

| <u>ARCH</u> | <u>Payroll</u> | <u>Accounts Payable</u> | <u>Home Energy Assistance</u> | <u>Needy Family Food Distribution</u> | <u>General</u> | <u>Indirect Cost Pool</u> | <u>Total</u> |
|---------------|-----------------|-------------------------|-------------------------------|---------------------------------------|----------------|---------------------------|------------------|
| \$ 752 | \$44,340 | \$1,065 | \$ 10 | \$2,523 | \$ 153 | \$ 5,275 | \$364,668 |
| - | - | - | 339 | 1,101 | - | 2,560 | 131,684 |
| - | 34,596 | 499 | 28 | 254 | - | 12,344 | 152,365 |
| - | - | - | - | 558 | - | 812 | 30,252 |
| - | - | - | - | <u>1,873</u> | - | - | <u>1,873</u> |
| <u>\$ 752</u> | <u>\$78,936</u> | <u>\$1,564</u> | <u>\$ 377</u> | <u>\$6,309</u> | <u>\$ 153</u> | <u>\$ 20,991</u> | <u>\$680,842</u> |
| ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| \$ - | \$ - | \$ - | \$ - | \$ 377 | \$ - | \$ 3,509 | \$139,612 |
| - | - | - | 49 | 37 | - | 8,120 | 67,832 |
| - | - | 1,564 | 349 | 2,435 | 6,857 | 32,625 | 152,365 |
| - | - | - | - | 1,873 | - | - | 109,129 |
| - | 81,915 | - | - | - | - | - | 177,896 |
| - | <u>81,915</u> | <u>1,564</u> | <u>398</u> | <u>4,722</u> | <u>6,857</u> | <u>44,254</u> | <u>646,834</u> |
| 752 | (2,979) | - | (21) | 1,587 | - | (23,263) | 40,712 |
| - | - | - | - | - | (6,704) | - | (6,704) |
| <u>752</u> | <u>(2,979)</u> | <u>-</u> | <u>(21)</u> | <u>1,587</u> | <u>(6,704)</u> | <u>(23,263)</u> | <u>34,008</u> |
| <u>\$ 752</u> | <u>\$78,936</u> | <u>\$1,564</u> | <u>\$ 377</u> | <u>\$6,309</u> | <u>\$ 153</u> | <u>\$ 20,991</u> | <u>\$680,842</u> |
| ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Schedule of Findings and Questioned Costs
Year Ended May 31, 1996

| <u>Program</u> | <u>Findings of Noncompliance</u> | <u>Questioned Costs</u> |
|--|--|-------------------------|
| <u>U.S. Department of Health and Human Services</u> | Statement of Condition: Documentation was not adequate in seven (7) of the twenty (20) files selected. Also, two (2) files could not be found. Criteria: Documentation of eligibility as well as needs assessment is crucial to the determination of the amount of assistance to be given to an applicant. Cause of Condition: Procedures are in place to determine requirements for each program regarding documentation. However, the files were apparently not reviewed for completeness. Effect of Condition: The cost of services received by the applicants may be disallowed. However, due to the incompleteness of the files and the lack of files for two (2) individuals a dollar value of services cannot be determined. | |
| Passed through: State Department of Urban and Community Affairs | | |
| Weatherization (CFDA No. 13.789)* | | |

St. Martin, Iberia, Lafayette
Community Action Agency, Inc.
November 6, 1996
Page 2

financing agreements for three vans during the fiscal year ended May 31, 1996. These agreements did not contain a non funding clause, nor was approval granted by the bonding commission. It is recommended that SMILE, Inc. obtain proper approval from the State Bonding Commission as well as other appropriate agencies prior to entering into any long term debt obligations.

- 3) Many files were reviewed for eligibility compliance requirements. One file was incomplete with respect to eligibility in that contradicting information was documented as to whether or not the particular applicant met the poverty level guidelines. It is recommended that case workers review one anothers' files at random in order to ensure adequate and complete documentation fulfilling all requirements of each individual program

We wish to thank the Executive Director, the accounting department, and the entire staff for their support and assistance during our audit.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Breaux Bridge, Louisiana
November 6, 1996

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MANAGEMENT LETTER

To the Board of Directors
St. Martin, Iberia, Lafayette
Community Action Agency, Inc.
Lafayette, Louisiana

In planning and performing our audit of the financial statements of St. Martin, Iberia, Lafayette Community Action Agency, Inc. for the year ended May 31, 1996, we considered the Agency's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. (We previously reported on the Agency's internal control structure in our report dated November 6, 1996) This letter does not affect our report dated November 6, 1996, on the financial statements of St. Martin, Iberia, Lafayette Community Action Agency, Inc. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

- 1) It was noted during our tests of disbursements that several invoices were not marked with approval. Also two invoices were dated prior to purchase order date which indicates that approval for the expenditure was not obtained prior to the purchase. Several invoices differed from purchase orders with respect to dollar amounts as well. It is recommended that someone with authority to approve expenditures indicate his/her approval on the invoice prior to payment. Also, regarding purchase orders, it is recommended that someone compare purchase orders to invoices noting the date on each document. Prior to payment, proper approval should be obtained if there are any discrepancies as to dates, dollar amounts, etc.
- 2) When a governmental body obligates itself to debt, it must do one of two things, either get approval from the bonding commission or have a non funding clause in the debt agreement. The Agency was not aware of this regulation. SMILE, Inc. entered into three long term

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Resolution of Prior Year Findings

All prior year findings have been resolved at May 31, 1996.

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Schedule of Findings and Questioned Costs
Year Ended May 31, 1996

| <u>Program</u> | <u>Findings of Noncompliance</u> | <u>Questioned Costs</u> |
|----------------|--|-------------------------|
| | <p>Recommendation:</p> <p>Procedures should be reviewed to assure completeness of all applicant's files.</p> <p>Grantee Response:</p> <p>In the case of incomplete documentation, there was duplication of the same paperwork in the file, information on both sets of documents but neither set complete on its own. The staff has gone through all of the files to consolidate the information in order to have complete records on all applicants.</p> <p>With regards to the missing files there has been a change in staff in this department. The new staff people have been diligently working to make sure all applicants have files with pertinent information.</p> <p>Most of the files selected for testing were projects not yet begun therefore no monies have yet been expended.</p> | |

* Denotes major federal financial assistance program.

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Statement of Functional Expenses (Continued)
Year Ended May 31, 1996

| | Homeless Family Shelter | Iberia Parish Special Trust | Lafayette Emergency Food & Shelter | Iberia Emergency Food & Shelter | Headstart | RSVP | Child Care Feeding Program | Medicaid Enrollment |
|--|-------------------------------|--------------------------------------|---|--|-------------|----------|----------------------------------|------------------------|
| Salaries and wages | \$ - | \$6,746 | \$ - | \$ - | \$1,636,120 | \$44,119 | \$ - | \$ 9,136 |
| Fringe benefits | - | 941 | - | - | 276,138 | 6,296 | - | 1,216 |
| Retirement plan | - | 202 | - | - | 49,036 | 1,324 | - | 274 |
| Total salaries and related expenses | - | 7,889 | - | - | 1,961,294 | 51,739 | - | 10,626 |
| Contract services | - | - | - | - | 1,920,995 | - | - | - |
| Travel | - | - | - | - | 74,160 | 2,153 | - | - |
| Consumable supplies | 679 | - | - | - | 190,047 | 332 | - | - |
| Space costs | - | - | - | - | 150,227 | - | - | - |
| Repairs and maintenance | 140 | - | - | - | 70,431 | - | - | - |
| Operating services | 1,786 | - | 12,200 | 7,094 | 232,539 | - | - | - |
| Other | 955 | 32 | - | - | 251,606 | 6,723 | - | 12 |
| Indirect costs | - | 1,208 | 300 | - | 292,581 | 7,897 | - | 2,524 |
| In-kind contributions | - | - | - | - | 1,202,259 | 14,337 | - | - |
| Total expenses before depreciation | 3,560 | 9,129 | 12,500 | 7,094 | 6,346,139 | 83,181 | - | 13,162 |
| Depreciation of equipment | - | - | - | - | 148,076 | 641 | - | - |
| Total expenses | \$3,560 | \$9,129 | \$12,500 | \$7,094 | \$6,494,215 | \$83,822 | \$ - | \$13,162 |

(continued)

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Notes to Financial Statements (Continued)

| | | |
|------------------------------------|------------------|------------------|
| Iberia Food & Medical | 27 | - |
| Project Independence | 799 | 48,783 |
| Child Passenger Safety Education | 133 | 12,547 |
| Lafayette Community Action Council | 315 | - |
| Local Government Support | 98,510 | 546 |
| Homeless Family Shelter | - | 660 |
| Payroll Fund | 34,596 | - |
| Indirect Cost Pool | 12,344 | 32,625 |
| Olivier Street Project | - | 936 |
| Accounts Payable | 499 | 1,564 |
| General | - | 6,857 |
| HUD | - | 2,649 |
| Iberia Parish Special Trust | <u>546</u> | <u>619</u> |
| | <u>\$152,365</u> | <u>\$152,365</u> |

Of the amounts recorded as due to/from other funds, \$34,596 relates to accrued payroll and \$12,344 relates to indirect costs payable.

(5) Litigation and Claims

At May 31, 1996, the St. Martin, Iberia, Lafayette Community Action Agency, Inc. was involved in one lawsuit. In the opinion of legal counsel for SMILE, Inc., resolution of this lawsuit will not involve any material liability to SMILE, Inc.

SMILE, Inc. receives revenues from various Federal and State grant programs which are subject to final review and approval as to allowability of expenditures by the respective grantor agencies. Any settlements or expenses arising out of a final review are recognized in the period in which agreed upon by the agency and SMILE, Inc. Also, it is management's opinion that any audits by the grantor agencies would not produce disallowed program costs and liabilities to such an extent that they would materially affect SMILE, Inc.'s financial position.

(6) Retirement Plan

The Agency has a retirement plan that covers all employees meeting specific age and length of service requirements. The Agency will contribute to the plan the amount determined by the Agency at its discretion. The Agency may choose not to contribute to the plan for a particular plan year. The plan does not permit nor require employees to make contributions to the trust fund. Agency contributions for the year ending May 31, 1996, was \$74,862.

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Combining Balance Sheet - Current Funds (Continued)
May 31, 1996

| | <u>Iberia Parish Special Trust</u> | <u>Lafayette Emergency Food and Shelter</u> | <u>Iberia Emergency Food and Shelter</u> | <u>Headstart</u> | <u>RSVP</u> | <u>Child Care Feeding Program</u> | <u>Medicaid Enrollment</u> |
|--|--|---|--|------------------|----------------|---|--------------------------------|
| ASSETS | | | | | | | |
| Cash | \$ 106 | \$ 77 | \$ - | \$208,804 | \$6,452 | \$ - | \$4,673 |
| Receivables: | | | | | | | |
| Grant funds | - | - | - | 77,739 | - | - | 2,590 |
| Due from other funds | 546 | - | - | 1,201 | - | - | - |
| Prepaid expenses | 8 | - | - | 21,066 | 117 | - | - |
| Inventory | - | - | - | - | - | - | - |
| Total assets | \$ 660 | \$ 77 | \$ - | \$308,810 | \$6,569 | \$ - | \$7,263 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 9 | \$ - | \$ - | \$117,914 | \$ 235 | \$ - | \$ 9 |
| Retirement payable | 236 | - | - | 48,773 | 393 | - | 274 |
| Due to other funds | 619 | - | - | 23,652 | 2,474 | - | 412 |
| Unearned grants | 833 | 189 | - | - | 1,544 | - | - |
| Other liabilities | - | - | - | 34,607 | - | - | - |
| Total liabilities | 1,697 | 189 | - | 224,946 | 4,646 | - | 695 |
| Fund balances: | | | | | | | |
| Current restricted | (1,037) | (112) | - | 83,864 | 1,923 | - | 6,568 |
| Current unrestricted, undesignated | - | - | - | - | - | - | - |
| Total fund balances (deficit) | (1,037) | (112) | - | 83,864 | 1,923 | - | 6,568 |
| Total liabilities and fund balances | \$ 660 | \$ 77 | \$ - | \$308,810 | \$6,569 | \$ - | \$7,263 |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

| Olivier Street Project | Weatherization | HUD | Local Government Support (Matching Fund) | St. Martin Parish Emergency Assistance | Lafayette Community Action Council | Iberia Food & Medical | Homeless Family Shelter |
|------------------------|-----------------|-----------------|--|--|------------------------------------|-----------------------|-------------------------|
| \$ 10 | \$16,110 | \$11,298 | \$ 27,657 | \$22,182 | \$ 715 | \$4,458 | \$ 62 |
| 926 | - | - | - | - | - | - | 2,949 |
| - | 554 | - | 98,510 | - | 315 | 27 | - |
| - | - | - | 583 | - | - | - | 15 |
| <u>936</u> | <u>\$16,664</u> | <u>\$11,298</u> | <u>\$126,750</u> | <u>\$22,182</u> | <u>\$ 1,030</u> | <u>\$4,485</u> | <u>\$3,026</u> |
| ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| \$ - | \$ - | \$ 694 | \$ 591 | \$ - | \$ - | \$ - | \$ 10 |
| - | 23 | - | - | - | - | - | 359 |
| 936 | 1,520 | 2,649 | 546 | - | - | - | 660 |
| - | 16,121 | - | 31,605 | 22,182 | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>936</u> | <u>17,664</u> | <u>3,343</u> | <u>32,742</u> | <u>22,182</u> | <u>-</u> | <u>-</u> | <u>1,029</u> |
| - | (1,000) | 7,955 | 94,008 | - | 1,030 | 4,485 | 1,997 |
| - | - | - | - | - | - | - | - |
| - | (1,000) | 7,955 | 94,008 | - | 1,030 | 4,485 | 1,997 |
| <u>936</u> | <u>\$16,664</u> | <u>\$11,298</u> | <u>\$126,750</u> | <u>\$22,182</u> | <u>\$1,030</u> | <u>\$4,485</u> | <u>\$3,026</u> |
| ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

(continued)

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Combining Balance Sheet - Current Funds
May 31, 1996

| | <u>Transportation</u> | <u>PI Child Care and Training</u> | <u>Child Passenger Safety Education</u> | <u>Project Independence Jobs</u> | <u>CSBG</u> | <u>CSBG - Homeless</u> | <u>Community Housing Development</u> |
|--|-----------------------|---|---|--|-----------------|----------------------------|--|
| ASSETS | | | | | | | |
| Cash | \$ 4,500 | \$ - | \$ 868 | \$ 122 | \$ 2,456 | \$ - | \$ - |
| Receivables: | | | | | | | |
| Grant funds | 5,534 | - | 10,804 | 27,142 | - | - | - |
| Due from other funds | 464 | - | 133 | 799 | 2,649 | - | - |
| Prepaid expenses | 2,165 | - | 442 | 2,831 | 1,101 | - | - |
| Inventory | - | - | - | - | - | - | - |
| Total assets | \$ 12,663 | \$ - | \$12,247 | \$ 30,894 | \$ 6,206 | \$ - | \$ - |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 3,553 | \$ - | \$ 406 | \$ 5,058 | \$ 7,247 | \$ - | \$ - |
| Retirement payable | 204 | - | 642 | 4,066 | 4,656 | - | - |
| Due to other funds | 1,095 | - | 12,547 | 48,783 | 12,642 | - | - |
| Unearned grants | - | - | - | - | 34,782 | - | - |
| Other liabilities | 61,374 | - | - | - | - | - | - |
| Total liabilities | 66,226 | - | 13,595 | 57,907 | 59,327 | - | - |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Fund balances: | | | | | | | |
| Current restricted | (53,563) | - | (1,348) | (27,013) | (53,121) | - | - |
| Current unrestricted, undesignated | - | - | - | - | - | - | - |
| Total fund balances (deficit) | (53,563) | - | (1,348) | (27,013) | (53,121) | - | - |
| | ----- | ----- | ----- | ----- | ----- | ----- | ----- |
| Total liabilities and fund balances | \$ 12,663 | \$ - | \$12,247 | \$ 30,894 | \$ 6,206 | \$ - | \$ - |
| | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

LOCAL PROGRAMS

The Agency receives grants from local governmental bodies and non-profit organizations.

Lafayette Community Action Council - Funded by United Way of Acadiana grants, this program provides energy, rent, medical and food assistance on a one time basis to qualified individuals in St. Martin and Lafayette parishes.

Iberia Food and Medical - Funded by United Way of Iberia grants, this grant provides medical and food assistance on a one time basis to qualified individuals in Iberia Parish.

Iberia Parish Special Trust - This is a special grant from the Iberia Parish Council in support of the U.S.D.A. Commodity Distribution Program for Iberia Parish.

St. Martin Parish Emergency Assistance - Funded by local contributions, this program provides emergency energy, rent and medical assistance to the qualified elderly of St. Martin Parish.

Local Government Support (Matching Fund) - Programs that provide supplementary assistance for established programs or matching requirements for established programs.

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Schedule of Federal Awards (Continued)
Year Ended May 31, 1996

| <u>Federal Grantor/Pass-Through Grantor/ Program Title</u> | <u>Federal CFDA Number</u> | <u>Revenue</u> | <u>Expenses</u> |
|--|------------------------------------|-----------------------------|-----------------------------|
| <u>U. S. Department of Agriculture</u> | | | |
| Passed-Through: | | | |
| State Department of Agriculture - Needy Family Food Distribution | 10.550 | \$ 69,311 | \$ 71,734 |
| State Department of Education - Food Reimbursement* | 10.558 | <u>551,233</u> | <u>566,673</u> |
| Total Department of Agriculture | | <u>620,544</u> | <u>638,407</u> |
| <u>U. S. Department of Transportation</u> | | | |
| Passed-Through: | | | |
| State Highway Safety Commission - Child Passenger Safety Education and Loaner Program | 20.600 | <u>56,955</u> | <u>61,728</u> |
| <u>Other Federal Assistance</u> | | | |
| FEMA: | | | |
| Emergency Food and Shelter - Lafayette | - | 12,500 | 12,500 |
| Iberia | - | 7,094 | 7,094 |
| St. Martin | - | <u>17,874</u> | <u>18,124</u> |
| Total other federal assistance | | <u>37,468</u> | <u>37,718</u> |
| Total federal assistance | | <u>\$6,756,680</u> ===== | <u>\$6,719,055</u> ===== |

*Major federal financial assistance programs.

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Balance Sheet
May 31, 1996

| | <u>Current Funds</u> | | <u>Equipment</u> | <u>Total</u> |
|--------------------------------------|----------------------|-------------------|------------------|------------------|
| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Fund</u> | <u>All Funds</u> |
| ASSETS | | | | |
| Cash | \$ 153 | \$364,515 | \$ - | \$ 364,668 |
| Receivables: | | | | |
| Grant funds | - | 131,684 | - | 131,684 |
| Due from other funds | - | 152,365 | - | 152,365 |
| Prepaid expenses | - | 30,252 | - | 30,252 |
| Inventory | - | 1,873 | - | 1,873 |
| Property and equipment | - | - | 2,604,092 | 2,604,092 |
| Accumulated depreciation | - | - | (993,472) | (993,472) |
| | <u>-----</u> | <u>-----</u> | <u>-----</u> | <u>-----</u> |
| Total assets | \$ 153 | \$680,689 | \$1,610,620 | \$2,291,462 |
| | ===== | ===== | ===== | ===== |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$139,612 | \$ - | \$ 139,612 |
| Retirement plan payable | - | 67,832 | - | 67,832 |
| Due to other funds | 6,857 | 145,508 | - | 152,365 |
| Unearned grants | - | 109,129 | - | 109,129 |
| Other liabilities | - | 177,896 | - | 177,896 |
| Total liabilities | <u>6,857</u> | <u>639,977</u> | <u>-</u> | <u>646,834</u> |
| Fund balances: | | | | |
| Investment in equipment | - | - | 1,610,620 | 1,610,620 |
| Current restricted | - | 40,712 | - | 40,712 |
| Current unrestricted, undesignated | (6,704) | - | - | (6,704) |
| Total fund balances | <u>(6,704)</u> | <u>40,712</u> | <u>1,610,620</u> | <u>1,644,628</u> |
| | <u>-----</u> | <u>-----</u> | <u>-----</u> | <u>-----</u> |
| Total liabilities and fund balances | \$ 153 | \$680,689 | \$1,610,620 | \$2,291,462 |
| | ===== | ===== | ===== | ===== |

The accompanying notes are an integral part of this statement.

| Olivier Street Program | Weatherization | HUD | Local Government Support (Matching Fund) | St. Martin Parish Emergency Assistance | Lafayette Community Action Council | Iberia Food & Medical | Homeless Family Shelter |
|------------------------|----------------|---------------|--|--|------------------------------------|-----------------------|-------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | 681 | - | 250 | - | - | - |
| - | - | 681 | - | 250 | - | - | - |
| 36,926 | 75,231 | 47,704 | 86,103 | 17,874 | 5,412 | 5,792 | 1,470 |
| - | 500 | - | 340 | - | 719 | - | 200 |
| <u>36,926</u> | <u>75,731</u> | <u>48,385</u> | <u>86,443</u> | <u>18,124</u> | <u>6,131</u> | <u>5,792</u> | <u>1,670</u> |
| - | 23,357 | - | - | - | - | - | - |
| - | 3,382 | - | - | - | - | - | - |
| - | 701 | - | - | - | - | - | - |
| - | 21,275 | - | - | - | - | - | - |
| - | 543 | 1,609 | - | - | - | - | - |
| - | 427 | 1,268 | 1,015 | - | - | - | 679 |
| - | - | - | - | - | - | - | - |
| 1,449 | - | - | - | - | - | - | 140 |
| - | 21,199 | - | 3,844 | 18,124 | 8,391 | 2,368 | 1,786 |
| - | 5,486 | 682 | 2,370 | - | - | - | 955 |
| - | (641) | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>1,449</u> | <u>75,729</u> | <u>3,559</u> | <u>7,229</u> | <u>18,124</u> | <u>8,391</u> | <u>2,368</u> | <u>3,560</u> |
| 35,477 | 2 | 44,826 | 79,214 | - | (2,260) | 3,424 | (1,890) |
| 5,648 | - | - | - | - | 2,127 | - | - |
| - | - | (36,085) | (52,028) | - | - | - | - |
| (41,125) | - | (2,649) | - | - | - | - | - |
| - | (1,002) | 1,863 | 66,822 | - | 1,163 | 1,061 | 3,887 |
| \$ - | \$(1,000) | \$ 7,955 | \$ 94,008 | \$ - | \$ 1,030 | \$ 4,485 | \$ 1,997 |
| ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

(continued)

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.
RETIREMENT PLAN

Statements of Net Assets Available for Plan Benefits
May 31, 1996 and 1995

| | <u>1996</u> | <u>1995</u> |
|---|------------------|------------------|
| ASSETS | | |
| Cash | \$ 48,509 | \$ 61,385 |
| Investments, at market value | | |
| Mutual funds | 96,210 | 62,774 |
| Growth stock funds | 12,458 | 8,518 |
| Foreign equity funds | 24,333 | 8,485 |
| Capital appreciation funds | <u>60,863</u> | <u>28,943</u> |
| Total investments | <u>193,864</u> | <u>108,720</u> |
| Receivables | | |
| Employer contribution receivable | 69,561 | 62,554 |
| Accrued interest receivable | <u>706</u> | <u>553</u> |
| Total receivables | <u>70,267</u> | <u>63,107</u> |
| Total assets | <u>312,640</u> | <u>233,212</u> |
| LIABILITIES | | |
| Due to Hibernia Trust | <u>-</u> | <u>725</u> |
| NET ASSETS AVAILABLE FOR PLAN BENEFITS | <u>\$312,640</u> | <u>\$232,487</u> |

The accompanying notes are an integral part of this statement.

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Statement of Support, Grants, Revenue and Expenses and Changes in Fund Balance
Year Ended May 31, 1996

| | Current Funds | | Equipment Fund | Total All Funds |
|--|------------------|------------------|--------------------|--------------------|
| | Unrestricted | Restricted | | |
| Public support: | | | | |
| In-kind contributions | \$ - | \$1,237,967 | \$ - | \$1,237,967 |
| Donations | 233 | 1,587 | - | 1,820 |
| Total public support | <u>233</u> | <u>1,239,554</u> | <u>-</u> | <u>1,239,787</u> |
| Grants from governmental agencies | - | 6,911,882 | - | 6,911,882 |
| Other revenue: | | | | |
| Miscellaneous | 335 | 20,498 | - | 20,833 |
| Total public support, grants from governmental agencies and other revenue | <u>568</u> | <u>8,171,934</u> | <u>-</u> | <u>8,172,502</u> |
| Expenses: | | | | |
| Program services - | | | | |
| Transportation | - | 53,624 | 7,967 | 61,591 |
| P.I. Child Care and Training | - | 16,816 | 2,595 | 19,411 |
| Child passenger safety education | - | 80,185 | 2,914 | 83,099 |
| Project independence jobs | - | 300,914 | 498 | 301,412 |
| CSBG | - | 488,400 | 2,290 | 490,690 |
| CSBG - Homeless | - | 31,296 | - | 31,296 |
| Community Housing Development | - | 10,735 | 580 | 11,315 |
| Olivier Street Project | - | 1,449 | 1,020 | 2,469 |
| Weatherization | - | 75,729 | 774 | 76,503 |
| HUD | - | 3,559 | - | 3,559 |
| Local Government Support | - | 7,229 | 6,110 | 13,339 |
| St. Martin Parish Emergency Assistance | - | 18,124 | - | 18,124 |
| Lafayette Community Action Council | - | 8,391 | - | 8,391 |
| Iberia Food & Medical | - | 2,368 | - | 2,368 |
| Homeless Family Shelter | - | 3,560 | - | 3,560 |
| Iberia Parish Special Trust | - | 9,129 | - | 9,129 |
| Lafayette Emergency Food & Shelter | - | 12,500 | - | 12,500 |
| Iberia Emergency Food & Shelter | - | 7,094 | - | 7,094 |
| Headstart | - | 6,346,139 | 148,076 | 6,494,215 |
| RSVP | - | 83,181 | 641 | 83,822 |
| Medicaid Enrollment | - | 13,162 | - | 13,162 |
| ARCH | - | 209 | - | 209 |
| Home Energy Assistance | - | 254,297 | - | 254,297 |
| Needy Family Food Distribution | - | 71,734 | - | 71,734 |
| Total program services | - | <u>7,899,824</u> | <u>173,465</u> | <u>8,073,289</u> |
| Supporting services - | | | | |
| General | - | - | 887 | 887 |
| Administrative | - | 77,160 | - | 77,160 |
| Total expenses | - | <u>7,976,984</u> | <u>174,352</u> | <u>8,151,336</u> |
| Public support, grants from governmental agencies, and other revenue over (under) expenses | 568 | 194,950 | (174,352) | 21,166 |
| Other changes in fund balances: | | | | |
| Operating transfers in | - | 97,913 | - | 97,913 |
| Operating transfers out | - | (97,913) | - | (97,913) |
| Addition to property and equipment | - | (247,220) | 247,220 | - |
| Loss on disposition of assets | - | - | (5,540) | (5,540) |
| Fund balances, beginning | <u>(7,272)</u> | <u>92,982</u> | <u>1,543,292</u> | <u>1,629,002</u> |
| Fund balances, ending | <u>\$(6,704)</u> | <u>\$ 40,712</u> | <u>\$1,610,620</u> | <u>\$1,644,628</u> |

The accompanying notes are an integral part of this statement.

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Combining Statement of Support, Grants, Revenue and Expenses and Changes in Fund Balance - Current Funds
(Continued)
Year Ended May 31, 1996

| | Iberia Parish Special Trust | Lafayette Emergency Food and Shelter | Iberia Emergency Food and Shelter | Headstart | RSVP | Child Care Feeding Program |
|---|--------------------------------------|---|--|-------------|----------|----------------------------------|
| Public support: | | | | | | |
| In-kind contributions | \$ - | \$ - | \$ - | \$1,202,259 | \$14,337 | \$ - |
| Donations | - | - | - | 656 | - | - |
| Total public support | - | - | - | 1,202,915 | 14,337 | - |
| Grants from governmental agencies | 10,000 | 12,500 | 7,094 | 5,280,952 | 62,741 | - |
| Other revenue: | | | | | | |
| Miscellaneous | - | - | - | 11,824 | 1,890 | - |
| Total public support, grants from governmental agencies and other revenue | 10,000 | 12,500 | 7,094 | 6,495,691 | 78,968 | - |
| Expenses: | | | | | | |
| Direct costs - | | | | | | |
| Salaries and wages | 6,746 | - | - | 1,636,120 | 44,119 | - |
| Fringe benefits | 941 | - | - | 276,138 | 6,296 | - |
| Retirement plan | 202 | - | - | 49,036 | 1,324 | - |
| Contractual services | - | - | - | 1,920,995 | - | - |
| Travel | - | - | - | 74,160 | 2,153 | - |
| Consumable supplies | - | - | - | 190,047 | 332 | - |
| Space costs | - | - | - | 150,227 | - | - |
| Renovations | - | - | - | 70,431 | - | - |
| Operating services | - | 12,200 | 7,094 | 232,539 | - | - |
| Other | 32 | - | - | 251,606 | 6,723 | - |
| Indirect costs | 1,208 | 300 | - | 292,581 | 7,897 | - |
| In-kind contributions | - | - | - | 1,202,259 | 14,337 | - |
| Total expenses | 9,129 | 12,500 | 7,094 | 6,346,139 | 83,181 | - |
| Public support grants from governmental agencies and other revenue over (under) expenses | 871 | - | - | 149,552 | (4,213) | - |
| Other changes in fund balances: | | | | | | |
| Operating transfers in | - | - | - | - | - | - |
| Operating transfers out | - | - | - | - | - | - |
| Addition/deletions to property and equipment | - | - | - | (134,548) | - | - |
| Fund balances (deficit), beginning | (1,908) | (112) | - | 68,860 | 6,136 | - |
| Fund balances (deficit), ending | \$(1,037) | \$ (112) | \$ - | \$ 83,864 | \$ 1,923 | \$ - |

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Statement of Functional Expenses (Continued)
Year Ended May 31, 1996

| | Weatherization | HUD | Local Government Support (Matching Fund) | St. Martin Emergency Assistance | Lafayette Community Action Council | Iberia Food & Medical |
|-------------------------------------|----------------|---------|---|---------------------------------------|---|-----------------------------|
| Salaries and wages | \$23,357 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Fringe benefits | 3,382 | - | - | - | - | - |
| Retirement plan | 701 | - | - | - | - | - |
| Total salaries and related expenses | 27,440 | - | - | - | - | - |
| Contract services | 21,275 | - | - | - | - | - |
| Travel | 543 | 1,609 | - | - | - | - |
| Consumable supplies | 427 | 1,268 | 1,015 | - | - | - |
| Space costs | - | - | - | - | - | - |
| Repairs and maintenance | - | - | - | - | - | - |
| Operating services | 21,199 | - | 3,844 | 18,124 | 8,391 | 2,368 |
| Other | 5,486 | 682 | 2,370 | - | - | - |
| Indirect costs | (641) | - | - | - | - | - |
| In-kind contributions | - | - | - | - | - | - |
| Total expenses before depreciation | 75,729 | 3,559 | 7,229 | 18,124 | 8,391 | 2,368 |
| Depreciation of equipment | 774 | - | 6,110 | - | - | - |
| Total expenses | \$76,503 | \$3,559 | \$13,339 | \$18,124 | \$8,391 | \$2,368 |

(continued)

| <u>Medicaid Enrollment</u> | <u>ARCH</u> | <u>Payroll</u> | <u>Accounts Payable</u> | <u>Home Energy Assistance</u> | <u>Needy Family Distribution</u> | <u>General</u> | <u>Indirect Cost Pool</u> | <u>Total</u> |
|----------------------------|-------------|----------------|-------------------------|-------------------------------|----------------------------------|----------------|---------------------------|------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$1,237,967 |
| - | - | - | - | - | - | 233 | - | 1,820 |
| - | - | - | - | - | - | 233 | - | 1,239,787 |
| 14,770 | - | - | - | 250,076 | 69,311 | - | - | 6,911,882 |
| - | 260 | - | - | - | 3,300 | 335 | - | 20,833 |
| <u>14,770</u> | <u>260</u> | <u>-</u> | <u>-</u> | <u>250,076</u> | <u>72,611</u> | <u>568</u> | <u>-</u> | <u>8,172,502</u> |
| 9,136 | - | - | - | 9,611 | 4,388 | - | - | 2,229,409 |
| 1,216 | - | - | - | 1,190 | 487 | - | - | 380,250 |
| 274 | - | - | - | 288 | 132 | - | 8,059 | 74,862 |
| - | 125 | - | - | - | 3,878 | - | - | 1,962,248 |
| - | - | - | - | 3,839 | 823 | - | - | 94,356 |
| - | - | - | - | - | 177 | - | - | 229,451 |
| - | - | - | - | - | - | - | - | 198,244 |
| - | - | - | - | - | - | - | - | 98,424 |
| - | - | - | - | 237,935 | 55,395 | - | - | 751,707 |
| 12 | 84 | - | - | - | 5,743 | - | - | 316,916 |
| 2,524 | - | - | - | 1,434 | 711 | - | 69,101 | 403,150 |
| - | - | - | - | - | - | - | - | 1,237,967 |
| <u>13,162</u> | <u>209</u> | <u>-</u> | <u>-</u> | <u>254,297</u> | <u>71,734</u> | <u>-</u> | <u>77,160</u> | <u>7,976,984</u> |
| 1,608 | 51 | - | - | (4,221) | 877 | 568 | (77,160) | 195,518 |
| - | - | - | - | - | - | - | 36,085 | 97,913 |
| - | - | - | - | - | - | - | (5,800) | (97,913) |
| - | - | - | - | - | - | - | - | (247,220) |
| <u>4,960</u> | <u>701</u> | <u>(2,979)</u> | <u>-</u> | <u>4,200</u> | <u>710</u> | <u>(7,272)</u> | <u>23,612</u> | <u>85,710</u> |
| \$ 6,568 | \$ 752 | \$(2,979) | \$ - | \$ (21) | \$ 1,587 | \$(6,704) | \$(23,263) | \$ 34,008 |
| ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Statement of Functional Expenses (Continued)
Year Ended May 31, 1996

| | ARCH | Payroll | Accounts Payable | Home Energy Assistance | Needy Family Food Distribution | General | Indirect Cost Pool | Total |
|-------------------------------------|--------|---------|------------------|------------------------|--------------------------------|---------|--------------------|-------------|
| Salaries and wages | \$ - | \$ - | \$ - | \$ 9,611 | \$ 4,388 | \$ - | \$ - | \$2,229,409 |
| Fringe benefits | - | - | - | 1,190 | 487 | - | - | 380,250 |
| Retirement plan | - | - | - | 288 | 132 | - | 8,059 | 74,862 |
| Total salaries and related expenses | - | - | - | 11,089 | 5,007 | - | 8,059 | 2,684,521 |
| Contract services | - | - | - | - | 3,878 | - | - | 1,962,248 |
| Travel | 125 | - | - | - | 823 | - | - | 94,356 |
| Consumable supplies | - | - | - | 3,839 | 177 | - | - | 229,451 |
| Space costs | - | - | - | - | - | - | - | 198,244 |
| Repairs and maintenance | - | - | - | - | - | - | - | 98,424 |
| Operating services | - | - | - | 237,935 | 55,395 | - | - | 751,707 |
| Other | 84 | - | - | - | 5,743 | - | - | 316,916 |
| Indirect costs | - | - | - | 1,434 | 711 | - | 69,101 | 403,150 |
| In-kind contributions | - | - | - | - | - | - | - | 1,237,967 |
| Total expenses before depreciation | 209 | - | - | 254,297 | 71,734 | - | 77,160 | 7,976,984 |
| Depreciation of equipment | - | - | - | - | - | 887 | - | 174,352 |
| Total expenses | \$ 209 | \$ - | \$ - | \$254,297 | \$71,734 | \$ 887 | \$77,160 | \$8,151,336 |

The accompanying notes are an integral part of this statement.

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.
RETIREMENT PLAN

Statements of Net Assets Available for Plan Benefits
May 31, 1996 and 1995

| | <u>1996</u> | <u>1995</u> |
|---|------------------|------------------|
| Additions to net assets attributed to: | | |
| Contributions - Employer | \$ 69,561 | \$ 62,554 |
| Interest and dividends earned | 12,000 | 8,228 |
| Gain on sales of assets | 278 | 751 |
| Increase in fair value of assets | <u>8,950</u> | <u>6,168</u> |
| Total additions | 90,789 | 77,701 |
| Deductions from net assets attributed to: | | |
| Benefits paid to participants | <u>10,636</u> | <u>1,777</u> |
| Net increase | 80,153 | 75,924 |
| Net assets available for plan benefits, beginning of year | <u>232,487</u> | <u>156,563</u> |
| Net assets available for plan benefits, end of year | <u>\$312,640</u> | <u>\$232,487</u> |

The accompanying notes are an integral part of this statement.

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Nature of Activities

The St. Martin, Iberia, Lafayette Community Action Agency, Inc. (SMILE) was created under the Economic Opportunity Act of 1964, as amended, to serve as the antipoverty agency, providing human services for the indigent and disadvantaged through research, planning, development, financing, implementation and evaluation of programs, either directly or through coordinating with other agencies, to attain social and economic independence for the benefit of all present and future generations of disadvantaged people in the Tri-Parish area. St. Martin, Iberia, Lafayette Community Action Agency, Inc. is comprised of eighteen board members, who are equal in numbers from the Community Action Councils of the St. Martin, Iberia, and Lafayette Parishes of Louisiana.

B. Basis of Presentation

Financial statement presentation follows the recommendations of the American Institute of Certified Public Accountants in its Industry Audit Guide, Audits of Voluntary Health and Welfare Organizations.

C. Fund Accounting

In order to comply with restrictions which grantors place on grants as well as designations made by its governing board, the principles of fund accounting are used. Accordingly, all assets, liabilities, and activities are stated on the accrual basis and are accounted for in the Current Unrestricted, Current Restricted, and Equipment Funds. Contributions are considered to be unrestricted funds unless restricted by the donor. All funds over which the Board of Directors has discretionary control have been included in the current unrestricted fund.

D. Functional Expenses

Expenses are charged to each program based on direct expenditures incurred.

E. Income Tax Status

The Agency qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Notes to Financial Statements (Continued)

F. Total Columns

Total columns are presented to facilitate financial analysis. Data in these columns do not present financial position, results of operations and changes in fund balances in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

G. Use of Estimates

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

(2) Inventory

Inventory consists of commodities valued at cost determined by the U. S. Department of Agriculture.

(3) Compensated Absences

Compensation is paid to employees absent from work due to illness or vacation. No liability is accrued in these financial statements because the accumulated amount of accrued compensated absences is immaterial at year end.

(4) Due To/From Other Funds

Individual balances due to/from other funds at May 31, 1996 are as follows:

| | <u>Due from other funds</u> | <u>Due to other funds</u> |
|---------------------------|-----------------------------|---------------------------|
| Headstart | \$ 1,201 | \$ 23,652 |
| Medicaid Enrollment | - | 412 |
| RSVP | - | 2,474 |
| Needy Family Distribution | 254 | 2,435 |
| Transportation | 464 | 1,095 |
| Home Energy Assistance | 28 | 349 |
| CSBG | 2,649 | 12,642 |
| Weatherization | - | 1,520 |

DIRECT FEDERAL PROGRAMS

Department of Health and Human Services

Head Start Program - The Head Start Program provides comprehensive early child development for disadvantaged pre-school children and their families. As part of this program, the grantee also operates a food program for qualifying students on a cost reimbursement basis through the United States Department of Agriculture. The grantee has contracted with the Lafayette Parish School Board to act as its delegate agency in Lafayette Parish.

Training and Technical Assistance Programs - This special grant provides for the training and certification of Head Start Program instructors.

Handicapped Program - This grant extends the Head Start Program to include handicapped children.

Medicaid Enrollment - This grant allows SMILE to offer outreach medicaid eligibility services to specific groups of individuals by assisting potential medicaid eligibles to complete an initial application for health care coverage and in some instances by assisting medicaid beneficiaries with the recertification process.

Action

Retired Senior Volunteer Program (RSVP) - The purpose of this grant is to involve senior citizens in community participation projects.

Department of Housing and Urban Development

HUD Housing Counseling Program - The purpose of this grant is to provide comprehensive housing counseling to assist in improving the individual's housing conditions.

INDIRECT FEDERAL PROGRAMS

The Agency receives federal funds as the subgrantee of various departments of the State of Louisiana. The various state departments have the ultimate responsibility of reporting to the federal grantors.

SCHEDULES OF INDIVIDUAL FUNDS

SUPPLEMENTAL INFORMATION

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Notes to Financial Statements (Continued)

Net Change in Fair Value

| | <u>1996</u> | <u>1995</u> |
|----------------------------|-----------------|----------------|
| Mutual funds | \$(2,557) | \$1,573 |
| Growth stock funds | 2,613 | 1,070 |
| Foreign equity funds | 2,083 | 235 |
| Capital appreciation funds | <u>6,811</u> | <u>3,290</u> |
| Net change in fair value | <u>\$ 8,950</u> | <u>\$6,168</u> |

(D) Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time, and to terminate the Plan subject to the provisions of ERISA. In the event of plan termination, participants will become 100 percent vested in their accounts.

(E) Tax Status

The Internal Revenue Service has determined and informed the Company by a letter, dated October 15, 1992, that the Plan is qualified and the trust established under the plan is tax exempt, under the appropriate sections of the Code. The plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Code.

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Notes to Financial Statements (Continued)

Vesting in the employer contributions and earnings thereon is based on years of service. A participant will become fully vested after five years of service. Upon termination of service, a participant may elect to receive in either a lump sum amount equal to the value of that participant's account or in the form of an annuity.

B. Summary of Accounting Policies

Quoted market prices are used to value investments. The Employer's Contribution Receivable is determined by computing three percent of each eligible employee's compensation less any contributions already made to the Trust by the Company during the year.

C. Investments

The Plan's investments are held by a bank-administered fund. The following table presents the fair values of investments. All investments individually represent more than 5% of the Plan's net assets.

Fair Value of Investments

| | <u>1996</u> | <u>1995</u> |
|--|------------------|------------------|
| Investment at fair value as determined by quoted market price | | |
| Mutual funds | \$ 96,210 | \$ 62,774 |
| Growth stock funds | 12,458 | 8,518 |
| Foreign equity funds | 24,333 | 8,485 |
| Capital appreciation funds | <u>60,863</u> | <u>28,943</u> |
| Total investments at fair value | <u>\$193,864</u> | <u>\$108,720</u> |

During the fiscal years ended May 31, 1996 and 1995, the Plan's investments (including investments bought, sold, and held during the year) appreciated in value by \$8,950 and \$6,168, respectively, as follows:

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Notes to Financial Statements (Continued)

(11) Notes Payable

In April, 1996, the Agency entered into an agreement with Ford Motor Credit to purchase three (3) vehicles. The original amount of the loans was \$62,416 bearing interest at 10.9 percent, monthly payments of \$1,610 for 48 months.

Following are maturities of the loans for each of the next four years:

| | |
|------|-----------------|
| 1997 | \$13,283 |
| 1998 | 14,805 |
| 1999 | 16,502 |
| 2000 | <u>16,784</u> |
| | <u>\$61,374</u> |

It is the Agency's intent to use local funds to retire this debt each year.

(12) Retirement Plan

A. Description of Plan

The following description of the St. Martin, Iberia, Lafayette Community Action Agency, Inc. (Company) Retirement Plan (Plan) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

The Plan is a defined contribution plan covering all full time employees of the Company who have six months of service and are age 18. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Company may make a contribution to the Plan each year in an amount determined by the Company, not to exceed 15 percent of the total compensation of the participating employees during the plan year. The Company reserves the right to temporarily discontinue contributions.

Each participant's account is credited (charged) annually with his/her allocation of (a) the Company's contribution, (b) Plan earnings (losses), and (c) forfeitures of terminated participant's nonvested account balances. The benefit to which a participant is entitled is the benefit which can be provided from that participant's account.

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Notes to Financial Statements (Continued)

(7) Economic Dependency

The Agency receives the majority of its revenue from funds provided through grants administered by the U.S. Department of Health and Human Services. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of the funds the Agency receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Agency will receive in the next fiscal year.

(8) In-Kind Contributions

The Agency is allowed free use of certain facilities by landlords and is donated services by individuals. In-kind contributions are valued at the fair market value of the rent or services donated on the date of donation.

(9) Property, Equipment and Depreciation

Depreciation of property and equipment is calculated on the straight line basis over the estimated useful lives of the assets. The cost of such assets at May 31, 1996, is as follows:

| | |
|-----------------------------------|--------------------|
| Furniture, fixtures and equipment | \$ 534,394 |
| Automobiles | 764,784 |
| Buildings and improvements | <u>1,304,914</u> |
| | 2,604,092 |
| Less: Accumulated depreciation | <u>993,472</u> |
| | <u>\$1,610,620</u> |

(10) Lease Obligations

Operating Leases -

The Agency leases four vehicles under operating leases expiring in 1998.

Minimum future rental payments under non - cancelable operating leases having remaining terms in excess of one year as of May 31, 1996 are:

| <u>Year Ended May 31,</u> | <u>Amount</u> |
|---------------------------|---------------|
| 1997 | \$30,284 |
| 1998 | 24,026 |

Rental expense under all operating leases at May 31, 1996 is \$30,284.

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Statement of Functional Expenses
Year Ended May 31, 1996

| | Transportation | PI Child Care and Training | Child Passenger Safety Education | Project Independence Jobs | CSBG | CSBG - Homeless | Community Housing Development | Olivier Street Project |
|-------------------------------------|----------------|----------------------------|----------------------------------|---------------------------|-----------|-----------------|-------------------------------|------------------------|
| Salaries and wages | \$ 9,663 | \$ 4,847 | \$32,414 | \$144,864 | \$301,693 | \$ - | \$ 2,451 | \$ - |
| Fringe benefits | 3,308 | 873 | 5,264 | 35,875 | 44,896 | - | 384 | - |
| Retirement plan | 290 | 104 | 972 | 4,346 | 9,060 | - | 74 | - |
| Total salaries and related expenses | 13,261 | 5,824 | 38,650 | 185,085 | 355,649 | - | 2,909 | - |
| Contract services | - | - | - | - | 16,100 | - | - | - |
| Travel | 569 | 93 | 7,773 | 917 | 4,830 | 429 | 332 | - |
| Consumable supplies | 1,219 | 7,097 | 7,210 | 1,862 | 14,049 | 230 | - | - |
| Space costs | - | 559 | - | - | 41,657 | - | 5,801 | - |
| Repairs and maintenance | 15,407 | 1,447 | - | - | 9,550 | - | - | 1,449 |
| Operating services | 19,510 | - | - | 84,841 | 16,417 | 30,064 | - | - |
| Other | 1,928 | 1,555 | 5,181 | 2,278 | 30,148 | 573 | 1,560 | - |
| Indirect costs | 1,730 | 241 | - | 25,931 | - | - | 133 | - |
| In-kind contributions | - | - | 21,371 | - | - | - | - | - |
| Total expenses before depreciation | 53,624 | 16,816 | 80,185 | 300,914 | 488,400 | 31,296 | 10,735 | 1,449 |
| Depreciation of equipment | 7,967 | 2,595 | 2,914 | 498 | 2,290 | - | 580 | 1,020 |
| Total expenses | \$61,591 | \$19,411 | \$83,099 | \$301,412 | \$490,690 | \$31,296 | \$11,315 | \$2,469 |

(continued)

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the Organization's ability to administer federal award programs in accordance with applicable laws and regulations.

The reportable condition noted is as follows:

1. Due to the small number of employees in the Accounting Department, SMILE, Inc. did not have adequate segregation of functions within the accounting system. Based upon the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal award program 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 structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following matter involving the internal control structure and its operation that we consider to be a material weakness as defined above. This condition was considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the compliance of St. Martin, Iberia, Lafayette Community Action Agency, Inc. with requirements applicable to its major federal award programs for the year ended May 31, 1996, and this report does not affect our report thereon dated November 6, 1996.

The material weakness noted is as follows:

2. An error was noted in the payroll whereby one employee was overpaid a minimal amount due to an incorrect employee number reported on a payroll change report. The error was corrected after the employee who should have received an increase in salary did not see the increase reflected on her payroll check. It is recommended that SMILE, Inc. implement procedures to check and recheck the accuracy of payroll.

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Schedule of Federal Awards
Year Ended May 31, 1996

| <u>Federal Grantor/Pass-Through Grantor/ Program Title</u> | <u>Federal CFDA Number</u> | <u>Revenue</u> | <u>Expenses*</u> |
|---|------------------------------------|------------------|------------------|
| <u>U. S. Department of Health and Human Services</u> | | | |
| Direct Programs: | | | |
| Headstart* | 13.600 | \$4,729,719 | \$4,725,284 |
| Passed-Through: | | | |
| State Department of Urban and Community Affairs - Weatherization* | 13.789 | 91,353 | 76,503 |
| State Department of Social Services - Office of Community Services for Home Energy Assistance Program* | 13.789 | 250,076 | 254,297 |
| State Department of Social Services - Office of Family Support - Project Independence* | 13.781 | 314,781 | 301,412 |
| P. I. Child Care and Training Program* | 13.781 | 7,784 | 19,411 |
| State Department of Labor - Community Service Block Grant* | 13.792 | 522,785 | 525,986 |
| State Department of Health and Hospitals - Medicaid Enrollment Program | - | 14,770 | 13,162 |
| Total Department of Health and Human Services | | <u>5,931,268</u> | <u>5,916,055</u> |
| <u>Action</u> | | | |
| Direct Program: | | | |
| Retired Senior Volunteer Program | 72.002 | <u>62,741</u> | <u>61,588</u> |
| <u>U. S. Department of Housing and Urban Development</u> | | | |
| Department of Housing and Urban Development | - | <u>47,704</u> | <u>3,559</u> |

* Includes depreciation expense, if applicable.

DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

(A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS)

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INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF FEDERAL AWARDS

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To the Board of Directors
St. Martin, Iberia, Lafayette
Community Action Agency, Inc.
Lafayette, Louisiana

We have audited the financial statements of St. Martin, Iberia, Lafayette Community Action Agency, Inc. (a nonprofit organization) as of and for the year ended May 31, 1996, and have issued our report thereon dated November 6, 1996. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 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 opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of St. Martin, Iberia, Lafayette Community Action Agency, Inc. taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that schedule 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.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Breaux Bridge, Louisiana
November 6, 1996

This report is intended for the information of management. However, this report is a matter of public record and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Breaux Bridge, Louisiana
November 6, 1996

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL AWARD PROGRAM TRANSACTIONS

To the Board of Directors
St. Martin, Iberia, Lafayette
Community Action Agency, Inc.
Lafayette, Louisiana

We have audited the financial statements of St. Martin, Iberia, Lafayette Community Action Agency, Inc. (a nonprofit organization) as of and for the year ended May 31, 1996, and have issued our report thereon dated November 6, 1996.

In connection with our audit of the financial statements of St. Martin, Iberia, Lafayette Community Action Agency, Inc., and with our consideration of the Agency's internal control structure used to administer federal award programs, as required by Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions," we selected certain transactions applicable to certain nonmajor federal award programs for the year ended May 31, 1996.

As required by OMB Circular A-133, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions (if any); financial reports and claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Agency's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that St. Martin, Iberia, Lafayette Community Action Agency, Inc. had not complied in all material respects, with those requirements.

We also noted immaterial instances of noncompliance that we have reported to the management of St. Martin, Iberia, Lafayette Community Action Agency, Inc. in a separate letter dated November 6, 1996.

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This report is intended for the information of management. However, this report is a matter of public record, and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Breaux Bridge, Louisiana
November 6, 1996

DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL AWARD PROGRAMS

To the Board of Directors
St. Martin, Iberia, Lafayette
Community Action Agency, Inc.
Lafayette, Louisiana

We have audited the financial statements of St. Martin, Iberia, Lafayette Community Action Agency, Inc. (a nonprofit organization) as of and for the year ended May 31, 1996, and have issued our report thereon dated November 6, 1996

We have applied procedures to test the Agency's compliance with the following requirements applicable to its federal award programs, which are identified in the accompanying Schedule of Federal Awards, for the year ended May 31, 1996:

Political activity
Davis-Bacon Act
Civil rights
Cash management
Federal financial reports
Drug-free Workplace Act
Allowable costs/cost principles
Administrative requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Audits of Institutions of Higher Learning and Other Nonprofit Institutions." Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the St. Martin, Iberia, Lafayette Community Action Agency, Inc.'s compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that St. Martin, Iberia, Lafayette Community Action Agency, Inc. had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying Schedule of Findings and Questioned Costs.

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SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

In addition, the results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in a separate letter to the management of St. Martin, Iberia, Lafayette Community Action Agency, Inc., dated November 6, 1996.

In our opinion, except for the instance of noncompliance referred to in the Schedule of Findings and Questioned Costs, St. Martin, Iberia, Lafayette Community Action Agency, Inc. complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special provisions; financial reports and claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal award programs for the year ended May 31, 1996.

This report is intended for the information of management. However, this report is a matter of public record, and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Breaux Bridge, Louisiana
November 6, 1996

DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL AWARD PROGRAMS

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To the Board of Directors
St. Martin, Iberia, Lafayette
Community Action Agency, Inc.
Lafayette, Louisiana

We have audited the financial statements of St. Martin, Iberia, Lafayette Community Action Agency, Inc. (a nonprofit organization) as of and for the year ended May 31, 1996, and have issued our report thereon dated November 6, 1996.

We have also audited the Agency's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions (if any); financial reports and claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal award programs, which are identified in the accompanying Schedule of Federal Awards, for the year ended May 31, 1996. The management of St. Martin, Iberia, Lafayette Community Action Agency, Inc. is responsible for the Agency's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed one material instance of noncompliance with the requirements referred to above, which is described in the Schedule of Findings and Questioned Costs. We considered this instance of noncompliance in forming our opinion on compliance, which is expressed below.

We noted certain immaterial instances of noncompliance that we have reported to the management of St. Martin, Iberia, Lafayette Community Action Agency, Inc. in a separate letter dated November 6, 1996.

This report is intended for the information of management. However, this report is a matter of public record, and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Breaux Bridge, Louisiana
November 6, 1996

Deposits in one of the Agency's depositories were undersecured at May 31, 1996 as follows:

| | |
|----------------------------------|--------------------|
| Bank Balance | \$100,898 |
| FDIC Insurance | 100,000 |
| Securities Pledged | <u> -</u> |
| Deficiency in securities pledged | <u>\$ 898</u> |

Recommendation:

The Agency should continually monitor securities pledged and verify the adequacy of such securities for all depositories.

Response:

This matter has been corrected by contacting the depository and requesting securities pledged to the Agency's deposits. Also, steps have been implemented to prevent future occurrences.

2. The Agency did not comply with the provisions of the public bid law as set forth in Louisiana Revenue Statute (LSA-R.S.) 38:2212. This statute requires that all purchases in excess of \$10,000 shall be advertised and let by contract to the lowest bidder. The Agency was not in compliance with these requirements in purchasing three (3) vans. Telephone quotes only were obtained and no written quotes were received prior to awarding the bids to the vendor.

Recommendation:

The Agency should become informed of all requirements of the public bid laws and implement policies and procedures whereby all employees are made aware of the steps to be taken when purchases of significant dollar amounts are necessary.

Response:

The Agency will implement procedures to assure that all laws are being adhered to.

We considered these instances of noncompliance in forming our opinion on whether St. Martin, Iberia, Lafayette Community Action Agency, Inc.'s 1996 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated November 6, 1996 on those financial statements.

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Combining Statement of Support, Grants, Revenue and Expenses and Changes in Fund Balance - Current Funds
Year Ended May 31, 1996

| | Transportation | PI Child Care and Training | Child Passenger Safety Education | Project Independence Jobs | CSBG | CSBG - Homeless | Community Housing Development |
|---|----------------|----------------------------------|---|---------------------------------|------------|--------------------|-------------------------------------|
| Public support: | | | | | | | |
| In-kind contributions | \$ - | \$ - | \$21,371 | \$ - | \$ - | \$ - | \$ - |
| Donations | - | - | - | - | - | - | - |
| Total public support | - | - | 21,371 | - | - | - | - |
| Grants from governmental agencies | 20,689 | 7,784 | 56,954 | 314,780 | 488,400 | 34,385 | 4,934 |
| Other revenue: | | | | | | | |
| Miscellaneous | 1,103 | 362 | - | - | - | - | - |
| Total public support, grants from governmental agencies and other revenue | 21,792 | 8,146 | 78,325 | 314,780 | 488,400 | 34,385 | 4,934 |
| Expenses: | | | | | | | |
| Direct costs - | | | | | | | |
| Salaries and wages | 9,663 | 4,847 | 32,414 | 144,864 | 301,693 | - | 2,451 |
| Fringe benefits | 3,308 | 873 | 5,264 | 35,875 | 44,896 | - | 384 |
| Retirement plan | 290 | 104 | 972 | 4,346 | 9,060 | - | 74 |
| Contract services | - | - | - | - | 16,100 | - | - |
| Travel | 569 | 93 | 7,773 | 917 | 4,830 | 429 | 332 |
| Consumable supplies | 1,219 | 7,097 | 7,210 | 1,862 | 14,049 | 230 | - |
| Space costs | - | 559 | - | - | 41,657 | - | 5,801 |
| Renovations | 15,407 | 1,447 | - | - | 9,550 | - | - |
| Operating services | 19,510 | - | - | 84,841 | 16,417 | 30,064 | - |
| Other | 1,928 | 1,555 | 5,181 | 2,278 | 30,148 | 573 | 1,560 |
| Indirect costs | 1,730 | 241 | - | 25,931 | - | - | 133 |
| In-kind contributions | - | - | 21,371 | - | - | - | - |
| Total expenses | 53,624 | 16,816 | 80,185 | 300,914 | 488,400 | 31,296 | 10,735 |
| Public support, grants from governmental agencies and other revenue over (under) expenses | (31,832) | (8,670) | (1,860) | 13,866 | - | 3,089 | (5,801) |
| Other changes in fund balances: | | | | | | | |
| Operating transfers in | 47,105 | 9 | 1,138 | - | - | - | 5,801 |
| Operating transfers out | - | - | - | - | - | (4,000) | - |
| Addition/deletion to property and equipment | (66,917) | - | - | - | (1,981) | - | - |
| Fund balances (deficit), beginning | (1,919) | 8,661 | (626) | (40,879) | (51,140) | 911 | - |
| Fund balances (deficit), ending | \$(53,563) | \$ - | \$(1,348) | \$(27,013) | \$(53,121) | \$ - | \$ - |

We also noted other matters involving the internal control structure and its operation that we have reported to the management of St. Martin, Iberia, Lafayette Community Action Agency, Inc. in a separate letter dated November 6, 1996.

This report is intended for the information of management. However, this report is a matter of public record, and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Breaux Bridge, Louisiana
November 6, 1996

Project Independence Jobs - Provides transportation for participants and their designated children.

Department of Labor - The Community Services Block Grant Program (CSBG) defrays a portion of the Agency's administrative costs as well as providing various direct program services to the needy.

Department of Agriculture - The Needy Family Food Distribution Program provides USDA-donated food commodities to needy households in the Tri-Parish area.

Department of Social Services - Weatherization Assistance Program grants and Low Income Home Energy Assistance Program (LIHEAP) grants provide services to assist needy individuals in home insulation.

Department of Social Services - Low Income Home Energy Assistance Program - This program provides direct payments to home energy suppliers on behalf of eligible households.

Department of Education - The Child Care Feeding Program provides food to qualified individuals in the Tri-Parish area.

Emergency Food and Shelter National Board Program - This grant provides emergency food and shelter assistance to qualified individuals in the parishes of St. Martin, Iberia and Lafayette.

Department of Public Safety and Corrections - The Child Passenger Safety Education Program is to provide a coordinated national highway safety program to reduce traffic accidents, deaths, injuries, and property damage.

Department of Housing and Urban Development - The Community Development Block Grant Program (CDBG) is to provide funds to renovate homeless shelters and provide emergency shelter for homeless persons. These funds were obtained by a grant agreement with the City of Lafayette.

STATE PROGRAMS

Louisiana Housing Finance Agency - The Community Housing Development Organization Program provides funds for operational expenses and expenses for training and technical, legal, engineering and other assistance necessary to identify potential sites for housing projects.

safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal award programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal programs in the following categories:

Accounting Controls

- Revenue/receipts
- Expenses/disbursements
- Payroll
- Property and Equipment

Administrative Controls

| <u>General Requirements</u> | <u>Specific Requirements</u> |
|--|---|
| <ul style="list-style-type: none"> Political activity Davis-Bacon Act Civil rights Cash management Federal financial reports Drug-free Workplace Act Allowable costs/cost principles Administrative requirements | <ul style="list-style-type: none"> Types of services allowed or unallowed Eligibility Matching, level of effort and/or earmarking and allowability of amounts claimed or used for matching Federal Financial Reports and claims for advances and reimbursements Special requirements |

For all of the internal control structure categories listed in the preceding paragraph, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended May 31, 1996, the Agency expended 96% of its total federal awards under major federal award programs.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the Agency's major federal award programs, which are identified in the accompanying Schedule of Federal Awards. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

(A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS)

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
St. Martin, Iberia, Lafayette
Community Action Agency, Inc.
Lafayette, Louisiana

We have audited the financial statements of St. Martin, Iberia, Lafayette Community Action Agency, Inc. (a nonprofit organization) as of and for the year ended May 31, 1996, and have issued our report thereon dated November 6, 1996. We have also audited the compliance of the Agency with requirements applicable to major federal award programs and have issued our report thereon dated November 6, 1996.

We conducted our audits in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the Agency complied with laws and regulations, noncompliance with which would be material to a major federal award program.

In planning and performing our audits for the year ended May 31, 1996, we considered the internal control structure of St. Martin, Iberia, Lafayette Community Action Agency, Inc. in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements of St. Martin, Iberia, Lafayette Community Action Agency, Inc. and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal award programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated November 6, 1996.

The management of St. Martin, Iberia, Lafayette Community Action Agency, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are

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We also noted other matters involving the internal control structure and its operation that we have communicated to the management of St. Martin, Iberia, Lafayette Community Action Agency, Inc. in a separate letter dated November 6, 1996.

This report is intended for the information of management. However, this report is a matter of public record, and its distribution is not limited.

Darnall, Sikes, Kolder, Frederick & Rainey
A Corporation of Certified Public Accountants

Breaux Bridge, Louisiana
November 6, 1996

policies and procedures and whether they have been placed in operation, and we assessed control risk 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 structure. Accordingly, we do not express such an opinion.

We noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The reportable condition noted is as follows:

Due to the small number of employees in the Accounting Department, SMILE, Inc. did not have adequate segregation of functions within the accounting system. Based upon the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of St. Martin, Iberia, Lafayette Community Action Agency, Inc.

The material weaknesses noted are as follows:

1. SMILE, Inc.'s Board of Directors does not approve nor do they have control over fund raising activities in the Agency's name. It is recommended that management implement the same or similar policies and procedures to fund raising activities as are in place for all other programs under SMILE's name.
2. An error was noted in the payroll whereby one employee was overpaid a minimal amount due to an incorrect employee number reported on a payroll change report. The error was corrected after the employee who should have received an increase in salary did not see the increase reflected on her payroll check. It is recommended that SMILE, Inc. implement procedures to check and recheck the accuracy of payroll.

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**ST. MARTIN, IBERIA, LAFAYETTE
COMMUNITY ACTION AGENCY, INC.**

Financial Report

Year Ended May 31, 1996

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 ~~DEC 18 1996~~

ST. MARTIN, IBERIA, LAFAYETTE
COMMUNITY ACTION AGENCY, INC.
1996-1997

DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

(A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS)

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INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors
St. Martin, Iberia, Lafayette
Community Action Agency, Inc.
Lafayette, Louisiana

We have audited the accompanying balance sheet of St. Martin, Iberia, Lafayette Community Action Agency, Inc. (a nonprofit organization) as of May 31, 1996, and the related statements of support, grants, revenue and expenses and changes in fund balances and functional expenses for the year then ended and the statements of net assets available for plan benefits of the St. Martin, Iberia, Lafayette Community Action Agency, Inc. Retirement Plan as of May 31, 1996 and 1995, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Martin, Iberia, Lafayette Community Action Agency, Inc. as of May 31, 1996, and the results of its operations for the year then ended and the net assets available for plan benefits of the St. Martin, Iberia, Lafayette Community Action Agency, Inc. Retirement Plan as of May 31, 1996 and 1995 and the changes in net assets available for plan benefits for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated on our consideration of St. Martin, Iberia, Lafayette Community Action Agency, Inc.'s internal control structure and a report dated November 6, 1996 on its compliance with laws and regulations.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 23-31 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 stated in all material respects in relation to the basic financial statements taken as a whole.

Darnall, Sikes, Kolder, Frederick & Rainey

A Corporation of Certified Public Accountants

Breaux Bridge, Louisiana
November 6, 1996

DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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To the Board of Directors
St. Martin, Iberia, Lafayette
Community Action Agency, Inc.
Lafayette, Louisiana

We have audited the financial statements of St. Martin, Iberia, Lafayette Community Action Agency, Inc. (a nonprofit organization) as of and for the year ended May 31, 1996, and have issued our report thereon dated November 6, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of St. Martin, Iberia, Lafayette Community Action Agency, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of St. Martin, Iberia, Lafayette Community Action Agency, Inc. for the year ended May 31, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant

INTERNAL CONTROL, COMPLIANCE
AND
OTHER GRANT INFORMATION

ST. MARTIN, IBERIA, LAFAYETTE COMMUNITY ACTION AGENCY, INC.

Indirect Cost Pool
Statement of Revenue and Expenses
Year Ended May 31, 1996

| | <u>Indirect Cost Pool</u> |
|---|-----------------------------------|
| Revenue | |
| Indirect cost revenues | <u>\$334,047</u> |
| Expenses | |
| Direct costs: | |
| Salaries and wages | 268,642 |
| Fringe benefits | 37,288 |
| Retirement expense | 8,059 |
| Contract services | 27,138 |
| Travel | 20,234 |
| Space costs | 11,845 |
| Miscellaneous | - |
| Copy machine expense | 8,782 |
| Employee development | 4,072 |
| Program supplies | 1,864 |
| Postage | 2,664 |
| Office supplies | 8,030 |
| Publications and subscriptions | 4,008 |
| Auto expenses | 3,488 |
| Custodial supplies | 47 |
| Insurance - general | 1,137 |
| Repairs and maintenance | <u>3,909</u> |
| Total expenses | <u>411,207</u> |
| Excess of expenses over revenues before transfers | (77,160) |
| Transfers (to) from other funds: | |
| Transfers from other funds | 36,085 |
| Transfers to other funds | <u>(5,800)</u> |
| Excess of expenses over revenues | <u><u>\$ (46,875)</u></u> |

DARNALL, SIKES, KOLDER, FREDERICK & RAINEY

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To the Board of Directors
St. Martin, Iberia, Lafayette
Community Action Agency, Inc.
Lafayette, Louisiana

We have audited the financial statements of the St. Martin, Iberia, Lafayette Community Action Agency, Inc. (a nonprofit organization), as of and for the year ended May 31, 1996, and have issued our report thereon dated November 6, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and the provisions of Office of Management and Budget Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to St. Martin, Iberia, Lafayette Community Action Agency, Inc. is the responsibility of the Agency's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Agency's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed the following instances of noncompliance that are required to be reported herein under Government Auditing Standards for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in St. Martin, Iberia, Lafayette Community Action Agency, Inc.'s May 31, 1996 financial statements.

The instances of noncompliance noted are as follows:

1. The agency did not comply with certain cash management requirements as set forth in Louisiana Revised Statutes (LSA-R.S.) 39:1221. This statute requires that all deposits are secured by bonds, interest bearing securities, certificates of indebtedness or promissory notes at all times during the year. The Agency was not in compliance with these requirements as follows:

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