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**FAIRVIEW TREATMENT CENTER
ST. MARY PARISH
STATE OF LOUISIANA**

*Annual Component Unit Financial Statements
with Independent Auditors' Report*

and

*Auditors' Report on Entity's Internal Control and
Compliance with Laws and Regulations*

and

*Auditors' Report on Schedule of Expenditures of Federal Awards,
Internal Control over Major Federal Award Programs, and
Major Program Compliance with Laws, Regulations,
Contracts, and Grant Agreements*

For the Year Ended June 30, 1997

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: 04 04 1998

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ADAMS & JOHNSON

CERTIFIED PUBLIC ACCOUNTANTS
P. O. BOX 108 • 147 ROAD STREET
FAIRVIEW, LOUISIANA 70040
(504) 837-0540

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF THE NATIONAL
CONFERENCE OF
CERTIFIED PUBLIC ACCOUNTANTS

HERRING J. ADAMS, P.L.C.F.A.
WILLIAM H. JOHNSON, P.L.C.F.A.

INDEPENDENT AUDITORS' REPORT

Fairview Treatment Center
St. Mary Parish, Louisiana
118 Southeast Hwy., 2nd Floor
Morgan City, LA 70380

We have audited the accompanying financial statements of Fairview Treatment Center, a component unit of St. Mary Parish Council, as of and for the year ended June 30, 1997. These financial statements are the responsibility of Fairview Treatment Center'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 applicable to 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 Circular A-133. These standards 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 respects, the financial position of Fairview Treatment Center as of June 30, 1997, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 22, 1997 on our consideration of Fairview Treatment Center's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the accompanying financial statements of Fairview Treatment Center, 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, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the accompanying financial statements. Such information has been subjected to the auditing procedures applied in the audit of the accompanying financial statements and in our opinion is fairly stated, in all material aspects, in relation to the accompanying financial statements taken as a whole.



ADAMS & JOHNSON

Certified Public Accountants

Patterson, LA

December 22, 1997

**FAIRVIEW TREATMENT CENTER
ST. MARY PARISH, LOUISIANA**

**Combined Balance Sheet--All Fund Types and Account Groups
June 30, 1997**

	Governmental Fund Type	Account Group	Total Memorandum Only
	General Fund	General Fixed Assets	
ASSETS			
Cash	\$250	\$0	\$250
Accounts Receivable (net of allowance for uncollectible accounts of \$19,239)	11,760	0	11,760
Due from State of Louisiana	136,919	0	136,919
Due from St. Mary Parish Council	25,743	0	25,743
Leasehold Improvements	0	87,814	87,814
Vehicles	0	100,154	100,154
Furniture & Equipment	0	296,190	296,190
Total Assets	\$174,671	\$484,118	\$658,789
LIABILITIES, EQUITY AND OTHER CREDITS			
Liabilities:			
Due to State	\$19,240	\$0	\$19,240
Total Liabilities	\$19,240	\$0	\$19,240
Equity and Other Credits:			
Investment in General Fixed Assets	0	484,118	484,118
Fund Balance			
Unreserved, Undesignated	155,322	0	155,322
Total Equity and Other Credits	\$174,671	\$484,118	\$658,789

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

FAIRVIEW TREATMENT CENTER
ST. MARY PARISH, LOUISIANA

Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended
June 30, 1997

	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues			
Federal Grant	\$1,518,968	\$1,535,004	\$16,436
Patient Fees	40,000	45,424	5,424
Other Revenue	11,400	10,420	(980)
	<hr/>	<hr/>	<hr/>
Total Revenues	\$1,569,978	\$1,608,918	\$38,900
Expenditures			
Health and Welfare			
Personal Services	\$768,484	\$771,471	(\$2,977)
Employee Benefits	157,966	149,889	8,077
Travel	8,000	4,957	3,043
Operating Services	219,756	212,345	7,411
Supplies	94,830	106,053	(11,223)
Professional Services	220,382	220,031	351
Capital Outlay	100,480	109,949	(9,549)
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$1,569,978	\$1,574,595	(\$4,617)
Excess Revenues over Expenditure	\$0	\$34,283	\$34,283
Fund Balance at Beginning of Year	<hr/>	<hr/>	<hr/>
	\$21,009	\$21,009	0
Fund Balance at End of Year	<hr/>	<hr/>	<hr/>
	\$21,009	\$55,332	\$34,283

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

FAIRVIEW TREATMENT CENTER
ST. MARY PARISH, LOUISIANA
Notes to the Financial Statements
June 30, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In October of 1989, the St. Mary Parish Council passed a resolution agreeing to participate in the operation of an alcohol and drug abuse, inpatient treatment facility for the residents of Louisiana. The operations began on November 1989 when they entered into an agreement with the State of Louisiana, Department of Health and Hospitals to operate the Fairview Treatment Center. For the year ended June 30, 1997 the treatment center also expanded its services to include an out patient drug treatment center. These patients were referred to Fairview Treatment Center by the St. Mary Parish Drug Court.

The financial statements of the Fairview Treatment Center have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Fairview Treatment Center's accounting policies are described below.

A) REPORTING ENTITY

GASB Statement No. 14, Governmental Reporting Entity, established criteria for determining which organizations should be included in a governmental financial reporting entity. The focal point for defining the financial reporting entity is the primary government. The Fairview Treatment Center is a component unit of the St. Mary Parish Council (primary government) and, as such, these financial reports may be included in the CAFR of the Council for the year ended December 31, 1997. The Fairview Treatment Center has followed GASB-14 guidance to determine that there are no financial statements of other organizations that should be combined with their statements to form a financial reporting entity. These financial statements include only the operations of the Fairview Treatment Center.

B) FUND ACCOUNTING

The accounts of the Fairview Treatment Center are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

The Fairview Treatment Center's current operations require only the use of one fund, the general fund, and one account group, the general fixed assets account group.

Governmental Fund

General Fund - The General Fund (Special Revenue Fund at the Parish over-ride level) is the primary operating fund of the Fairview Treatment Center, since at the current time no other funds are required.

Governmental Account Groups

General Fixed Assets - Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. No depreciation has been provided on general fixed assets.

All fixed assets can be stated at historical cost or estimated historical cost if actual historical cost is not available. All fixed assets presented on the balance sheet as of June 30, 1997 are reflected at historical cost. Repairs and maintenance are recorded as expenditures; renewals and betterments are capitalized.

C) BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Gross receipts are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. All major revenues are susceptible to accrual.

The Fairview Treatment Center's major source of revenue is an operating grant which is recorded as revenue when the related grant requirements are met.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) BUDGET

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted each year for the General Fund. Budgeted amounts are presented as originally adopted or as amended.

E) ENCUMBRANCE ACCOUNTING

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. No encumbrances were outstanding at year-end.

F) ACCUMULATED VACATION, COMPENSATORY TIME AND SICK LEAVE

Accumulated vacation, compensatory time and sick leave are recorded as an expenditure of the period in which incurred. For the year ended June 30, 1997, the Fairview Treatment Center did not have a provision for this potential liability because the amount was immaterial.

G) MEMORANDUM ONLY - TOTAL COLUMNS

The total column on the balance sheet is captioned Memorandum Only to indicate it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to consolidation.

NOTE 2 - DUE FROM STATE OF LOUISIANA

The Fairview Treatment Center incurred expenditures for the program in June totaling \$136,919 which are due from the State according to the grant agreement and had not been reimbursed as of June 30, 1997.

NOTE 3 - DUE FROM PARISH COUNCIL

The St. Mary Parish Council deposits all receipts and disburses all of Fairview Treatment Center's expenses out of the Parish Council's checking account. The amount due from the Parish Council is a result of the excess of Fairview Treatment Center's deposits over disbursements by \$25,742 as of June 30, 1997.

NOTE 4 - FIXED ASSETS

A summary of changes in general fixed assets for the period ended June 30, 1997, follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Leasehold				
Improvements	\$ 87,814	\$ ---	\$ ---	\$87,814
Vehicles	63,966	36,188	---	100,154
Furniture and Equipment	322,289	73,764	---	396,053
Total	\$ 474,069	\$ 109,949	---	\$ 584,018

NOTE 5 - DUE TO STATE

Fairview Treatment Center received a \$1,257,552 federal AD&HS block grant administered through the State for the year ended June 30, 1995. This was a cost reimbursement grant, however the grant allowed for an advance payment of 12.5% of the original grant in the amount of \$157,194. This advancement was to be received as follows, \$25,000 a month January to May of 1995 and \$32,194 in June of 1995. In June of 1995, the State only withheld \$12,800 thus leaving a balance owed the State of \$19,394. As of June 30, 1997, Fairview Treatment Center still owed \$19,394 since the State failed to withhold this amount from their cost reimbursements.

NOTE 6 - PENSION PLAN

All full-time employees of the Fairview Treatment Center are members of the Parochial Employees Retirement Systems of Louisiana, a multiple-employer (cost-sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of Fairview Treatment Center are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from Fairview Treatment Center funds are eligible to participate in the System. Under Plan A, employees who retire at or after 60 with at least 10 years of creditable service, or at or after 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life equal to 3 per cent of creditable service. Final average salary is the employee's in a age salary over the 36 consecutive or joined months that produce the highest average.

NOTE 4 - PENSION PLAN (Continued):

Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

State statute requires covered employees to contribute a percentage of their salaries to the System. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

Covered employees are required by the State Legislature to contribute 3.50% of their gross salary to the plan. The Fairview Treatment Center was required by the same statute to contribute 7.25% in 1996 and 7.25% and 1997 of each employee's gross salary to the plan.

The following reflects the contributions by Fairview Treatment Center and its employees into Plan A for the year ended June 30, 1997 and the disclosures required by GASB Codification Section F20.129:

	7/01/96 <u>to 12/31/96</u>	01/01/97 <u>to 06/30/97</u>	Total
Contribution Rates:			
Employee	3.50%	3.50%	
Employer	7.25%	7.25%	
Total current-year payroll	\$ 361,864	\$ 409,687	\$ 771,471
Total current-year covered payroll	\$ 361,864	\$ 409,687	\$ 771,471
Contributions:			
Required by Statute:			
Actual:			
Employee	\$ 34,377	\$ 38,913	\$ 73,290
Employer	<u>26,232</u>	<u>31,745</u>	<u>57,977</u>
Total	<u>\$ 60,609</u>	<u>\$ 70,658</u>	<u>\$131,267</u>
Actuarially required:			
Employee		\$ 33,852	
Employer		<u>44,202</u>	
Total		<u>\$ 78,054</u>	

NOTE 4 - PENSION (Continued)

Per cent of total actuarially
required contribution of all
participating employers and
employees 21

Year Ended December 31, 1996

(\$ in \$)

Retirement System

Net Assets	\$ 701,060,019
Pension benefit obligation	<u>815,248,050</u>
Unfunded pension benefit obligation	<u>\$-114,188,031</u>

The total payroll of all covered employees of the System for the year ended December 31, 1997 is not available. The pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rated benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the system's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The system does not make separate measurements of assets and pension benefit obligations for individual employees.

Ten Year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 1996 comprehensive annual financial report. Fairview Treatment Center does not guarantee the benefits granted by the System.

NOTE 7 - RELATED PARTIES

The Fairview Treatment Center's operations are housed in a building owned by St. Mary Parish Hospital Service District No. 3 and this District is a component unit of the St. Mary Parish Council as is the Fairview Treatment Center, therefore, all three are related parties. The Fairview Treatment Center pays the district rent of \$50,179 for the year end June 30, 1997. This rental agreement is year-to-year on an annual basis, unless either party gives written notice to the other party of its intent not to renew beyond the then current annual term. Such notice shall be in writing. This agreement shall be subject to termination if the council shall cease to operate the Fairview Treatment Center or if the funds to continue its operations are not provided by the State of Louisiana.

The St. Mary Parish Council also provided accounting services for a monthly fee of \$1,866 or \$20,800 for the year ended June 30, 1997. Also as described in Note 3, the St. Mary Parish Council owes Fairview Treatment Center for the center's deposits in the council's checking account in excess of the disbursements made for the benefit of the Fairview Treatment Center in the amount of \$25,742.

NOTE 8 - ECONOMIC DEPENDENCE

Fairview Treatment Center currently receives 97% of its operating revenue through its federal grant. With the loss of this revenue, which is a year-to-year grant allocation, Fairview Treatment Center would not exist.

FEDERAL AWARDS, INTERNAL CONTROL
AND COMPLIANCE SECTION

FARVIEW TREATMENT CENTER
ST. MARY PARISH LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 1997

FEDERAL GRANTOR/ PASS THROUGH GRANTOR NAME/ PROGRAM TITLE	CFDA NUMBER	REVENUE RECOGNIZED	EXPENDITURES
U.S. Department of Health and Human Services			
Public Health Service Louisiana Department of Health and Hospitals Office of Human Services Division of Alcohol and Drug Abuse			
Alcohol and Drug Abuse and Mental Health Services Block Grant (ADMS Block Grant)			
	13.993	\$ 1,555,004	\$ 1,555,004

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

Note 2: This grant is a cost reimbursement grant. The purpose of this grant is to provide long-term residential substance abuse treatment.

ADAMS & JOHNSON

CERTIFIED PUBLIC ACCOUNTANTS
1101 BOULEVARD 4-111 WALK STREET
BAYFRENCH, LOUISIANA 70004
(504) 835-0344

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

ROBERT J. ADAMS, JR., CPA
WILLIAM R. JOHNSON, CPA

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

Fairview Treatment Center
St. Mary Parish, Louisiana
1191 Southeast Blvd.
Morgan City, LA 70380

We have audited the financial statements of Fairview Treatment Center, a component unit of the St. Mary Parish Council of Louisiana, as of and for the year ended June 30, 1997, and have issued our report thereon dated December 23, 1997. We conducted our 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 the financial statements of Fairview Treatment Center, a component unit of the St. Mary Parish Council, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fairview Treatment Center's, a component unit of the St. Mary Parish Council, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in

relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Fairview Treatment Center, the Legislative Auditor of the State of Louisiana, the finance committee of the St. Mary Parish Council, management and the federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.



ADAMS & JOHNSON
Certified Public Accountants

Baton Rouge, LA
December 22, 1997

ADAMS & JOHNSON

CERTIFIED PUBLIC ACCOUNTANTS
P. O. BOX 128 • 813 BROADWAY
BATON ROUGE, LOUISIANA 70801
(504) 385-9045

HERBERT J. ADAMS, JR., CPA
WILLIAM H. JOHNSON, II, CPA

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
STATE OF LOUISIANA
CHAPTER OF PUBLIC ACCOUNTANTS

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

Fairview Treatment Center
St. Mary Parish, Louisiana
1101 Southeast Hwy
Morgan City, LA 70391

Compliance

We have audited the compliance of Fairview Treatment Center, a component unit of St. Mary Parish Council of Louisiana, with the types of compliance requirements described in the *U.S. Office of Management and Budget Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1997. Fairview Treatment Center's major federal programs are identified in the accompanying schedule of expenditures of Federal Awards. Compliance with requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Fairview Treatment Center's management. Our responsibility is to express an opinion on Fairview Treatment Center's compliance based on our audit.

We conducted our 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 Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about Fairview Treatment Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Fairview Treatment Center's compliance with those requirements.

In our opinion, Fairview Treatment Center complied, in all material respects, with requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1997. The results of our auditing procedures did not disclose any instances of noncompliance with these requirements that are required to be reported in accordance with OMB Circular A-133 in a schedule of findings and questioned costs if any existed.

Internal Control Over Compliance

The management of Fairview Treatment Center 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 our audit, we considered Fairview Treatment Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 .

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

This report is intended for the information of the Fairview Treatment Center, the Legislative Auditor of the State of Louisiana, the finance committee of the St. Mary Parish Council, management and the federal assisting agencies. However, this report is a matter of public record and its distribution is not limited.



ADAMS & JOHNSON
Certified Public Accountants

Baton Rouge, LA
December 22, 1997