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**Union Community Action Association, Inc.
Farmerville, Louisiana**

Financial Statements

**As of and for the Years Ended June 30, 2004 and 2003
With Supplemental Information Schedules**

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 2-2-05

Union Community Action Association, Inc.
Farmerville, Louisiana

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COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA
A. EDWARD BALL, CPA
VICKIE D. NOBLE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

RAYEBURN G. COOK (RET.)

C. BRYAN COYLE, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
Union Community Action Association, Inc.
Farmerville, Louisiana

We have audited the accompanying statements of financial position of Union Community Action Association, Inc. as of June 30, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Union Community Action Association, Inc.'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 audits 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 Union Community Action Association, Inc. as of June 30, 2004 and 2003, and the changes in its 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 our report dated November 18, 2004, on our consideration of Union Community Action Association, Inc.'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 audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Union Community Action Association, Inc. 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 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 stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying supplemental schedules shown on pages 13–16 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Cook and Morehart
Certified Public Accountants
November 18, 2004

Union Community Action Association, Inc.
Farmerville, Louisiana
Statements of Financial Position
June 30, 2004 and 2003

	2004	2003
Assets		
Current assets:		
Cash	\$ 77,842	\$ 164,824
Certificates of deposit	164,775	163,177
Grant receivables	206,426	337,719
Other receivables	1,109	1,937
Due from other funds	280,684	278,587
Total current assets	730,836	946,244
Property and equipment:		
Property and equipment	279,166	248,775
Accumulated depreciation	(186,325)	(151,502)
Net property and equipment	92,841	97,273
Total Assets	\$ 823,677	\$ 1,043,517
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 110,020	\$ 310,305
Accrued liabilities	48,240	55,332
Due to other funds	280,684	278,587
Refundable advances	105,949	119,910
Total current liabilities	544,893	764,134
Net assets:		
Unrestricted:		
Operating	185,943	182,110
Fixed assets	92,841	97,273
Total net assets	278,784	279,383
Total Liabilities and Net Assets	\$ 823,677	\$ 1,043,517

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

Union Community Action Association, Inc.
Farmerville, Louisiana
Statements of Activities
For the Years Ended June 30, 2004 and 2003

	Unrestricted	
	2004	2003
Revenues and Other Support:		
Contractual revenue - grants	\$ 2,218,436	\$ 2,379,658
Interest income	4,340	5,508
Miscellaneous revenues	2,403	5,050
Total revenues and other support	2,225,179	2,390,216
Expenses and Losses:		
Job training assistance	1,744,608	1,840,330
Step assistance	9,487	
One stop shop	577	7,895
Migrant education	350,904	364,005
Community services	75,638	97,817
Home energy assistance	9,368	77,359
Emergency assistance	13,701	12,683
Medicaid application assistance		3,781
General services	21,495	28,538
Total expenses	2,225,778	2,432,408
Loss from disposal of equipment		5,146
Total expenses and losses	2,225,778	2,437,554
Change in net assets	(599)	(47,338)
Net assets as of beginning of year	279,383	326,721
Net assets as of end of year	\$ 278,784	\$ 279,383

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

Union Community Action Association, Inc.
Farmerville, Louisiana
Statements of Cash Flows
For the Years Ended June 30, 2004 and 2003

	2004	2003
Operating Activities		
Change in net assets	\$ (599)	\$ (47,338)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	34,822	47,075
Loss on equipment disposal		5,146
(Increase) decrease in operating assets:		
Grant receivables	131,293	285,234
Other receivables	828	147
Increase (decrease) in operating liabilities:		
Accounts payable	(200,285)	(198,526)
Accrued liabilities	(7,092)	(64,685)
Other liabilities		(1,886)
Refundable advances	(13,961)	43,191
	(54,994)	68,358
Net cash provided by (used in) operating activities	(54,994)	68,358
Investing Activities		
Payments for property and equipment	(30,390)	(26,276)
	(30,390)	(26,276)
Net cash used in investing activities	(30,390)	(26,276)
Net increase (decrease) in cash and cash equivalents	(85,384)	42,082
Cash and cash equivalents as of beginning of year	328,001	285,919
Cash and cash equivalents as of end of year	\$ 242,617	\$ 328,001

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

Union Community Action Association, Inc.
Farmerville, Louisiana
Notes to Financial Statements
June 30, 2004 and 2003

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Union Community Action Association, Inc. (Union) is a private non-profit corporation incorporated under the laws of the State of Louisiana. Union is governed by a Board of Directors composed of 15 members. These board members receive no compensation for their services.

Union operates as a community action agency administering various federal and state funded programs designed to provide assistance to the poor and disadvantaged in Union parish in Louisiana. The following programs, shown with their approximate percentage of total revenues, are administered by Union:

WIA Adult Program (35%) — Prepares adults for participation in the labor force by increasing their occupational and educational skills. Funding is provided by Workforce Investment Act federal funds passed through the Louisiana Department of Labor.

WIA Youth Program (20%) — Improves the long-term employability of youth; enhances the educational, occupational, and citizenship skills of youth; encourages school completion or enrollment in alternative school programs; increases the employment and earnings of youth; and reduces welfare dependency. Funding is provided by Workforce Investment Act federal funds passed through the Louisiana Department of Labor.

WIA Dislocated Worker Program (23%) — Establishes an early readjustment capacity for dislocated workers by providing comprehensive coverage to workers regardless of the cause of dislocation; providing early referral from the unemployment insurance system to adjustment services as an integral part of the adjustment process; and fostering labor, management and community partnerships with government in addressing worker dislocation with an emphasis on retraining and reemployment services rather than income support. Funding is provided by Workforce Investment Act federal funds passed through the Louisiana Department of Labor.

5% Incentive Program — Provides adult and/or youth remediation activities that will result in job preparation for future employment needs. Funding is provided by federal funds passed through the Louisiana Department of Labor.

Welfare to Work — Provides services to TANF recipients having difficulty in moving from welfare to unsubsidized, long-term employment. Funding is provided by federal funds passed through the Louisiana Department of Labor.

(Continued)

Union Community Action Association, Inc.
Farmerville, Louisiana
Notes to Financial Statements
June 30, 2004 and 2003
(Continued)

Migrant Education (16%) – Provides assistance to establish or improve programs designed to meet the special educational needs of migratory children of migratory agricultural workers or migratory fishers. Funding is provided by federal funds passed through the Louisiana Department of Education.

Community Services Block Grant (3%) – Administers programs designed to provide services and activities that will have a measurable impact on causes of poverty in the community. Funding is provided by federal funds passed through the Louisiana Department of Labor.

Home Energy Assistance (1%) – Assists low income households offset the burden of high energy costs. Funding is provided by federal funds passed through the Louisiana Housing Finance Agency.

Emergency Program (1%) – Provides various types of assistance payments in areas of high need through-out the community to persons based upon their employment or poverty status. Funding is provided by federal funds from the Federal Emergency Management Agency.

Strategies to Empower People (Step) (1%) – Provide STEP clients with job readiness activities to facilitate their movement toward self-sufficiency through the use of a structured training and assessment program aimed at generalized job readiness skills.

B. Basis of Accounting

The financial statements of Union have been prepared on the accrual basis of accounting.

C. Basis of Presentation

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, the Organization 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.

D. Income Tax Status

Union is a non-profit corporation and is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Union's tax-exempt purpose is subject to taxation as unrelated business income. Union had no such income for this audit period.

(Continued)

Union Community Action Association, Inc.
Farmerville, Louisiana
Notes to Financial Statements
June 30, 2004 and 2003
(Continued)

E. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, Union considers all unrestricted highly liquid investments with an initial maturity of six months or less to be cash equivalents, when there is no significant penalty for early withdrawal.

G. Property and Equipment

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. Its disposition as well as the ownership of any proceeds therefrom is subject to federal regulations.

H. Revenue and Support

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 due to the restrictions placed on those funds by the funding sources being 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 released from restrictions.

(2) Concentrations of Credit Risk

Financial instruments that potentially subject Union to concentrations of credit risk consist principally of temporary cash investments and grant receivables.

(Continued)

Union Community Action Association, Inc.
Farmerville, Louisiana
Notes to Financial Statements
June 30, 2004 and 2003
(Continued)

Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of June 30, 2004 and 2003, Union had no significant concentrations of credit risk in relation to grant receivables.

Union maintains cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2004 total cash balances held at financial institutions was \$ 455,173. Of this amount, \$200,000 was secured by FDIC, \$225,886 was collateralized by pledged securities, and the remaining \$29,287 was unsecured. At June 30, 2003 total cash balances held at financial institutions was \$454,449. Of this amount, \$200,000 was secured by FDIC, \$254,449 was collateralized by pledged securities.

(3) Grant Receivables

Various funding sources provide reimbursement of allowable costs under contracts or agreements. These balances represent amounts due from funding sources at June 30, 2004 and 2003, but received after that date.

(4) Due To and Due From Other Funds

The following schedule represents amounts due to and due from other funds at June 30, 2004:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Services	\$ 206,618	\$ 62,925
WIA Adult Program		66,599
Title II-B Program	13,309	
WIA Youth Program		84,533
WIA Dislocated Worker Program	5,000	43,412
WIA 8%		4,313
Welfare to Work	8,838	
Step		656
Migrant Education	30,282	
Community Services Block Grant		5,422
Home Energy Assistance	11,753	
Commodities Distribution	1,141	518
Emergency Assistance	1,842	
Medicaid Application Assistance		12,306
One Stop Shop	1,901	
	<u>\$ 280,684</u>	<u>\$ 280,684</u>

(Continued)

Union Community Action Association, Inc.
Farmerville, Louisiana
Notes to Financial Statements
June 30, 2004 and 2003
(Continued)

The following schedule represents amounts due to and due from other funds at June 30, 2003:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Services	\$ 178,185	\$ 95,402
WIA Adult Program	9,903	5,000
Title II-B Program	13,309	
WIA Youth Program		133,888
WIA Dislocated Worker Program	5,000	20,062
WIA 8%		4,313
Welfare to Work	8,838	
Migrant Education	44,437	
Community Services Block Grant		8,225
Home Energy Assistance	15,482	
Commodities Distribution		518
Emergency Assistance	1,532	
Medicaid Application Assistance		11,179
One Stop Shop	1,901	
	<u>\$ 278,587</u>	<u>\$ 278,587</u>

(5) Property and Equipment

Property and equipment consisted of the following at June 30, 2004:

	Estimated Depreciable Life	Purchased With Federal Funds	Purchased With Non-Federal Funds	Total
Furniture and equipment	5-10 years	\$ 180,482	\$ -	\$ 180,482
Vehicles	5 years	79,380	19,304	98,684
Accumulated depreciation		<u>(167,021)</u>	<u>(19,304)</u>	<u>(186,325)</u>
Net investment in property and equipment		<u>\$ 92,841</u>	<u>\$ -</u>	<u>\$ 92,841</u>

Depreciation expense for the year ended June 30, 2004 was \$34,822.

(Continued)

Union Community Action Association, Inc.
Farmerville, Louisiana
Notes to Financial Statements
June 30, 2004 and 2003
(Continued)

Property and equipment consisted of the following at June 30, 2003:

	Estimated Depreciable Life	Purchased With Federal Funds	Purchased With Non-Federal Funds	Total
Furniture and equipment	5-10 years	\$ 150,091	\$ -	\$ 150,091
Vehicles	5 years	79,380	19,304	98,684
Accumulated depreciation		<u>(132,198)</u>	<u>(19,304)</u>	<u>(151,502)</u>
Net investment in property and equipment		<u>\$ 97,273</u>	<u>\$ -</u>	<u>\$ 97,273</u>

Depreciation expense for the year ended June 30, 2003 was \$47,075.

(6) Refundable Advances

Union records federal funds received in excess of expenditures as a refundable advance until they are expended for the purpose of the contract or until the funds are returned to the appropriate funding source.

(7) Accrued Liabilities

Accrued liabilities at June 30, 2004 and 2003 consisted of the following:

	<u>2004</u>	<u>2003</u>
Accrued annual leave	\$ 48,111	\$ 45,237
Cafeteria benefits payable	129	10,095
	<u>\$ 48,240</u>	<u>\$ 55,332</u>

(8) Contractual Revenue – Grants

During the years ended June 30, 2004 and 2003, Union received contractual revenue from federal and state grants in the amount of \$2,218,436 and \$2,379,658, respectively. The continued existence of these funds is based on annual contract renewals with various funding sources.

(Continued)

Union Community Action Association, Inc.
Farmerville, Louisiana
Notes to Financial Statements
June 30, 2004 and 2003
(Continued)

(9) Retirement Plan

Union has a defined contribution money purchase pension plan covering all employees that have completed 1,000 hours of service with no breaks in service in a twelve month period. Employees become eligible to participate in the plan after completing one year of service. Union contributes 4% of the employees' compensation and the employees may contribute a minimum of 2% and up to 16%. The amount contributed by Union for the years ended June 30, 2004 and 2003 was \$18,811 and \$17,774, respectively.

(10) Leases

Union leases certain buildings and equipment under operating leases. Rental costs on those leases for the year ended June 30, 2004 and 2003, were \$19,859 and \$21,471, respectively. Commitments under lease agreements having initial or remaining non-cancelable terms in excess of one year are as follows:

<u>June 30</u>	
2005	\$ <u>3,274</u>

(11) Contingency

Employees of Union are entitled to paid sick days, earned at the rate of one and one-half days per month of full time employment. It is reasonably possible but not certain that sick leave will be paid in the future; accordingly, no liability has been recorded in the accompanying financial statements. Union's policy is to recognize the costs of sick leave benefits when actually paid to employees. Upon an employee's resignation, lay-off, or death, no pay will be granted for any earned sick leave. Union estimates the liability for sick leave earned by employees but not yet taken as of June 30, 2004, to be approximately \$206,657.

Union Community Action Association, Inc.
Farmerville, Louisiana
Combining Schedule of Financial Position
June 30, 2004

	WIA Adult	WIA Title II-B	WIA Youth	WIA Dislocated Wrkr	WIA 8%	WIA Incentive - 5%	Welfare to Work	Step
Assets								
Current assets:								
Cash	\$ 12,316	\$	\$ 2,758	\$ (5,953)	\$	\$	\$	\$ 369
Certificates of Deposit	63,572		85,279	51,876				287
Grant receivables	297							
Other receivables		13,309		5,000			8,838	
Due from other funds		13,309		50,923			8,838	
Total current assets	76,185	13,309	88,037	50,923			8,838	656
Property and equipment:								
Property and equipment	86,111		67,583	13,708	2,250	33,739	2,858	
Accumulated depreciation	(52,508)		(37,612)	(2,156)	(2,250)	(24,840)	(2,620)	
Total property and equipment	33,603		29,971	11,552		8,899	238	
Total Assets	\$ 109,788	\$ 13,309	\$ 118,008	\$ 62,475	\$	\$ 8,899	\$ 9,076	\$ 656
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	\$ 9,586	\$	\$ 3,504	\$ 7,511	\$	\$	\$	\$
Accrued liabilities								
Due to other funds	66,599		84,533	43,412	4,313		8,838	656
Refundable advances		13,309						
Total current liabilities	76,185	13,309	88,037	50,923	4,313		8,838	656
Net assets:								
Unrestricted:								
Operating	33,603		29,971	11,552	(4,313)	8,899	238	
Fixed assets	33,603		29,971	11,552	(4,313)	8,899	238	
Total net assets	109,788	13,309	118,008	62,475		8,899	9,076	656
Total Liabilities and Net Assets	\$ 109,788	\$ 13,309	\$ 118,008	\$ 62,475	\$	\$ 8,899	\$ 9,076	\$ 656

(Continued)

Union Community Action Association, Inc.
 Farmerville, Louisiana
 Combining Schedule of Financial Position
 June 30, 2004
 (Continued)

	Migrant Education	Community Services	Home Energy Assistance	Commodities Distribution	Emergency Assistance	Medicaid Application Assistance	One Stop Shop	General Services	Total
Assets									
Current assets:									
Cash	\$ 10,887	\$ 1	\$ 21,894	\$	\$ 5,088	\$	\$	\$ 30,482	\$ 77,842
Certificates of Deposit		5,412			150			164,775	206,426
Grant receivables	5	9						648	1,109
Other receivables	30,282		11,753	1,141	1,842		1,901	206,618	280,684
Due from other funds	41,174	5,422	33,647	1,141	7,080		1,901	402,523	730,836
Total current assets									
Property and equipment:									
Property and equipment	24,145	24,272					5,196	19,304	279,166
Accumulated depreciation	(15,815)	(24,272)					(4,948)	(19,304)	(186,325)
Total property and equipment	8,330						248		92,841
Total Assets	\$ 49,504	\$ 5,422	\$ 33,647	\$ 1,141	\$ 7,080	\$	\$ 2,149	\$ 402,523	\$ 823,677
Liabilities and Net Assets									
Current liabilities:									
Accounts payable	\$	\$	\$	\$	\$	\$	\$	\$ 89,419	\$ 110,020
Accrued liabilities								48,240	48,240
Due to other funds		5,422		518		12,306		62,925	280,684
Refundable advances	41,174		33,647		7,080		1,901		105,949
Total current liabilities	41,174	5,422	33,647	518	7,080	12,306	1,901	200,584	544,893
Net assets:									
Unrestricted:									
Operating				623		(12,306)	248	201,939	185,943
Fixed assets	8,330								92,841
Total net assets	8,330			623		(12,306)	248	201,939	278,784
Total Liabilities and Net Assets	\$ 49,504	\$ 5,422	\$ 33,647	\$ 1,141	\$ 7,080	\$	\$ 2,149	\$ 402,523	\$ 823,677

Union Community Action Association, Inc.
Farmerville, Louisiana
Combining Schedule of Activities
For the Year Ended June 30, 2004

	Jobs Training Assistance							WIA Subtotal	Step
	WIA Adult	WIA Title II-B	WIA Youth	WIA Dislocated Wkr	WIA 8%	WIA Incentive - 5%	Welfare to Work		
Revenues and Other Support:									
Contractual revenue -- grants	\$ 774,200	\$	\$ 450,232	\$ 520,504	\$	\$	\$	\$ 1,744,936	\$ 9,487
Interest income									
Miscellaneous revenues									
Total revenues and other support	<u>774,200</u>		<u>450,232</u>	<u>520,504</u>				<u>1,744,936</u>	<u>9,487</u>
Expenses and Losses:									
Salaries	157,723		138,748	185,727				482,198	7,918
Fringe benefits	42,863		36,549	49,374				128,786	686
Travel	3,755		3,992	2,358				10,105	378
Equipment	4,668		11,434	6,738				22,840	
Occupancy	8,060		8,209	5,185				21,454	74
Telephone and postage	4,012		4,223	2,752				10,987	
Computer services	8,645		10,685	7,961				27,291	
Supplies	5,391		5,641	4,152				15,184	6
Professional services	16,096		19,566	12,842				48,504	
Miscellaneous	13,218		29,198	9,753				52,169	425
Client assistance payments									
Participant wages and benefits	242,293		148,103	18,443				408,839	
Participant support services	257,445		23,853	204,890				486,188	
Depreciation	14,388		9,384	685		5,034	572	30,063	
Total expenses	<u>778,557</u>		<u>449,585</u>	<u>510,860</u>		<u>5,034</u>	<u>572</u>	<u>1,744,608</u>	<u>9,487</u>
Change in net assets	(4,357)		647	9,644		(5,034)	(572)	328	
Net assets as of beginning of year	37,960		29,324	1,908	(4,313)	13,933	810	79,622	
Indirect cost transfer									
Net assets as of end of year	<u>\$ 33,603</u>		<u>\$ 29,971</u>	<u>\$ 11,552</u>	<u>\$ (4,313)</u>	<u>\$ 8,899</u>	<u>\$ 238</u>	<u>\$ 79,950</u>	<u>\$</u>

(Continued)

Union Community Action Association, Inc.
Farmerville, Louisiana
Combining Schedule of Activities
For the Year Ended June 30, 2004
(Continued)

	Migrant Education	Community Services	Home Energy Assistance	Commodities Distribution	Emergency Assistance	Medicaid Application Assistance	One Stop Shop	General Services	Total
Revenues and Other Support:									
Contractual revenue – grants	\$ 366,024	\$ 74,906	\$ 9,368	\$	\$ 13,701	\$ 14	\$	\$	\$ 2,218,436
Interest income								4,340	4,340
Miscellaneous revenues								2,403	2,403
Total revenues and other support	<u>366,024</u>	<u>74,906</u>	<u>9,368</u>		<u>13,701</u>	<u>14</u>		<u>6,743</u>	<u>2,225,179</u>
Expenses and Losses:									
Salaries	99,861	43,720	3,600					20,008	657,305
Fringe benefits	10,136	12,428	1,414					1,437	154,887
Travel	50,415	4,082	876						65,856
Equipment	895	705	775						25,215
Occupancy	281	151	391						22,277
Telephone and postage	2,054	1,488	1		12				14,616
Computer services	1,624	1,029							29,944
Supplies	27,684	656	473						44,003
Professional services	150,859	1,670	1,000						202,033
Miscellaneous	3,644	2,023	400					50	58,711
Client assistance payments		6,955	438		13,689				21,082
Participant wages and benefits									408,839
Participant support services		731					577		486,188
Depreciation	3,451								34,822
Total expenses	<u>350,904</u>	<u>75,638</u>	<u>9,368</u>		<u>13,701</u>		<u>577</u>	<u>21,495</u>	<u>2,225,778</u>
Change in net assets	15,120	(732)				14	(577)	(14,752)	(599)
Net assets as of beginning of year	11,781	732		623		(12,320)	825	198,120	279,383
Indirect cost transfer	(18,571)							18,571	
Net assets as of end of year	<u>\$ 8,330</u>	<u>\$</u>	<u>\$</u>	<u>\$ 623</u>	<u>\$</u>	<u>\$ (12,306)</u>	<u>\$ 248</u>	<u>\$ 201,939</u>	<u>\$ 278,784</u>

Union Community Action Association, Inc.
Farmerville, Louisiana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed through Louisiana Department of Labor Community Services Block Grant Strategies to Empower People	93.569 93.558	\$ 74,907 9,487
Passed through Louisiana Housing Finance Agency Home Energy Assistance Program - Energy Temporary Assistance to Needy Families	93.568 93.558	8,738 630
Total U.S. Department of Health and Human Services		<u>93,762</u>
U.S. Department of Education		
Passed through Louisiana Department of Education Migrant Education	84.011	<u>366,024</u>
U.S. Department of Homeland Security		
Passed through United Way of America Emergency Food and Shelter Program	97.024	<u>13,701</u>
U.S. Department of Labor		
Passed through Louisiana Department of Labor: Workforce Investment Act: Adult Program Youth Program Dislocated Worker Program	17.258 17.259 17.260	774,200 450,232 520,504
Total U.S. Department of Labor		<u>1,744,936</u>
Total federal expenditures		<u>\$ 2,218,423</u>

NOTE 1: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA
A. EDWARD BALL, CPA
VICKIE D. NOBLE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

RAYEBURN G. COOK (RET.)

C. BRYAN COYLE, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance and on Internal Control Over Financial Reporting Based on An Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors
Union Community Action Association, Inc.
Farmerville, Louisiana

We have audited the financial statements of Union Community Action Association, Inc. (a nonprofit organization) as of and for the year ended June 30, 2004, and have issued our report thereon dated November 18, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Union Community Action Association, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed *no instances of noncompliance that are required to be reported under Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Union Community Action Association, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Union Community Action Association, Inc., in a separate management letter dated November 18, 2004.

This report is intended solely for the information and use of management, the Board of Directors 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.

A handwritten signature in black ink, appearing to read "Cook & Morehart". The signature is written in a cursive, flowing style.

Cook & Morehart
Certified Public Accountants
November 18, 2004

COOK & MOREHART

Certified Public Accountants

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AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Union Community Action Association, Inc.
Farmerville, Louisiana

Compliance

We have audited the compliance of Union Community Action Association, Inc. (a nonprofit organization) 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 each of its major federal programs for the year ended June 30, 2004. Union Community Action Association, Inc.'s major federal programs are identified in the summary of auditors' 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 Union Community Action Association, Inc.'s management. Our responsibility is to express an opinion on Union Community Action Association, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Union Community Action Association, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Union Community Action Association, Inc.'s compliance with those requirements.

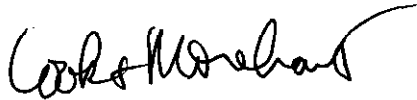
In our opinion, Union Community Action Association, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Union Community Action Association, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Union Community Action Association, Inc.'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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Directors 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.



Cook & Morehart
Certified Public Accountants
November 18, 2004

Union Community Action Association, Inc.
Farmerville, Louisiana

Summary Schedule of Prior Audit Findings
June 30, 2003

There were no findings or questioned costs for the audit period ended June 30, 2003.

Schedule of Findings and Questioned Costs
June 30, 2004

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of Union Community Action Association, Inc.
2. No reportable conditions are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Union Community Action Association, Inc. were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Union Community Action Association, Inc. expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for Union Community Action Association, Inc. that are required to be reported in this Schedule.
7. The programs tested as major programs included: 1) Workforce Investment Act-cluster: (WIA Adult, Youth and Dislocated Worker Programs), CFDA #17.258, 17.259, and 17.260.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Union Community Action Association, Inc. qualified as a low-risk auditee.

B. Findings – Financial Statements Audit: None

C. Findings and Questioned Costs – Major Federal Award Programs Audit: None.

Union Community Action Association, Inc.
Farmerville, Louisiana
Schedule of Prior Audit Findings For Louisiana Legislative Auditor
June 30, 2004

There were no findings in the previous audit for the year ended June 30, 2003.

There were two management letter comments in the previous audit for the year ended June 30, 2003, as follows:

Financial Agreement

See repeat comment in current year management letter.

Monitoring of Sub-Contracts

Improvement was noted.

Union Community Action Association, Inc.
Farmerville, Louisiana
Schedule of Current Audit Findings For Louisiana Legislative Auditor
June 30, 2004

There were no findings for the current year audit period ended June 30, 2004.

There were four management letter comments for the year ended June 30, 2004. Management's response to these comments is listed below:

(1) Financial Agreement

Union CAA continues to work with LDOL on the resolution of a payable in the amount of \$21,428.52. Resolution to the matter shall be made by March 31, 2005, and the payment made to LDOL.

(2) Bank Reconciliations

Problems with the new accounting software system has hampered the ability to prepare reconciliations in a timely manner. However, at the recommendation of the auditor, pen and paper reconciliations shall be made timely, followed with automated reconciliations with the software in place. All expenses not paid by the end of the month will be posted in Accounts Payable replacing the practice of backdating checks which was being done for a limited time in order to post expenses to the proper program year fund.

(3) Interagency Accounts

Interagency accounts regarding amounts due the General Fund will be analyzed by March 31, 2005, with proper entries made to correct the variances. These will be approved by the auditors.

(4) Cost Allocations

In December 2004, the Agency, with the assistance of a national consultant, studied the current cost allocation plan and developed and implemented a Cost Allocation Plan that will reflect actual time spent on the various programs and funding sources. Staff have received training on the documentation and the utilization of the new CAP.

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Management Letter

November 18, 2004

Board of Directors
Union Community Action Association, Inc.
Farmerville, Louisiana

We have audited the financial statements of Union Community Action Association, Inc. (Union), for the year ended June 30, 2004, and have issued our report thereon dated November 18, 2004. In planning and performing our audit of the financial statements of Union Community Action Association, Inc., we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

During our audit the following items were noted involving internal control over financial reporting and other operational matters which appear to merit your attention for consideration to improve the internal control over financial reporting or operations of Union. These comments have been discussed with the appropriate members of management.

(1) Financial Agreement

During our audit, we noted that Union has a signed financial agreement with the Louisiana Department of Labor (LDOL), Office of Workforce Development, Bastrop Job Service Office. The agreement provides for Union, LDOL, and one other agency to share in the costs of monthly rent, supplies, and variance other items, on a pro rata basis. A calculation was made to determine each agency's share of the costs. Union's share of the payments was calculated at \$1,785.71 per month.

No payments were made by Union to LDOL during the year ended June 30, 2001. A payable of \$21,428.52 was booked at June 30, 2001 for the 12 months owed as of that date. No payments were made by Union to LDOL during the years ended June 30, 2002, 2003, and 2004, either; therefore, the liability of \$21,428.52 is still outstanding. According to Union personnel, the LDOL has not yet billed them for the amount owed, and the amount owed is now determined to be uncertain. Therefore, no additional liability was recorded for the years ended June 30, 2002, 2003, and 2004.

We suggest that Union continue to communicate with LDOL to resolve this issue.

(2) Bank Reconciliations

During our audit, we noted that bank reconciliations were not being completed on a timely basis for all checking accounts. In addition, some of the bank reconciliations were not in agreement with the general ledger due to the agency back-dating checks subsequent to the reconciliations being completed.

We recommend that bank reconciliations be completed on a timely basis for all checking accounts. We further recommend that the agency discontinue its practice of back-dating checks.

(3) Interagency Accounts

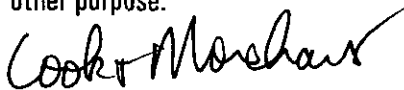
During our analysis of the agency's interagency accounts, we noted that the various programs which Union administers owed the General fund \$206,618, and the General fund owed the various programs \$62,925.

We recommend that these interagency balances be analyzed and amounts due be promptly repaid, especially amounts due from the General fund to the various programs.

(4) Cost Allocations

During our audit, we noted that the agency's cost allocation plan which has been utilized for the past several years needs to be reviewed and updated. While the agency's allocations appear reasonable, we suggest that the methods used be reviewed for compliance with the applicable federal cost circulars.

We express sincere thanks to Union personnel for the cooperation and assistance provided us during our audit. We are available to provide you assistance and consultation in the implementation of the above mentioned items. This letter is furnished solely for the use of management and the Board of Directors and is not intended to be used for any other purpose.



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