage. The Council's management has not purchased commercial insurance or made provision to cover or reduce the risk of loss as a result of business interruption and certain acts of God.

REQUIRED SUPPLEMENTARY FINANCIAL INFORMATION

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS
BUDGETARY COMPARISON SCHEDULE-GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>GAAP Basis</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Revenues:</u>				
Federal grants	502,084	502,084	375,982	(126,102)
Local funds	256,060	256,060	244,735	(11,325)
Interest and miscellaneous	-	-	8,363	8,363
Total revenues	<u>758,144</u>	<u>758,144</u>	<u>629,080</u>	<u>(129,064)</u>
<u>Expenditures:</u>				
Direct labor	324,183	324,183	290,435	33,748
Indirect cost	528,902	528,902	419,637	109,265
Other	200,000	200,000	34,048	165,952
Nonproject cost	<u>5,059</u>	<u>5,059</u>	<u>50,510</u>	<u>(45,451)</u>
Total expenditures	<u>1,058,144</u>	<u>1,058,144</u>	<u>794,630</u>	<u>263,514</u>
<u>Excess (deficiency) of revenues</u>				
<u>over expenditures</u>	(300,000)	(300,000)	(165,550)	134,450
<u>Fund balance at beginning of year</u>	<u>300,000</u>	<u>300,000</u>	<u>348,978</u>	<u>48,978</u>
<u>Fund balance at end of year</u>	<u>-</u>	<u>-</u>	<u>183,428</u>	<u>183,428</u>

SUPPLEMENTARY FINANCIAL INFORMATION

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS
SCHEDULE OF REVENUES AND EXPENDITURES BY PROJECT
FOR THE YEAR ENDED JUNE 30, 2005

	<u>FHWA</u> <u>736-09-0134</u>	<u>FTA</u> <u>LA-80-X013</u>	<u>Shreveport</u> <u>Transit</u> <u>Authority</u>
<u>Revenues:</u>			
Federal grant	255,631	45,944	37,200
Local funds	69,039	12,378	-
Interest and miscellaneous	-	-	-
Total revenues	<u>324,670</u>	<u>58,322</u>	<u>37,200</u>
<u>Expenditures:</u>			
Direct labor	132,797	23,855	15,401
Indirect costs	191,873	34,467	22,252
Nonproject costs	-	-	-
Other	-	-	-
Total expenditures	<u>324,670</u>	<u>58,322</u>	<u>37,653</u>
<u>Excess (deficiency) of revenues</u> <u>over expenditures</u>	<u>-</u>	<u>-</u>	<u>(453)</u>

<u>Aerial Flight</u>	<u>InterTech Photography</u>	<u>Nonproject Specific</u>	<u>Total</u>
48,612	9,454	515	397,356
12,154	-	156,508	250,079
-	-	<u>8,363</u>	<u>8,363</u>
<u>60,766</u>	<u>9,454</u>	<u>165,386</u>	<u>655,798</u>
-	1,618	116,764	290,435
-	2,338	168,707	419,637
-	-	50,510	50,510
<u>60,766</u>	-	-	<u>60,766</u>
<u>60,766</u>	<u>3,956</u>	<u>335,981</u>	<u>821,348</u>
<u>-</u>	<u>5,498</u>	<u>(170,595)</u>	<u>(165,550)</u>

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

COMPUTATION OF INDIRECT COST RATE

FOR THE YEAR ENDED JUNE 30, 2005

<u>Indirect costs:</u>	
Advertising	833
Bonding and insurance	1,131
Building rent	46,561
Depreciation	5,790
Dues and publications	1,257
Health insurance	83,006
Holidays	19,546
Payroll taxes	6,783
Postage	2,271
Professional fees	28,070
Retirement	35,119
Salaries	58,152
Sick leave	12,405
Small equipment purchases and maintenance	42,617
Supplies	11,477
Telephone	11,531
Travel and education	24,120
Vacation	26,153
Workman's comp insurance	<u>2,815</u>
Total	<u>419,637</u>

	<u>Direct</u> <u>Labor</u>	<u>Actual</u> <u>Indirect</u> <u>Cost</u>	<u>Actual</u> <u>Indirect</u> <u>Rate</u>
FHWA 736-09-0134	132,797	191,873	
FTA LA-80-X013	23,855	34,467	
SporTran	15,401	22,252	
Intertech	1,618	2,338	
Local support-nonproject	<u>116,764</u>	<u>168,707</u>	
	<u>290,435</u>	<u>419,637</u>	<u>1.4449</u>

HEARD McELROY & VESTAL

LLP
CERTIFIED PUBLIC ACCOUNTANTS

333 TEXAS STREET
15TH FLOOR
SHREVEPORT, LA 71101
318 429-1525
318 429-2070 FAX
POST OFFICE BOX 1607
SHREVEPORT, LA
71165-1607

PARTNERS
J. PETER GAFFNEY, CPA, APC
SPENCER BERNARD, JR., CPA
H.Q. GAHAGAN, JR., CPA, APC
GERALD W. HEDGCOCK, JR., CPA, APC
TIM B. NIELSEN, CPA, APC
JOHN W. DEAN, CPA, APC
MARK D. ELDREDGE, CPA
ROBERT L. DEAN, CPA
STEPHEN W. CRAIG, CPA

ROY E. PRESTWOOD, CPA
A. D. JOHNSON, JR., CPA
RON W. STEWART, CPA, APC

OF COUNSEL
GILBERT R. SHANLEY, JR., CPA
C. CODY WHITE, JR., CPA, APC
WILLIAM L. HIGHTOWER, CPA

September 16, 2005

Board of Directors
Northwest Louisiana Council of Governments
Shreveport, Louisiana

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

We have audited the financial statements of Northwest Louisiana Council of Governments as of and for the year ended June 30, 2005, and have issued our report thereon dated September 16, 2005. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northwest Louisiana Council of Governments' 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 an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting 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 financial reporting that, in our judgment, could adversely affect Northwest Louisiana Council of Governments' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as item 2005-01.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting 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, we believe that none of the reportable conditions described above is a material weakness.

HMV

A PROFESSIONAL SERVICES FIRM
SHREVEPORT • BOSSIER CITY
WEST MONROE

hmv@hmvcpa.com E-MAIL
www.hmvcpa.com WEB ADDRESS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Louisiana Council of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2005-02 and 2005-03.

This report is intended solely for the information and use of the board of directors, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy & Vestal, LLP

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Northwest Louisiana Council of Governments.
2. One reportable condition relating to the audit of the basic financial statements is reported; no material weaknesses are reported.
3. Two instances of noncompliance material to the basic financial statements of Northwest Louisiana Council of Governments were disclosed during the audit.
4. Northwest Louisiana Council of Governments was not subject to a Federal Single Audit for the year ended June 30, 2005.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

2005-01 - Reportable Condition

Statement of Condition: Although the Council has a records retention policy in effect, it has no formal, written disaster recovery plan for its critical accounting and operating data.

Criteria: Implementation of a well-designed disaster recovery plan is a part of sound internal control standards.

Effect of Condition: Lack of a disaster recovery plan, in the event of a disaster that destroys the Council's physical operations, could cost the Council considerable time and effort in re-establishing its operations. In its most extreme form, lack of such a plan could threaten the Council's function or existence.

Recommendation: We recommend that management formulate a written disaster recovery plan and present it to the Board for input and approval. At a minimum, the plan should provide for alternative operating locations, assignment of personnel for various offsite operating responsibilities, responsibilities for contacting critical personnel, and arrangements for necessary office equipment, hardware and software.

Response: We agree with the recommendation, and will formulate such a policy.

2005-02 - Compliance Finding

Statement of Condition: The Council's budget for the fiscal year was adopted September 13, 2004, which was after the beginning of its fiscal year.

Criteria: Louisiana Revised Statute 39:1309 requires that all action necessary to finalize and implement the budget for the fiscal year be taken before the end of the prior fiscal year.

Effect of Condition: The Council was not in compliance with the provisions of this state law.

Recommendation: The delay in finalizing the fiscal year budget was caused by delays in approval from the Federal and state governments for certain Federal awards totaling approximately 40% of the Council's total annual revenue. We suggest that, in cases where grant award approvals are delayed, the Council adopt its budget based on its best estimate of the grant awards. This adoption should take place before the beginning of the budget year. When final grant approvals are received, appropriate budget amendments should be presented for approval.

Response: We agree with this recommendation, and will present our budget for adoption as suggested.

2005-03 - Compliance Finding

Statement of Condition: The Council did not receive periodic reports from its depository institution showing the securities pledged to secure deposits in excess of FDIC-insured limits.

Criteria: Louisiana state law requires that amounts on deposit that exceed FDIC-insured limits be secured by qualifying investment securities owned by the financial institution, and that such balances be monitored for compliance with this law.

Effect of Condition: The Council did not determine if it was in compliance with this law during the year, and therefore if it was at risk of loss of deposited amounts in excess of insured limits.

Recommendation: The Council should monitor the receipt of pledged security reports from its depository institution, and take any necessary steps to ensure that such reports are received timely and reviewed.

Response: We agree with this recommendation, and are now receiving pledged security reports monthly. Such reports are reviewed to determine that excess cash on deposit is fully protected by pledged securities.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

Not applicable

NORTHWEST LOUISIANA COUNCIL OF GOVERNMENTS

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED JUNE 30, 2005

There were no prior year audit findings.