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OPTION, INC.
MONROE, LOUISIANA

FINANCIAL STATEMENTS

AS OF 30, 1992

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, 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.

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Release Date **FEB 18 1993**

OPTIONS, INC.
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JAMES M. CAMPBELL,
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL CORPORATION
SUNBELTONE TRAY, PAPER, TUBES, A & C
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August 4, 1987

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Options, Inc.
Bossier, Louisiana

Ladies and Gentlemen:

I have audited the accompanying statement of financial position

of

OPTIONS, INC.
(a nonprofit organization)

as of June 30, 1987, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Options, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Options, Inc. as of June 30, 1987, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

INDEPENDENT AUDITOR'S REPORT

(CONCLUDED)

In accordance with Government Auditing Standards, I have also issued my report dated August 8, 1997, on my consideration of Options, Inc.'s internal control over financial reporting and my tests of its compliance with laws, regulations, contracts and grants.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Options, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Also, the Schedule of Functional Expenses on Page 15 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 my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

John W. Campbell

OPTIDOM, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1981

ASSETS

Assets	
Cash	\$ 318,804
Accounts receivable	228,804
Prepaid expenses	10,823
Deposits	8,885
Land	113,733
Building and improvements	534,324
Furniture and fixtures	252,485
Vehicles	428,188
Less: accumulated depreciation	<u>(588,437)</u>
Total Assets	<u>\$ 3,378,810</u>

LIABILITIES AND NET ASSETS

Liabilities and Net Assets	
Accounts payable	132,882
Excise account payable	18,880
Cafeteria plan payable	18,880
Compensated absences payable	38,123
Other payables	7,822
Notes payable	<u>202,148</u>
Total Liabilities	<u>194,148</u>
Net Assets	
Unrestricted net assets, operations	<u>881,008</u>
Total Net Assets	<u>881,008</u>
Total Liabilities and Net Assets	<u>\$ 3,378,810</u>

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

CTIONS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1987

<u>PUBLIC SUPPORT</u>	
Contributions	\$ 61,176
<u>GOVERNMENT GRANTS</u>	
State grants and Title XIX	2,027,400
<u>OTHER REVENUE</u>	
Program service fees	167,236
Contract work	380,529
Interest income	6,817
Other income	1,281
	<u>555,863</u>
<u>Total Other Revenues</u>	<u>555,863</u>
<u>TOTAL PUBLIC SUPPORT,</u>	
<u>GOVERNMENT GRANTS,</u>	
<u>AND OTHER REVENUE</u>	<u>2,657,311</u>
<u>EXPENSES</u>	
Program Services:	
Supervised apartments	242,499
Rehabilitation Program	892,266
Residential program	1,134,212
Respite care	45,500
Personal care	202,879
	<u>2,517,356</u>
<u>Total Program Services</u>	<u>2,517,356</u>
<u>SUPPORTING SERVICES</u>	
Management and general	3,323
	<u>3,323</u>
<u>TOTAL REVENUES</u>	<u>2,515,973</u>
<u>CHANGE IN NET ASSETS</u>	81,444
<u>NET ASSETS, BEGINNING OF YEAR</u>	<u>722,440</u>
<u>NET ASSETS, END OF YEAR</u>	<u>803,884</u>

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

OPTIGAS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1993

CASH FLOWS FROM OPERATING ACTIVITIES:

Excess (deficiency) of support and revenue over expenses		
(Change in net assets)	\$	\$1,444
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		181,588
Accounts receivable		23,472
Prepaid expenses		3,828
Deposits		3,750
Accounts payable		51,362
Employer account payable		8,883
Cafeteria plan payable		(1,546)
Compensated absences payable		6,825
Other payables		1,231

NET CASH FROM OPERATING ACTIVITIES

287,951

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property and equipment		(184,514)
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NET CASH FROM INVESTING ACTIVITIES

(186,814)

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments of notes payable		(63,215)
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NET CASH FROM FINANCING ACTIVITIES

(63,215)

INCREASE IN CASH AND CASH EQUIVALENTS:

\$ 119,719

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR:

121,836

CASH AND CASH EQUIVALENTS, END OF YEAR:

\$ 241,555

SUPPLEMENTAL INFORMATION

Interest expense	\$	<u>21,372</u>
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The accompanying notes are an integral part of the financial statements.

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1987

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

Options, Inc. (Options) is a private, non-profit organization whose purpose is to provide needed services for people with mental retardation and developmental disabilities. These services include supported living, community homes, respite care, personal care attendants, supported employment, and vocational services in Hammond, Louisiana and the surrounding parishes of Tangipahoa, Liveston, St. Helena, Washington, and St. Tammany.

B. BAIS OF ACCOUNTING

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with generally accepted accounting principles.

C. INCOME TAXES

Options is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Options has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 170(e) of the Internal Revenue Code. There was no unrelated business income for 1987.

D. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

E. CONTRIBUTIONS

Donations of property and equipment are recorded as support at their estimated fair value. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1991

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

F. CASH AND CASH EQUIVALENTS

Options, Inc. considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

G. ESTIMATES

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

H. SUPPORT AND REVENUE

Options receives its grant and contract support primarily from the State Department of Health and Hospitals and other State Agencies (see Note 3: Summary of Grants/Contracts Funding). Support received from these grants and contracts is recognized when it is earned. Options receives client fees, Medicaid income, and Medicare income for billable client services and recognizes these fees and income when earned.

NOTE 2: FIXED ASSETS

Fixed assets acquired by Options are considered to be owned by the Organization. However, State funding sources may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State has a reversionary interest in those assets purchased with its funds which have a cost of \$100 or more, and an estimated useful life of at least one year.

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1997

NOTE 2: FIXED ASSETS (CONTINUED)

Options follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

<u>Estimated Useful Life</u>	
Furniture & Equipment	3-12 years
Leasehold Improvements	3-60 years
Transportation Equipment	5 years
Buildings	30 years

Depreciation expense of \$101,866, which includes capital lease amortization, was deducted at June 30, 1997.

NOTE 3: SUMMARY OF STATE CONTRACT FUNDING

<u>Funding Source</u>	<u>Contract</u>		<u>Total Contract</u>	<u>Recognized Amount</u>
	<u>Number</u>	<u>Period</u>		
State Dept. of Health & Hospitals	50033	7/1/96-6/30/97	\$279,514	\$ 279,514
State Dept. of Health & Hospitals	68046	7/1/96-8/30/97	28,087	25,195
State Dept. of Health & Hospitals	60887	7/1/96-4/30/97	10,800	4,788
Total Contracts				\$ 311,497

NOTE 4: ACCOUNTS RECEIVABLE

Receivables at June 30, 1997, are summarized below. Options anticipates that all receivables will be collected and no provision for uncollectible receivables has been provided.

Due from State of Louisiana, Department of Health and Hospitals, and Title XII and Title XIX Waiver:

<u>Programs:</u>	
Rehabilitation Services	\$ 83,837
Other Services	39,289
Supervised Apartments	24,638
Residential - "Our House"	21,741

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1993

NOTE 4: ACCOUNTS RECEIVABLE (CONTINUED)

Residential - "Portenberry House"	21,442
Residential - "Alpha House"	26,483
Residential - "La Casa"	25,000

<u>Due from private sector:</u> Contract work	<u>22,554</u> <u>2029,104</u>
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NOTE 5: ACCRUED VACATION/LEAVE & EMPLOYEE BENEFITS

Options' employees earn paid vacation after successful completion of three months of initial period of employment.

Vacation and leave accrue at various rates depending upon length of service and hours worked per month, as follows:

<u>EMPLOYEE CLASSIFICATION</u>	<u>ACCUMULATED RATE</u>
40 hour employees	6.67 to 14 hours per month Maximum 160 hours
36-39 hour employees	5.88 to 12.25 hours per month Maximum 147 hours
32-34 hour employees	5 to 10.8 hours per month Maximum 128 hours

The leave policy for the year ending June 30, 1993 permitted employees to carryover five days of leave to the following year. Accrued leave at June 30, 1993 was 292,128.

NOTE 6: LONG-TERM DEBT

Notes payable consist of the following:

Note payable to Citizens National Bank, due in thirty-six monthly installments of \$3,150, with the balance becoming due on September 15, 1994. Payments include interest at 8%. The note is secured by: first mortgage on real estate located at Illinois and Easy Street; second mortgage on a house located at General

GATIONS, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 1987

NOTE 6: LONG-TERM DEBT - (CONTINUED)

Perching: first mortgage on a office building located in Industrial Park, and first mortgage on a house located on South Oak St., Hammond, Louisiana. 71,184

Note payable to Elvia P. Jackman, due in monthly installments of \$878 including interest at 8%, collateralized by a house located at South General Penning, Hammond, Louisiana. 48,204

Note payable to Citizens National Bank, due in thirty-two monthly installments of \$1,100 each, with the balance becoming due on September 18, 1988. Payments include interest at 9.99%, collateralized by a first mortgage on a house and land located on General Oct Road, Hammond, Louisiana. 80,176

Note payable to Ford Motor Credit, due in thirty six monthly installments of \$711 including interest at 8.9%, collateralized by a 1985 Ford F 350 Van. 2,182

Capital lease obligation to Lander Worldwide, Inc., due in monthly installments of \$898 including interest at 7.85%, collateralized by equipment. 718

Less current maturities 212,344
44,242
\$167,422

Principal maturities of debt are as follows:

1988	\$ 44,200
1989	123,092
2000	3,056
2001	3,248
2002	4,200
thereafter	<u>28,827</u>
	<u>\$212,344</u>

The gross amount of equipment leased under capital leases

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1997

NOTE 6: LONG-TERM DEBT - (CONTINUED)

as of June 30, 1997, was \$18,828. Accumulated amortization was \$7,868 of which \$2,788 is for the current year and is included in Depreciation expense on the Statement of Revenues and Expenses. This lease is included in the long-term debt schedule.

Future minimum lease payments under capitalized lease obligations are as follows at June 30, 1997:

1998	<u>1,784</u>
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NOTE 7: COMMITMENTS AND CONTINGENCIES

Options receives a substantial portion of its revenues from government grants and contracts, all of which are subject to audit by the federal government. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to, and audited by, the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs.

Management is not aware of any pending audits or proposed adjustments, and no provision for estimated retroactive adjustments has been made.

Options is subject to certain claims and litigation. In the opinion of management, the outcome of such matters will not have a material effect on the financial position of the Organization.

NOTE 8: PENSION PLAN

Employees of the Organization may participate in a 401(k) savings plan, whereby the employees may elect to make contributions pursuant to a salary reduction agreement upon meeting age and length-of-service requirements. Employees may elect to defer a portion of their annual salary subject to Internal Revenue Service limits. The Organization matches up to 2% of the employees' annual salary. Employer contributions for the year ended June 30, 1997, totaled \$11,583.

OPTIGEN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1997

NOTE 8: PENSION PLAN (CONTINUED)

The Organization has a "Section 125" employee benefits plan, which is also referred to as a "Cafeteria" plan.

NOTE 9: CAFETERIA PLAN

The Organization contributes an amount based on length of service. Employees can use this employee contribution for term life insurance, health insurance, dependent care and medical expenses. Employees can contribute additional amounts to this plan on a pre-tax basis. A new employee has a six month waiting period before he or she becomes eligible to participate in the Cafeteria plan. Employer contributions for the year ended June 30, 1997, totaled \$48,539.

NOTE 10: CONCENTRATION OF CREDIT RISK

Optigen maintains several bank accounts at two banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at one of these institutions exceeded Federally insured limits. The amount in excess of the FDIC limit totaled \$112,044 as of June 30, 1997.

NOTE 11: FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Cash and cash equivalents - Fair value approximates carrying value due to the initial maturities of the instruments being three months or less.

Notes payable - Fair value approximates carrying value since stated rates are similar to rates currently available to Optigen for debt with similar terms and remaining maturities.

The estimated fair values of Optigen's financial instruments at June 30, 1997, are as follows:

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1987

NOTE 11: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	<u>Carrying</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>
Financial Assets:		
Cash and cash equivalents	\$ 310,824	\$310,824
Financial liabilities:		
Notes payable	382,366	382,366

NOTE 12: LINE OF CREDIT

As of June 30, 1987, Options has a \$6,880 secured line of credit with a bank to be withdrawn as needed, with an interest rate of 5.8%. As of June 30, 1987, no amount had been withdrawn. Collateral for this line of credit is a savings account which has a balance of \$69,217 at June 30, 1987.

SUPPLEMENTARY INFORMATION

OPTICONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 1997

	SUPERVISED APARTMENTS	REHABILITATION PROGRAM	RESIDENTIAL PROGRAMS	RESPIRE CARE
Salaries	\$ 116,784	\$ 822,698	\$ 421,826	\$ 24,702
Payroll taxes and fringe benefits	17,448	42,274	22,482	1,200
Total Salaries & Related Expenses	134,232	864,972	444,308	25,902
Building-maintenance & repairs	798	4,108	37,245	
Bad tax			82,271	
Central office overhead	80,888	117,644	251,178	16,740
Client allowance			10,244	
Consultants, physicians, therapists, etc.	1,055	2,160	64,197	
Cost of client employment		59,898		
Equipment	194	142	950	
Insurance	1,749	55,741	21,803	270
Interest		2,410	17,764	
License and membership	20	871	1,623	10
Miscellaneous		1,478	2,740	
Office supplies, printing & copying	1,545	1,754	2,826	
Personal needs, food & linen			57,253	
Postage	79	223		
Recreational and Training	3,975	445	10,884	
Supplies		3,888	18,854	
Telephone	331	1,178	3,753	
Training, in service	1,300	6,585	4,282	
Travel and seminars	4,659	9,421	1,728	329
Utilities			20,420	
Vehicle-mes. oil & repairs	6,531	58,818	12,781	
Total Expenses	239,428	913,117	1,690,749	45,500
Depreciation of buildings & equipment	3,981	38,245	12,841	0
Total Expenses	\$ 243,409	\$ 951,362	\$1,703,590	\$ 45,500

See auditor's report.

<u>PERSONNEL</u> <u>CARE</u>	<u>TOTAL</u> <u>PROGRAM</u> <u>SERVICES</u>	<u>SUPPORTIVE</u> <u>SERVICES</u>	<u>TOTAL</u> <u>COSTS/YS</u>
\$ 110,756	\$ 1,196,218	\$ 0	\$ 1,196,218
<u>38,478</u>	<u>348,788</u>	<u>1,800</u>	<u>167,848</u>
<u>125,325</u>	<u>1,381,308</u>	<u>1,800</u>	<u>1,381,308</u>
	22,451		22,451
74,249	89,371		89,371
	140,739		140,739
	10,844		10,844
	87,592		87,592
	83,898		83,898
	1,288		1,288
1,002	84,518		84,518
	20,194		20,194
80	3,890	2,000	4,340
	4,218		4,218
	6,088		6,088
	87,293		87,293
	322		322
80	14,508		14,508
	22,854		22,854
	8,283		8,283
1,424	12,287		12,287
	17,768		17,768
	20,428		20,428
<u> </u>	<u>28,184</u>	<u> </u>	<u>28,184</u>
202,973	2,481,777	3,327	2,489,104
<u>0</u>	<u>80,771</u>	<u>0</u>	<u>80,771</u>
<u>\$ 202,973</u>	<u>\$ 2,572,548</u>	<u>\$ 3,327</u>	<u>\$ 2,579,875</u>

OPICONS, INCORPORATED
SCHEDULE OF FEDERAL/STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 1997

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>CFDA OR OTHER NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>DISBURSEMENTS/ EXPENDITURES</u>
<u>Department of Health and Hospitals</u>			
<u>Office for Citizens with Developmental</u>			
<u>Disabilities</u>			
Supported Living		OCDD# 000284 ID#B: 60346 ID#A: 343-700183	\$ 28,199
Vocational and Rehabilitative Services		OCDD# 000114 ID#B: 60313 ID#A: 343-700113	279,804
Total Other DSH Awards			6,383
Total			\$ 311,828

See auditor's report.

JAMES M. CAMPBELL
CERTIFIED PUBLIC ACCOUNTANT

A PROFESSIONAL CORPORATION

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August 8, 1997

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Options, Inc.
Monroe, Louisiana

I have audited the financial statements of Options, Inc. (a nonprofit organization) as of and for the year ended June 30, 1997, and have issued my report thereon dated August 8, 1997. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control over Financial Reporting

In planning and performing my audit, I considered Options, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN audit OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

(CONCLUDED)

course of performing their assigned functions, I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the Management and Board of Directors of Options, Inc., the Legislative Auditor's office and the various granting agencies. However, this report is a matter of public record and its distribution is not limited.

James W. Campbell

JAMES M. CAMPBELL
CERTIFIED PUBLIC ACCOUNTANT
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August 6, 1987

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH GSA CIRCULAR A-133

Board of Directors
Options, Inc.
Hammond, Louisiana

Compliance

I have audited the compliance of Options, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1987. Option Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Option Inc.'s management. My responsibility is to express an opinion on Option Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. These standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Options, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Option, Inc.'s compliance with those requirements.

In my opinion, Options, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1987.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH GSA CIRCULAR A-112
(CONCLUDED)

Internal Control Over Compliance

The management of Options, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Options Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with GSA Circular A-112.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weakness.

This report is intended for the information of the Management and Board of Directors of Options, Inc., and the Legislative Auditor's office, and various grant agencies. However, this report is a matter of public record, and its distribution is not limited.

