

REPORT

Franklinton Area Economic  
Development Foundation, Inc.

Franklinton, Louisiana

**Compiled Financial Statements  
For the Years Ended  
October 31, 2005 and October 31, 2004**

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 2-1-2006

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MEMBER  
A.I.C.P.A.

MEMBER  
L.C.P.A.

To the Board of Franklinton Area  
Economic Development Foundation, Inc.  
Franklinton, Louisiana

I have compiled the accompanying statements of assets and net assets-modified cash basis of the Franklinton Area Economic Development Foundation, Inc. (a nonprofit organization) as of October 31, 2005 and October 31, 2004, and the related statements of revenues, expenses, and other changes in net assets-modified cash basis, and the statements of cash flows – modified cash basis, for the years then ended, and the accompanying supplementary information-modified cash basis contained in Schedule I, which is presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and supplementary schedules information that is the representation of management. I have not audited or reviewed the accompanying financial statements and supplementary schedule and, accordingly, do not express an opinion or any other form of assurance on them.

  
WILLIAM R. DURDEN, CPA

January 16, 2006

# FINANCIAL STATEMENTS

**FRANKLINTON AREA ECONOMIC DEVELOPMENT FOUNDATION, INC.**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
**AS OF OCTOBER 31**

	2005	2004
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 30,719.84	\$ 2,400.34
Investments		
Unrestricted	388,373.10	336,753.31
Restricted for business park	-	-
Other current assets	886.08	298.42
Total current assets	419,979.02	339,452.07
<b>Other Assets</b>		
Notes Receivable	100,000.00	100,000.00
<b>Capital Assets</b>		
Furniture, equipment, and sign (at cost net of depreciation)	1,438.16	2,100.72
Total assets	\$ 521,417.18	\$ 441,552.79
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ -	\$ -
Deferred Revenue-State Act 14	-	1,627.78
Total current liabilities	-	1,627.78
<b>Net Assets</b>		
Restricted for business park	-	-
Unrestricted:		
Operating	519,979.02	437,824.29
Investment in fixed assets	1,438.16	2,100.72
Total net assets	521,417.18	439,925.01

See accompanying notes and accountant's compilation report.

**FRANKLINTON AREA ECONOMIC DEVELOPMENT FOUNDATION, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES**  
**IN NET ASSETS - MODIFIED CASH BASIS**  
**For the years ended OCTOBER 31,**

	2005	2004
<b>Operating Revenues</b>		
Garbage tax rebate	\$ 96,489.50	\$ 158,274.00
Dues	7,390.00	5,780.00
State Act 14 Appropriations	1,627.78	13,372.22
Total operating revenues	105,507.28	177,426.22
<b>Operating Expenses</b>		
Executive director fee	18,231.37	
Accounting and annual compilation	1,835.00	1,800.00
Economic development and contributions	2,900.00	10,650.00
Depreciation	662.56	550.34
Miscellaneous labor	2,212.00	
Dues & subscriptions	46.75	122.42
Postage and internet service	170.55	351.85
Insurance	932.28	934.28
Office supplies & expenses	506.75	904.63
Repairs & maintenance-building	266.00	228.50
Annual meeting	1,433.51	83.00
Management service	180.00	2,136.00
Maintenance of Office	2,260.90	930.00
Telephone	1,097.68	1,288.86
Travel, conference, and convention		250.47
Utilities	1,329.23	1,091.10
Miscellaneous	220.36	152.92
Total operating expenses	34,284.94	21,474.37
Operating income (loss)	71,222.34	155,951.85
<b>Non-operating Revenue(Expenses)</b>		
Interest income	10,269.83	4,954.57
<b>Change in Net Assets</b>	81,492.17	160,906.42
<b>Net Assets as of Beginning of Year</b>	439,925.01	279,018.59
<b>Net Assets as of End of Year</b>	\$ 521,417.18	\$ 439,925.01

See accompanying notes and accountant's compilation report.

**FRANKLINTON AREA ECONOMIC DEVELOPMENT FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**For the years ended October 31**

	2005	2004
<b>Cash Flows From Operating Activities</b>		
Received from garbage tax rebate	\$ 96,489.50	\$ 158,274.00
Received from dues	7,390.00	5,780.00
State Grant		15,000.00
Paid for Operations	(15,391.01)	(20,924.03)
Paid to Employees	(18,231.37)	
Net Cash Flows From Operating Activities	\$ 70,257.12	\$ 158,129.97
 <b>Cash Flows From Capital and Related Financing Activities</b>		
Paid for Capital Acquisitions		(1,387.66)
Net Cash Flows From Capital and Related Financing Activities		(1,387.66)
 <b>Cash Flows From Investing Activities</b>		
Transfer to investment	(51,619.79)	(65,370.45)
Loan to HBTV, L.L.C.		(100,000.00)
Receipt of Interest and Dividends	9,682.17	5,037.30
Net Cash Flows From Investment Activities	(41,937.62)	(160,333.15)
 <b>Net Change in Cash and Cash Equivalents</b>	28,319.50	\$ (3,590.84)
<b>Cash and Cash Equivalents - Beginning of Year</b>	2,400.34	5,991.18
<b>Cash and Cash Equivalents - End of Year</b>	30,719.84	\$ 2,400.34
 <b>Reconciliation of Operating Income to Net Cash Flows From Operating Activities</b>		
Operating Income (Loss)	\$ 71,222.34	\$ 155,951.85
Adjustments to Reconcile Operating Income to Net Cash		
Flows From Operating Activities:		
Depreciation Expense	662.56	550.34
Increase (Decrease) in Deferred Revenues	(1,627.78)	1,627.78
Net Cash Flows From Operating Activities	70,257.12	\$ 158,129.97

## **NOTES TO FINANCIAL STATEMENTS**

FRANKLINTON AREA ECONOMIC DEVELOPMENT FOUNDATION, INC.  
Notes to Financial Statements  
October 31, 2005

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Activities**

The Franklinton Area Economic Development Foundation, Inc. (the Foundation) was organized as a nonprofit corporation on February 15, 1991, under the laws of the State of Louisiana. The Foundation's purpose is to promote economic development in the Franklinton area through encouraging manufacturing, processing and service firms to locate in the Franklinton area and render assistance to promote stability and growth to Franklinton area firms and industry that are currently providing employment opportunities. The Foundation's primary support is derived from a parish sales tax rededication concerning the landfill operating excess revenues, which flows through the Town of Franklinton from the Washington Parish Government. The Town of Franklinton allocates these funds based on a percentage established each year by the Board of Alderman. The Town is required to provide this percentage 90 days prior to December 1st.

The Foundation is a tax exempt organization as described in Section 501(a) of the Internal Revenue Code and thus, is exempt from federal and state income taxes.

**Public Support and Revenue**

Annual membership is available to individuals and businesses who meet the membership qualifications of completing a membership application, subject to approval by the Board of Directors, and paying the annual dues amount. Each member in good standing shall be entitled to one vote. Membership fees are generally available for unrestricted use and recognized as revenue when received.

**Basis of Accounting**

The accompanying financial statements have been prepared on the modified cash basis of accounting. Under that basis, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Consequently, the Foundation has not recognized accounts receivable from members or the Town or accounts payable to vendors and their related effects on earnings in the accompanying financial statements.

**Use of Estimates**

The preparation of financial statements in conformity with the modified cash receipts and disbursements basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

FRANKLINTON AREA ECONOMIC DEVELOPMENT FOUNDATION, INC.  
Notes to Financial Statements  
October 31, 2005

**Property and Equipment**

Property and equipment is carried at cost. Depreciation is provided using the straight – line method over the estimated useful lives of the assets. The following useful life are 5,7, and 10 years.

**Income Taxes**

Income taxes are not provided for in the financial statements since the Foundation is exempt from federal and state income taxes under code section 501(a) of the Internal Revenue Code and similar state provisions. The Foundation is also exempt from filing an annual report, form 990, with the Internal Revenue Service under Rev. Proc. 95-48, Section 3.1, due to the fact that the majority of its income is derived from a distribution of sales tax from the Town of Franklinton.

**Cash Equivalents**

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

**Investments**

Investments are stated at fair value, and consist solely of Certificates of Deposit at local, Washington Parish financial institutions. The certificates have varying dates of maturity from 6 to 24 months.

**NOTE 2: CASH and CASH EQUIVALENT**

The following is a summary of cash and cash equivalent at October 31, 2005:

Demand Deposits	\$ 30,719.84
Time Deposits	<u>388,373.10</u>
	<u>\$ 419,092.94</u>

These deposits are stated at cost, which approximates market. Under state law these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all time equal the amount on deposit with fiscal agent.

At October 31, 2005, the Foundation has \$419,092.84 in deposits (collected bank balances). These deposits are secured from risk by \$419,092.84 of federal deposit insurance (GASB Category 1).

**NOTE 3: NOTES RECEIVABLE**

The Foundation entered into an unsecured promissory note with HBTV, L.L.C for \$100,000 in July 2004. The note is payable in five years with no principal or interest paid on the note for the first year. The note is due August 1 beginning in 2006. The loan

FRANKLINTON AREA ECONOMIC DEVELOPMENT FOUNDATION, INC.

Notes to Financial Statements

October 31, 2005

will remain interest-free providing borrower adds five (5) new employees a year, starting with the second year. Should the borrower add less than five (5) permanent jobs per year after the first year the interest rate of four percent (4%) per annum will be reduced each year on a percentage basis, as follows:

(1)	Five (5) Jobs	100% Reduction
(2)	Four (4) Jobs	80% Reduction
(3)	Three (3) Jobs	60% Reduction
(4)	Two (2) Jobs	40% Reduction
(5)	One (1) Job	20% Reduction
(6)	Zero (0) Jobs	0% Reduction

However, should the borrower add at least Twenty-five (25) new and permanent jobs over the entire five (5) year period, no interest shall be due on the note and any annual interest paid by the borrower to the lender shall be reimbursed by the lender to the borrower.

**NOTE 4: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	11/1/2004	Additions	Deletions	10/31/2005
Furniture and Fixtures	\$ 147.84	\$ -	\$ -	\$ 147.84
Office Equipment	5,103.97	-	-	5,103.97
Sign	1,003.73	-	-	1,003.73
Less: Accum. Depreciation	(4,154.82)	(662.56)	-	(4,817.38)
	\$ 2,100.72	\$ (662.56)	\$ -	\$ 1,438.16

**NOTE 5: INVESTMENT IN INDUSTRIAL PARK**

The Foundation entered into an agreement with the Town of Franklinton to provide 66% of the purchase price of a 102-acre tract of land for the Town to development into an industrial park. On November 21, 2002 the property was purchased for \$351,239. The Foundation's portion of the land cost was \$234,159. The land is titled in the name of the Town of Franklinton and the Town will retain 100% ownership in the property. Thus the investment in the land is recorded on the books and records of the Foundation as an expenditure, and not a capital asset.

**NOTE 6: CONTRIBUTED SERVICES**

On October 10, 1996, the Washington-St. Tammany Electric Cooperative, Inc., agreed to furnish the building for the office for the Franklinton Area Economic Development Foundation, Inc. There is no formal lease agreement, nor is any time period specified in the letter of donation from the Cooperative.

FRANKLINTON AREA ECONOMIC DEVELOPMENT FOUNDATION, INC.  
Notes to Financial Statements  
October 31, 2005

**NOTE 7: INTERGOVERNMENTAL AGREEMENT**

On June 23, 1992, the Town of Franklinton and the Franklinton Area Economic Development Foundation, Inc., entered into an agreement whereby, in exchange for certain services, in connection with economic development, in the Franklinton area, the Town obligates itself to make certain payments to the Foundation. The agreement was amended October 9, 2001, requiring the Foundation to make available for inspection and review by the Town's auditor, Mayor and Aldermen or duly authorized representatives, its books and records. In addition, the Foundation shall provide a copy of their annual financial statements completed by an independent certified public accountant or the Legislative Auditor of the State of Louisiana to the Town. The activities of the Foundation will be reported to the Town after each monthly meeting by the Town's representative appointed to the Foundation board. The Foundation also agrees that if the Foundation dissolves or ceases to function as an economic development arm of the Town of Franklinton, all funds under its control at that time which were received from the Town shall revert to the Town of Franklinton in full ownership and control. The Town of Franklinton remitted to the Foundation 50% of the funds received from the Washington Parish Government for excess sales tax collections over operating expenses of the parish landfill operation, for the year ended June 30, 2005. The funds, totaling \$96,489.50, were received by the Foundation in February 2005.

**NOTE 8: LITIGATION AND CLAIMS**

As of October 31, 2005, there were no litigations or claims against the Foundation.

**NOTE 9: RELATED PARTY TRANSACTIONS**

The Franklinton Area Economic Development Foundation, Inc., had no related party transactions during the period covered by these financial statements.

## **SUPPLEMENTARY INFORMATION**

**FRANKLINTON AREA ECONOMIC DEVELOPMENT FOUNDATION, INC.**  
**STATEMENTS OF REVENUE, EXPENSES, AND OTHER CHANGES**  
**IN NET ASSETS - MODIFIED CASH BASIS - BUDGET/ACTUAL - SCHEDULE I**  
**For the year ended October 31, 2005**

	<b>ORIGINAL BUDGET</b>	<b>ACTUAL</b>	<b>Variance</b>
<b>Public Support, Dues, and Revenues</b>			
Excess landfill revenue	\$ 75,000.00	\$ 96,489.50	\$ (21,489.50)
Dues	7,500.00	7,390.00	110.00
Interest income	5,500.00	10,269.83	(4,769.83)
State Act 14 Appropriations	-	1,627.78	(1,627.78)
<b>Total Revenues</b>	<b>88,000.00</b>	<b>115,777.11</b>	<b>(27,777.11)</b>
<b>Program Expenses</b>			
Executive director fee	19,500.00	18,231.37	(1,268.63)
Accounting	620.00	635.00	15.00
Economic Development	2,500.00	2,400.00	(100.00)
Annual compilation	1,200.00	1,200.00	-
Conferences & conventions	300.00	-	(300.00)
Contributions	500.00	500.00	-
Depreciation	-	662.56	662.56
Dues & subscriptions	2,700.00	46.75	(2,653.25)
Maintenance of Office	1,000.00	2,260.90	1,260.90
Legal fees	300.00	-	(300.00)
Postage	200.00	26.55	(173.45)
Insurance	1,100.00	932.28	(167.72)
Internet service	250.00	144.00	(106.00)
Office supplies & expenses	1,000.00	506.75	(493.25)
Repairs & maintenance-building	250.00	266.00	16.00
Annual meeting	200.00	1,433.51	1,233.51
Pest control	180.00	180.00	-
Telephone	1,250.00	1,097.68	(152.32)
Travel	200.00	-	(200.00)
Utilities	1,200.00	1,329.23	129.23
C L E D Disbursements	2,500.00	2,212.00	(288.00)
Miscellaneous	500.00	220.36	(279.64)
<b>Total program expenditures</b>	<b>37,450.00</b>	<b>34,284.94</b>	<b>(3,165.06)</b>
Change in net assets	50,550.00	\$ 81,492.17	(30,942.17)
Net assets as of beginning of year	439,925.01	439,925.01	-
Net assets as of the end of year	<u>\$ 490,475.01</u>	<u>\$ 521,417.18</u>	<u>\$ (30,942.17)</u>

See accompanying notes and accountant's compilation report.