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ST. EMERSON ASSOCIATION
FOR RETIRED CITIZENS, INC.

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 1987

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the Auditor of State, 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 01/22/1987

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INDEPENDENT AUDITORS' REPORT

Board of Directors

St. Tammany Association for Retarded Citizens, Inc.
Slidell, Louisiana

We have audited the accompanying statement of financial position of St. Tammany Association for Retarded Citizens, Inc. (a Louisiana corporation, not for profit) as of June 30, 1997, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Association as of June 30, 1996, were audited by another auditor whose opinion dated November 10, 1996, on those statements was unqualified.

We conducted our audit in accordance with generally accepted auditing standards; the standards for financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the Office of Management and Budget (OMB) Circular A-133, *Audit of Institutions of Higher Education and Other Nongovernmental 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.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of St. Tammany Association for Retarded Citizens, Inc. as of June 30, 1997, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated September 9, 1997 on our consideration of St. Tammany Association for Retarded Citizens, Inc. taken as a whole.

SKARDA & SILVA, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Our audit was made for the purpose of forming an opinion on the basic financial statements of St. Tammany Association for Retarded Citizens, Inc. taken as a whole. The accompanying schedules of Federal financial assistance; activities and functional expenses by programs and supporting services; and supporting services allocated to programs for the year ended June 30, 1967 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in those schedules have been subjected to the 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.

Shoemaker & Lippert, C. P. A.

September 9, 1967

St. Tammany Association for Retarded Children, Inc.
 Statement of Financial Position
 June 30, 1997

Assets

Current Assets

Cash and cash equivalents	\$	299,962
Receivables		
Grants		218,400
Accounts		10,966
Prepaid expenses		<u>9,882</u>
		439,210

Property and Equipment

Buildings		342,400
Furniture and equipment		192,028
Vehicles		119,412
Leasehold improvements		104,106
Less accumulated depreciation		<u>(218,659)</u>
		439,286
Land		<u>75,326</u>
		514,612

Other Assets

Refundable deposits		2,350
Community loans held allocation net of accumulated amortization of \$28,750		<u>56,250</u>
		<u>58,600</u>

Total assets		<u>\$ 1,102,522</u>
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The accompanying notes are an integral part of this statement.

St. Tammany Association for Retarded Citizens, Inc.
 Statement of Financial Position
 June 30, 1997

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$	18,457
Accrued salaries and wages		48,470
Accrued payroll taxes		9,337
Accrued sick leave		23,746
Current maturities of long-term debt		13,434
Current maturities of capital lease obligation		5,255
		120,689

Long-Term Liabilities

Long-term debt, net of current maturities		362,625
Capital lease obligation, net of current maturities		34,380
		397,005

Net Assets, as restated

Unrestricted		643,475
Temporarily restricted		22,033
Permanently restricted		119,199
		784,698

Total liabilities and net assets	\$	1,182,532
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The accompanying notes are an integral part of this statement.

B. Temporary Assessor/Inspector Offices
 Removal of Structural Expenses
 Residential (Estimated) 05/1999

Address	Original Services			Temporary Services			Total
	Initial \$000/line	Final \$000/line	Net \$000	Estimated \$000/line	Actual \$000/line	Net \$000	
Street View	11,493	21,424	9,931	20,424	20,424	0	1,007
Structural Services	3,300	11,400	8,100	11,400	11,400	0	14,700
One Service Charge - Sewer	8,750	21,000	12,250	0	0	0	12,250
Item and Fee	11,113	11,400	287	0	0	0	287
Light	0	0	0	0	0	0	0
Signage	0	0	0	0	0	0	0
Permit	0	0	0	0	0	0	0
Survey	0	0	0	0	0	0	0
Travel	0	0	0	0	0	0	0
Construction and Inspections	0	0	0	0	0	0	0
Publicity program	0	0	0	0	0	0	0
Staff salaries	0	0	0	0	0	0	0
Materials	0	0	0	0	0	0	0
Professional services	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Subtotal	11,493	21,424	9,931	20,424	20,424	0	1,007
Grand Total	11,493	21,424	9,931	20,424	20,424	0	1,007

The accompanying costs are an integral part of this statement.

St. Tammany Association for Retarded Citizens, Inc.
Statement of Changes in Net Assets
June 30, 1997

Net assets - beginning of year	\$ 600,582
Increase (decrease) in net assets	
Unrestricted	(83,725)
Temporarily restricted	2,841
Permanently restricted	<u> -</u>
Net assets - end of year	<u>\$ 719,698</u>

The accompanying notes are an integral part of this statement.

St. Tammany Association for Retarded Citizens, Inc.
Statement of Cash Flows
June 30, 1997

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (88,884)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	30,025
(Gain) loss on sale of property and equipment	(718)
 (Increase) decrease in operating assets:	
Accounts receivable	54,159
Prepaid expenses	21,067
Deposits	(2,090)
 Increase (decrease) in operating liabilities:	
Accounts payable	16,549
Accrued salaries and wages	18,393
Net cash provided by (used in) operating activities	<u>68,353</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	(68,204)
Proceeds from sale of property and equipment	18,822
Net cash provided by (used in) investing activities	<u>(49,382)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from long-term debt	-
Principal payments on capital lease obligations	(4,798)
Principal payments on long-term debt	(34,633)
Net cash provided by (used in) financing activities	<u>(39,431)</u>

Net increase (decrease) in cash and cash equivalents	(22,065)
Cash - beginning of year	<u>262,917</u>
Cash - end of year	<u>\$ 240,852</u>

The accompanying notes are an integral part of this statement.

St. Tammany Association for Retarded Citizens, Inc.
Notes To Financial Statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

St. Tammany Association for Retarded Citizens, Inc. (the "Association") was incorporated on March 9, 1988. The Association provides day care services, work training services, case management, and residential housing for retarded citizens of St. Tammany Parish.

Donated Assets and Services

The Association records noncash donations as contributions at its estimated fair value at the date of donation.

The Association recognizes donated services, if significant in amount, that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Property and Equipment

Property and equipment are recorded at cost. Acquisitions of property and equipment are made with unrestricted assets. Depreciation is provided over the estimated useful lives of the respective assets, approximately five to ten years, on a straight-line basis.

St. Tammany Association for Retarded Citizens, Inc.
Notes To Financial Statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted and Unrestricted 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. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire 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 restrictions. 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. Federal grant awards are classified as refundable advances until expended for the purposes of the grants since they are conditional promises to give.

Functional Expense Allocation

Functional expenses are allocated among the various program services, general and administrative, fundraising categories based on actual use of management's best estimate.

Cash and Cash Equivalents

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

Use of Estimates in the Preparation of Financial Statements

The preparation of the Association's financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities as of June 30, 1997. Adjustments to the reported amounts of assets and liabilities may be necessary in the future to the extent that future estimates or actual results are different from the estimates used in 1997 financial statements.

St. Tammany Association for Retarded Citizens, Inc.
Notes To Financial Statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Statement Presentation

In 1997, the Association adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. In addition, the Association is required to present a statement of cash flows. As required by the new statement, the Association has discontinued their use of fund accounting and have, accordingly, reclassified their financial statements to present net assets. This reclassification had no effect on the change in net assets for 1997.

Contributions

The Association also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made" in 1997. In accordance with SFAS No. 116 contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the substance and/or nature of any donor restrictions. The Association's contributions received are considered unrestricted in nature. A cumulative effect adjustment of net assets as of June 30, 1996, is not required.

NOTE B - COMMUNITY BED ALLOCATION

The intangible asset created by the purchase of community bed allocations is being amortized over ten years using the straight line method.

NOTE C - CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Association maintains its cash balances in one financial institution located in Slidell, Louisiana. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. The Association's uninsured cash balances at June 30, 1999 total \$136,962.

St. Tammany Association for Retarded Citizens, Inc.
Notes to Financial Statements

NOTE D - FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair values of the Association's financial instruments are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 239,962	\$ 239,962
Long-term debt	\$ 193,796	\$ 193,796

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents - the carrying amount approximates fair value because of the short maturities of these investments.

Long-term debt - the fair values of long-term debt are based on quoted market prices for the same or similar issues or on the current rates offered to the Association for debt of the same remaining maturities.

NOTE E - CAPITAL LEASE OBLIGATIONS

The following is an analysis of the leased property under capital lease by major classes at June 30, 1997:

Building and improvements	\$ 36,861
Less: accumulated amortization	<u>23,634</u>
	\$ 13,227

St. Vincent's Association for Retarded Children, Inc.
Notes to Financial Statements

NOTE D - CAPITAL LEASE OBLIGATIONS (continued)

The following is a schedule by years of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 1997:

Year ending June 30,	
1998	\$ 9,000
1999	9,000
2000	9,000
2001	9,000
2002	9,000
2003 and thereafter	8,250
Total minimum payments required	53,250
Less: Amount representing interest	11,485
Present value of net minimum lease payments	417,750

The amount necessary to reduce net minimum lease payments to present value is calculated at the Association's incremental borrowing rate at the inception of the lease.

St. Tammany Association for Retarded Citizens, Inc.
Notes to Financial Statements

NOTE F - NOTES PAYABLE

Notes payable consist of the following at June 30, 1997:

Mortgage note dated January 12, 1990, payable to a bank in 180 monthly installments of \$732 consisting of principal and interest accruing at a rate of 10.8% through January 12, 2010. This note is collateralized by land and buildings.	\$ 4,275
Note dated December 22, 1986, payable to an employee in monthly installments of \$240 consisting of principal and interest accruing at a rate of 8% through December 22, 1997. This note is unsecured.	5,511
Mortgage note dated January 12, 1986, payable to a bank in 180 monthly installments of \$938 consisting of principal and interest accruing at a rate of 10.0% through January 12, 2010. This note is collateralized by land and buildings.	79,024
Note dated August 30, 1995, payable to a credit company in monthly installments of \$380 consisting of principal and interest accruing at a rate of 14.0% through September 1, 1997. This note is collateralized equipment used in a coffee program.	9,080
Note dated November 7, 1991, payable to AT&T in monthly installments of \$408 consisting of principal and interest accruing at a rate of 14.0% through July 1, 2000. This note is collateralized by a telephone system.	13,816
Note dated May 20, 1986 payable on demand, but no later than June 1, 1989 to CPAD Foundation. This note is collateralized by a commercial washer and dryer.	<u>7,258</u>
	\$179,964

St. Timothy Association for Retarded Citizens, Inc.
Notes to Financial Statements

NOTE P - NOTES PAYABLE - (continued)

Interest expense on notes payable for the year ending June 30, 1997, was \$23,983.

Minuties are as follows:

1998	\$ 15,434
1999	66,300
2000	7,274
2001	8,250
2002	9,171
2003 and thereafter	121,639
Total minimum payments required	<u>\$178,058</u>
Current portion	\$15,434
Noncurrent portion	<u>162,624</u>
	<u>\$178,058</u>

NOTE Q - OPERATING LEASE OBLIGATIONS

The Association conducts a portion of its operations in leased facilities. The leases are classified as operating leases. The following is a schedule by years of minimum rental payments under such operating leases:

Year ending June 30,	
1998	\$ 28,910
1999	28,910
2000	28,910
2001	28,910
2002	28,910
2003 and thereafter	1,572,850
Total minimum payments required	<u>\$1,717,400</u>

Rent expense for such leased facilities during the year ended June 30, 1997, was \$23,400.

St. Tammany Association for Retarded Children, Inc.
Notes to Financial Statements

NOTE G - OPERATING LEASE OBLIGATIONS (continued)

The Association leases certain office equipment and vehicles under leases classified as operating leases. The following is a schedule by years of minimum rental payments under such operating leases which expires at various dates through November 30, 2000.

Year ending June 30,	
1988	\$ 10,510
1989	10,140
2000	10,140
2001	4,780
Total minimum payments required	\$35,570

Rent expense for such leased equipment and vehicles during the year ended June 30, 1990, was \$47,800.

NOTE H - PROGRAM GRANTS

The Association was organized to promote the general welfare of the mentally retarded, to foster the development of programs in their behalf, to advise and aid parents in the solution of mentally retarded problems, and to coordinate their efforts and activities. To help meet these objectives, the Association maintains and operates a training facility for persons with mental retardation.

A substantial portion of the Association's support and revenue is derived from restricted grants for the various programs conducted. The grants are approved on a year-to-year basis and generally apply for the period July 1 through June 30. Any unexpended grant funds, or unauthorized expenditures charged against the programs, must be refunded.

NOTE I - UNITED WAY ALLOCATION/DESIGNATION

The Association participates in the United Way For The Greater New Orleans Area allocation and designation of funds program. To participate in the allocation and designation of funds, certain restrictions were placed on the Association's ability to conduct certain fund raising activities or otherwise solicit contributions. The United Way's allocation/Designation to the Association for the year ended June 30, 1990, was \$81,184.

St. Tammany Association for Retarded Citizens, Inc.
Notes to Financial Statements

NOTE J - RESTRICTED CASH

At June 30, 1997, the Association has restricted cash of \$15,052. The use of these funds is restricted by donors.

NOTE K - FUND RAISING REVENUES

Fund raising revenues are presented at gross, with related expenses presented separately in the accompanying financial statements. Net fund raising income for the period ending June 30, 1997, is \$22,162.

NOTE L - THIRD PARTY REVENUES

A substantial share of contract revenues for services to clients is derived under federal and state third-party reimbursement programs. These revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party providers. Retroactive adjustments, if any, would not be material to the financial position or results of operations of the Association.

NOTE M - CONTINGENCIES

The Association entered into two lines of credit agreements with a local bank in November, 1995. Each line is \$40,000, payable at a rate of 9.5% and is secured by property. Any outstanding balance is due May, 1998. The outstanding balance of both lines at June 30, 1997, was zero.

SUPPLEMENTARY INFORMATION

6.1 Temporary Assistance for Needy Families
 Multiple-Child Residential Assistance
 For The Year Ending June 30, 2019

ACCOUNT	CLASS	SUBCLASS	BUDGET	ACTUAL	PERCENT	ACCOUNT BUDGET			TOTAL
						STATE	FEDERAL	TOTAL	
	00	0000	1,000,000	1,000,000	100.00			1,000,000	1,000,000
	00	0000	1,000,000	1,000,000	100.00			1,000,000	1,000,000
	00	0000	1,000,000	1,000,000	100.00			1,000,000	1,000,000
	00	0000	1,000,000	1,000,000	100.00			1,000,000	1,000,000
	00	0000	1,000,000	1,000,000	100.00			1,000,000	1,000,000

6.1 Department of Education
 Funded through the American
 Rescue Plan Act
 Department of Education
 Special Services - High
 Risk
 Multiple-Child Residential
 Assistance
 Temporary Assistance
 for Needy Families
 Multiple-Child Residential
 Assistance
 For The Year Ending
 June 30, 2019
 Department of Education
 Special Services - High
 Risk
 Multiple-Child Residential
 Assistance
 Temporary Assistance
 for Needy Families
 Multiple-Child Residential
 Assistance
 For The Year Ending
 June 30, 2019

16. Summary Information for Borrowed Clauses
Monthly at Payroll, Dependent and Expense/Development/Independent Expenses
For the Year Ended June 30, 2007

Account/contract Expenses	Original Estimate					Expenses Incurred	
	AGG. Available	Total Available	Available	Per Month	From the Budget	Project Actuals	Percent of Available
Account/contract Expenses	\$1,428,000	\$1,428,000	\$1,428,000	\$119,000	\$1,428,000	\$1,428,000	100.00%
Contingency and reserves							
- Price provides	1,428,000					402,000	28.15%
- Program reserve fee	142,800					402,000	281.45%
- SAs in service					28,000	18,000	64.29%
- Insurance	5,000	175	48	15	25	1,000	20.00%
- Credit file closures	1,000	1,000	1,000	1,000	1,000	1,000	100.00%
- Debt file integration						44,000	44.00%
- Productivity	1,000	48	15	5	48	1,000	100.00%
- Other reserves	2,000	1,000	1,000	1,000	1,000	1,000	50.00%
- Workload and dependent clauses					25	25	25.00%
Total contract/contract support	\$1,428,000	\$1,428,000	\$1,428,000	\$119,000	\$1,428,000	\$1,428,000	100.00%
Expenses							
Admin							
- Audit/Time	10,000	10,000	10,000	10,000	10,000	10,000	100.00%
- Business	10,000	10,000	10,000	10,000	10,000	10,000	100.00%
- Miscellaneous Services	10,000	10,000	10,000	10,000	10,000	10,000	100.00%
- The various/Range - Admin	10,000						
- Item list files						40,000	40.00%
- Supplies	10,000	10,000	10,000	10,000	10,000	10,000	100.00%
- Utilities	10,000	10,000	10,000	10,000	10,000	10,000	100.00%
- Travel	10,000	10,000	10,000	10,000	10,000	10,000	100.00%
- Training	10,000	10,000	10,000	10,000	10,000	10,000	100.00%
- Computer	10,000	10,000	10,000	10,000	10,000	10,000	100.00%
- Insurance	10,000	10,000	10,000	10,000	10,000	10,000	100.00%
- Dependent and dependent	10,000	10,000	10,000	10,000	10,000	10,000	100.00%
- Fuel	10,000	10,000	10,000	10,000	10,000	10,000	100.00%
- Conference and meals	10,000	10,000	10,000	10,000	10,000	10,000	100.00%
- Marketing expense	10,000	10,000	10,000	10,000	10,000	10,000	100.00%
- Specific contracts	10,000	10,000	10,000	10,000	10,000	10,000	100.00%
- Staff salaries	10,000	10,000	10,000	10,000	10,000	10,000	100.00%
Total expenses	\$1,428,000	\$1,428,000	\$1,428,000	\$119,000	\$1,428,000	\$1,428,000	100.00%
Change in reserves							
- Contingency							
- Price provides							
- Program reserve fee							
- SAs in service							
- Insurance							
- Credit file closures							
- Debt file integration							
- Productivity							
- Other reserves							
- Workload and dependent clauses							

OTHER INDEPENDENT AUDITORS' REPORTS

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE BASED
ON AUDIT OF BASIC FINANCIAL STATEMENT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS AND OFFICE OF MANAGEMENT
AND BUDGET (OMB) CIRCULAR A-133**

Board of Directors
St. Tammany Association for Retarded Citizens, Inc.
Slidell, Louisiana

We have audited the financial statements of St. Tammany Association for Retarded Citizens, Inc. as of and for the year ended June 30, 1997, and have issued our report thereon dated September 9, 1997.

We conducted our audit in accordance with generally accepted auditing standards, the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget (OMB) Circular A-133, Audit 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. Tammany Association for Retarded Citizens, 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 the 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. Tammany Association for Retarded Citizens, Inc. for the year ended June 30, 1997, we obtained an understanding of the internal control structure.

SKARDA & SILVA, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

With respect to the internal control structure, we obtained an understanding of the design of relevant 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific 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. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the finance committee, managers, the Department of Health and Human Services, the Department of Transportation, the United Way, and the Louisiana Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.



September 9, 1997

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN AUDIT OF
BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS AND OFFICE OF MANAGEMENT AND
BUDGET (OMB) CIRCULAR A-133**

Board of Directors
St. Tammany Association for Retarded Citizens, Inc.
SIWOL, Louisiana

We have audited the financial statements of St. Tammany Association for Retarded Citizens, Inc. as of and for the year ended June 30, 1997, and have issued our report thereon dated September 9, 1997.

We conducted our audit in accordance with generally accepted auditing standards, the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of 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.

Compliance with laws, regulations, contracts and grants applicable to St. Tammany Association for Retarded Citizens, Inc. is the responsibility of management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of St. Tammany Association for Retarded Citizens, Inc.'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 no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of the finance committee, management, the Department of Health and Human Services, the Department of Transportation, the United Way, and the Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.


September 9, 1997

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL STRUCTURE USED IN ACCORDANCE
WITH OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-133**

**Board of Directors
St. Tammany Association for Retarded Citizens, Inc.
Slidell, Louisiana**

We have audited the financial statements of St. Tammany Association for Retarded Citizens, Inc. as of and for the year ended June 30, 1997, and have issued our report thereon dated September 9, 1997. We have also audited St. Tammany Association for Retarded Citizens, Inc.'s compliance with requirements applicable to major federal programs and have issued our report thereon dated September 9, 1997.

We conducted our audits in accordance with generally accepted auditing standards, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of 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 St. Tammany Association for Retarded Citizens, Inc. complied with laws and regulations, compliance with which would be material to a major federal program.

In planning and performing our audit for the year ended June 30, 1997, we considered the Association's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the Association's financial statements 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 financial assistance programs. We have addressed policies and procedures relevant to our audit of the financial statements in a separate report dated September 9, 1997.

SKARDA & SILVA, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

The management of St. Tammany Association for Retarded Citizens, Inc. is responsible for establishing and maintaining an internal control structure. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of an internal control structure used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resources are in compliance with laws, regulations, and policies; assets are 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.

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 of 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 purposes of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories: cash receipts, cash disbursements, payroll, accounts receivable, accounts payable, property and equipment, general ledger, nonfederal share, political activity, civil rights, cash management, federal financial reports, allowable costs, drug-free work place, administrative requirements, eligibility, reporting, financial reports, claims for advances and reimbursements, and special requirements. For all of the internal control structure categories listed above, 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 June 30, 1997, St. Tammany Association for Retarded Citizens, Inc. expended 90 percent of its total federal financial assistance under major federal financial assistance 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 grant requirements that are applicable to the Association's major program, which is identified in the accompanying schedule of federal financial assistance. 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.

Our examination 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 constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a 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 awards program 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 structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management, and the Department of Health and Human Services, the Department of Transportation, the United Way, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.


September 9, 1997

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH GENERAL REQUIREMENTS APPLICABLE TO
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

**Board of Directors
St. Tammany Association for Retarded Citizens, Inc.
Slidell, Louisiana**

We have audited the financial statements of St. Tammany Association for Retarded Citizens, Inc. as of and for the year ended June 30, 1997, and have issued our report thereon dated September 9, 1997.

We have applied procedures to test St. Tammany Association for Retarded Citizens, Inc.'s compliance with the following requirements applicable to its federal programs, which are identified in the schedule of Federal financial assistance for the year ended June 30, 1997. For the purpose of this report we have classified the general requirements applicable to St. Tammany Association for Retarded Citizens, Inc.'s major federal financial assistance programs as political activity, civil rights, cash management, allowable costs, deplorative work place, administrative requirements, and federal financial reports.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Analysis of Institutions of Higher Learning and Other Non-Profit Institutions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on St. Tammany Association for Retarded Citizens, 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. Tammany Association for Retarded Citizens, Inc. has not complied, in all material respects, with these requirements.

This report is intended for the information of the finance committee, management, the Department of Health and Human Services, the Department of Transportation, the United Way, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.


September 9, 1997

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO
MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

**Board of Directors
St. Tammany Association for Retarded Citizens, Inc.
Slidell, Louisiana**

We have audited the financial statements of St. Tammany Association for Retarded Citizens, Inc., as of and for the year ended June 30, 1997, and have issued our report thereon dated September 9, 1997.

We have also audited St. Tammany Association for Retarded Citizens, Inc.'s compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort; or cost-sharing; reporting; cost allocation; claims for advances and reimbursements; amounts claimed or used for matching; and other special tests and provisions that are applicable to its major federal financial assistance programs which are identified in the schedule of federal financial assistance, for the year ended June 30, 1997. The management of St. Tammany Association for Retarded Citizens, Inc. is responsible for the Association's compliance with these requirements. Our responsibility is to express an opinion on compliance with these requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget (OMB) Circular A-133, *audits of Institutions of Higher Education and Other Not-for-Profit Institutions*. These 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 of St. Tammany Association for Retarded Citizens, Inc.'s compliance with these requirements. We believe that our audit provides a reasonable basis for our opinion.

SKARDA & SILVA, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

In our opinion, St. Tammany Association for Retarded Citizens, Inc. complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort; earmarking; reporting; cost allocation; monitoring sub-recipients; claims for advances and reimbursements; amounts allowed or used for matching; and special tests that are applicable to its major Federal financial assistance programs for the year ended June 30, 1987.

This report is intended for the information of management, the Department of Health and Human Services, the Department of Transportation, the United Way, and the Louisiana Legislative Auditors. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Andrew W. Little, L.A., P.C.
September 9, 1987

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO NONMAJOR
FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

Board of Directors

St. Tammany Association for Retarded Children, Inc.
Slidell, Louisiana

We have audited the financial statements of St. Tammany Association for Retarded Children, Inc. as of and for the year ended June 30, 1997, and have based our report thereon dated September 9, 1997.

In connection with our audit of the financial statements of St. Tammany Association for Retarded Children, Inc. and with our consideration of St. Tammany Association for Retarded Children, Inc.'s internal control structure used to administer federal financial assistance programs, as required by the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of Institutions of Higher Education and Other Non-Profit Organizations*, we selected certain transactions applicable to certain non-major federal financial assistance programs for the year ended June 30, 1997.

As required by OMB Circular A-133, we performed testing procedures to test compliance with the requirements governing eligibility, reporting, financial reports, claims for advances and reimbursements, and special requirements. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on St. Tammany Association for Retarded Children, Inc.'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. Tammany Association for Retarded Children, Inc. had not complied, in all material respects, with those requirements.

This report is intended for the information of management, the Department of Health and Human Services, the Department of Transportation, the United Way, and the Louisiana Legislative Auditors. However, this report is a matter of public record and its distribution is not limited.


September 9, 1997

SKARDA & SILVA, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

St. Tammany Association for Retarded Citizens, Inc.

Schedule of Questioned Costs

June 30, 1997

WE NOTED NO QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1997.

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ST. TAMMANY ASSOCIATION FOR RETIRED CITIZENS, INC.

REPORT TO MANAGEMENT

June 20, 1990

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September 28, 1997

To the Finance Committee
St. Tammany Association for Retarded Citizens, Inc.

Dear Sirs:

In connection with our audit of the financial statements of St. Tammany Association for Retarded Citizens, Inc. for the year ended June 30, 1997, we are submitting the accompanying recommendations designed to help you improve internal accounting controls and achieve operational efficiencies for your consideration. Our comments reflect our desire to be of continuing assistance to management.

Since the comments and observations contained in this report are a by-product of the audit of financial statements, the cost justification and other aspects of our suggestions have not been fully evaluated; these evaluations should be made by management. Therefore, we recognize that, after consideration, certain suggestions and recommendations may not be practical to implement.

Our comments deal exclusively with operational, accounting and recordkeeping systems and procedures, and should not be regarded as reflecting on the integrity or capabilities of anyone in your organization. Also, our comments have been restricted to weaknesses noted and suggested means of improvements and are not intended as a commentary on the various favorable aspects of the Association's procedures.

We appreciate the cooperation we have received from your personnel in connection with developing these recommendations.

We appreciate the opportunity to have been of service to you and the Association. Should you have any questions about our recommendations, this letter, or about matters, please contact us at your convenience.

Very truly yours,



SKARDA & SILVA, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

ST. TAMMANY ASSOCIATION FOR RETARDED CITIZENS, INC.

REPORT TO MANAGEMENT

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ST. TAMMANY ASSOCIATION FOR RETARDED CITIZENS, INC.

REPORT TO MANAGEMENT

1. Cash In Excess Of Federal Deposit Insurance Corporation (FDIC) Limit Should Be Monitored And Steps Taken To Reduce That Risk

The Association maintains its cash balances at two financial institutions in Slidell, Louisiana. The cash balances are insured by the FDIC up to \$100,000. The cash balances in excess of the insured limit as June 30, 1991, totaled \$152,962.

The management of the Association should monitor the cash balances on a monthly basis and establish procedures to minimize the risk of uninsured cash balances.

2. A Deficit Should Not Be Budgeted For The Fiscal Year

The budget for the fiscal year ended June 30, 1997 and 1998 reflect a deficit of revenues over expenses. A budgeted deficit does not provide the information necessary for management, the Finance Committee, and the board of directors to evaluate and make proper decisions on reducing costs or ways to increase revenues.

We recommend that the budget for the fiscal year reflect at a minimum a "break-even", which will provide the Association with the financial information to assess the "feasibility" and ways to increase productivity. Also, a budget message should be provided to the Finance Committee, and the board of directors to provide a brief synopsis of the assumptions used in formulating the budget for the upcoming fiscal year.

3. The Finance Committee Should Be Properly Utilized

There is growing acceptance and endorsement of finance committees by management and regulatory agencies. This acceptance is due to a number of emerging factors. Inevitably the business climate has increased complexity of non-for-profit institutions, a trend toward litigation resulting from actions by both directors and management, and finally, broader responsibilities placed on directors and management as a result of the Foreign Corrupt Practices Act.

An effective finance committee clarifies the distinction between management, which runs operations, and the board, which monitors the results of operations. Additionally, the committee serves to reinforce the independence of the auditors both in fact and appearance.

Based on the strong endorsement by regulatory agencies and the increased exposure to the general public, we recommend the formal utilization of the finance committee.

ST. TAMMANY ASSOCIATION FOR RETARDED CITIZENS, INC.

REPORT TO MANAGEMENT

1. The Finance Committee Should Be Properly Utilized, Continued

The responsibilities of the committee should include but not necessarily be limited to:

- a. Approving the selection of the independent auditor,
- b. Resolving discrepancies between independent auditor and management,
- c. Reviewing the independent auditor's "management letter,"
- d. Evaluating performance and staffing of accounting and financial departments, and
- e. Discussing internal control procedures with the financial officer.

4. Financial Information Related To Cash Management

The Association has established a cash flow budget for fiscal year 1998. It is our understanding that periodic comparisons of actual cash flow results are made against this budget and the Executive Director is informed of this information, however, these procedures are performed only on an informal basis. Because of the high cost of money, we believe that it is essential that the actual cash flow of the Association be closely monitored on a formal basis against the cash flow budget.

We recommend that the executive director, finance committee, and the board of directors be supplied an analysis of cash flow at the end of each month.

2. The Association Should Examine Its Financial Strategy

The Association's expenses exceeded its revenues for the year ended June 30, 1997, and projected the same result for the year ended June 30, 1998. This was due to the fact that costs for certain programs have increased significantly over the increase in revenues.

We recommend that management should reconsider its current procedures and costs for certain programs and whether to retain certain programs, while not hindering the operations of other program programs.

THE TARIFFMAN ASSOCIATION FOR RETAIRED CITIZENS, INC.

REPORT TO MANAGEMENT

4. A Flexible "Choice" Plan Should Be Considered

The Association currently does not offer a flexible plan to its employees. We recommend that the Association consider establishing a Plan for the benefit of its employees. This type of plan offers an employee a choice of several qualified benefits, such as accident and health coverage, group-term life insurance coverage or coverage under a dependent care program. No amount is included in the income of a flexible plan participant who chooses among the benefits of the plan.

One way to start in establishing employee benefit plans and credit union is establishing a 125 (A) Plan.