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CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

**FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANT**

December 31, 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 JUN 17 1998

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

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Justin J. Scanlan, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT
4769 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Central City Economic Opportunity Corporation

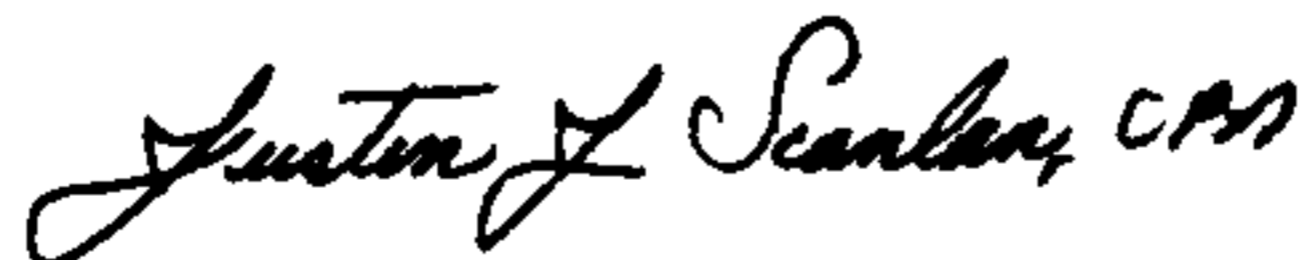
I have audited the accompanying statement of financial position of Central City Economic Opportunity Corporation (a nonprofit corporation) as of December 31, 1997 and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of Central City Economic Opportunity Corporation'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. Those 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 also 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 Central City Economic Opportunity Corporation as of December 31, 1997, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

My audit was made for the purpose of forming an opinion on the basic financial statements of the Central City Economic Opportunity Corporation as a whole. The accompanying financial information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Central City Economic Opportunity Corporation. The schedule of expenditures of federal awards is required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Such information has been subjected to the auditing procedures applied in the examination 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.

In accordance with Government Auditing Standards, I have also issued reports dated April 29, 1998, on my consideration of Central City Economic Opportunity Corporation's internal control structure over financial reporting and my test of its compliance with laws, regulations, contracts and grants.



New Orleans, Louisiana
April 29, 1998

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

STATEMENT OF FINANCIAL POSITION

December 31, 1997

ASSETS

**MEMORANDUM
ONLY
December 31, 1996**

Cash	\$ 64,861	\$ 54,456
Receivables		
Grants (Note A5 and B)	98,232	45,948
Other	4,549	656
Inventory (Note C)	495	522
Property and equipment-at cost (Note A4)		
Furniture and equipment	21,752	21,752
Transportation equipment	<u>107,312</u>	<u>107,312</u>
	129,064	129,064
less: accumulated depreciation	<u><129,064></u>	<u><129,064></u>
	-	-
Total assets	<u>\$ 168,137</u>	<u>\$ 101,582</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued liabilities	\$ 68,975	\$ 25,275
Accrued vested annual leave benefits	23,675	29,159
Program advance	22,141	22,141
Commitment (Note E)	<u>-</u>	<u>-</u>
Total liabilities	114,791	76,575
Net assets		
Unrestricted	39,737	6,782
Temporarily restricted	<u>13,609</u>	<u>18,225</u>
Total net assets	<u>53,346</u>	<u>25,007</u>
Total liabilities and net assets	<u>\$ 168,137</u>	<u>\$ 101,582</u>

The accompanying notes are an integral part of this financial statement.

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

STATEMENT OF ACTIVITIES

For the year ended December 31, 1997

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL MEMORANDUM ONLY FOR THE YEAR ENDED DECEMBER 31, 1997</u>	<u>FOR THE YEAR ENDED DECEMBER 31, 1996</u>
REVENUES				
Governmental grants (Note D)	\$ -	\$ 885,731	\$ 885,731	\$ 756,777
Contributions	7,558	-	7,558	811
Interest income	44	-	44	588
Fund-raising, net of direct cost of \$1,651	7,590	-	7,590	4,471
Other income	19,353	-	19,353	6,706
Net assets released from restrictions	890,347	< 890,347 >	-	-
TOTAL REVENUES	<u>924,892</u>	<u>< 4,616 ></u>	<u>920,276</u>	<u>769,353</u>
EXPENSES				
Salaries	485,016	-	485,016	425,300
Fringe benefits	93,050	-	93,050	84,366
Travel	3,606	-	3,606	1,692
Operating services	120,884	-	120,884	100,385
Supplies	126,661	-	126,661	69,313
Professional services	25,363	-	25,363	20,101
Capital outlay	3,840	-	3,840	8,793
Other costs	33,517	-	33,517	22,116
Depreciation	-	-	-	816
TOTAL EXPENSES	<u>891,937</u>	<u>-</u>	<u>891,937</u>	<u>732,882</u>
Increase <decrease> in net assets	32,955	< 4,616 >	28,339	36,471
Net assets, beginning of year	<u>6,782</u>	<u>18,225</u>	<u>25,007</u>	<u>< 11,464 ></u>
Net assets, end of year	<u>\$ 39,737</u>	<u>\$ 13,609</u>	<u>\$ 53,346</u>	<u>\$ 25,007</u>

The accompanying notes are an integral part of this financial statement.

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 1997

Increase (decrease) in cash and cash equivalents		
Cash flows from operating activities:		
Increase in net assets		\$ 28,339
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Changes in assets and liabilities		
Increase in grant receivable	\$ < 52,284>	
Increase in other receivable	< 3,893>	
Decrease in inventories	27	
Increase in accounts payable and accrued liabilities	43,700	
Decrease in accrued vested annual leave benefits	<u>< 5,484></u>	<u>< 17,934></u>
Net cash provided by operating activities		<u>10,405</u>
Net increase in cash and cash equivalents		10,405
Cash and cash equivalents, beginning of year		<u>54,456</u>
Cash and cash equivalents, end of year		<u>\$ 64,861</u>

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

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Nature of Activities

Central City Economic Opportunity Corporation was organized to promote and develop economic opportunity to those in need of increased economic opportunity; to promote the education and welfare of the people of the community; and to form special interest groups as it seems necessary to solve special problems of the community.

The corporation is supported primarily through government grants. Approximately 96% of the corporation's support for the year ended December 31, 1997 came from these grants.

2. Presentation of Financial Statements

The corporation financial statements are presented in accordance with requirements established by Financial Accounting Standards Board (FASB) as set forth in the Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-For-Profit Organizations," dated June 1993. Accordingly, the net assets of the corporation are reclassified to present the following classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. There were no permanently restricted net assets.

Net assets of the restricted class are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

3. Revenue Recognition

For financial reporting, the corporation recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or restricted depending on the existence of donor stipulations that limit the use of the support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Property and Equipment

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on the straight-line method.

It is the policy of the corporation to capitalize all property, furniture, and equipment with an acquisition cost in excess of \$5,000.

5. Receivables

The corporation considers accounts receivable to be fully collectable since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

6. Cash Equivalents

For purpose of the statement of cash flow, the corporation considers all investments with original maturities of three months or less to be cash equivalents.

7. 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 these estimates.

8. Fair Values of Financial Investments

Cash, and cash equivalent amounts reported in the statement of financial position approximate fair values because of the short maturities of those investments.

9. Total Columns of Combined Statements - Overview

Total columns are captioned "Memorandum Only" to indicate that they are presented only to assist with financial analysis. Data in these columns do not present financial position, results of operations or changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1997

NOTE B - GRANT RECEIVABLE

The grant receivable at December 31, 1997 consists of the following:

City of New Orleans - Division of Housing and Neighborhood Development	\$ 9,909
State of Louisiana - Division of Alcohol and Drug Abuse	18,120
State of Louisiana - Department of Education	6,950
Total Community Action, Inc.	50,000
Great Expectations Foundation, Inc.	12,290
City of New Orleans – New Orleans Safe Harbor Grant	<u>963</u>
	<u>\$ 98,232</u>

NOTE C - INVENTORY

Inventory consists of food purchased in connection with the Child Care Food Program and is accounted for on the first-in first-out (FIFO) basis.

NOTE D - SUMMARY OF FUNDING

The Central City Economic Opportunity Corporation funding for grants and contracts consists of the following:

<u>Grants</u>	<u>Period</u>	<u>Revenue Recognized</u>
Central City Day Care Services	1/1/97-12/31/97	\$ 100,318
Senior Citizens Program	1/1/97-6/30/97	37,146
	7/1/97-12/31/97	42,146
Head Start Program	1/1/97-12/31/97	377,921
Multi Media Center	1/1/97-6/30/97	92,307
	7/1/97-12/31/97	79,979
Food Service Program	1/1/97-9/30/97	34,467
	10/1/97-12/31/97	12,722
Audit	-	2,000
Great Expectations Program	6/1/97-12/31/97	79,746
Safe Harbor Program	11/11/96-12/31/97	<u>26,979</u>
Total grant appropriations		<u>\$ 885,731</u>

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1997

NOTE E - COMMITMENT

The rental expense for the corporation totaled \$ 43,918 for the year ended December 31, 1997.

NOTE F - INCOME TAXES

The corporation is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE G - FUNCTIONAL EXPENSES

As of December 31, 1997, the functional expenses are as follows:

Management and General	\$ 3,546
Senior Citizens	78,564
Day Care	528,664
Alcohol and drug abuse	174,438
After school care	26,979
Teen awareness	<u>79,746</u>
	<u>\$ 891,937</u>

NOTE H - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

NOTE I - FEDERALLY ASSISTED PROGRAMS

The Corporation participates in a number of federally assisted programs. These programs are audited in accordance with the Single Audit Act of 1996. Audits of prior years have not resulted in any disallowed costs; however, grantor agencies may provide for further examinations. Based on prior experience, the corporation's management believes that further examinations would not result in any significant disallowed costs.

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 1997

NOTE J - ECONOMIC DEPENDENCY

The Corporation received the majority of its revenue from funds provided through grants administered by the City of New Orleans, State of Louisiana, and Total Community Action, Inc. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of the funds the corporation receives could be reduced significantly and have an adverse impact on its operations. At the time of completion of the examination of the corporation's financial statements, management was not aware of any actions taken that would adversely affect the amount of funds the corporation will receive in the next fiscal year.

SUPPLEMENTAL INFORMATION

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

**COMBINED STATEMENT OF ACTIVITIES
AND CHANGES IN NET ASSETS**

For the year ended December 31, 1997

	CITY OF NEW ORLEANS - DIVISION OF HOUSING AND NEIGHBORHOOD DEVELOPMENT									
	CENTRAL CITY DAY CARE SERVICES	AUDIT	MULTI-MEDIA CENTER	HEAD START PROGRAM	SENIOR CITIZENS PROGRAM	FOOD SERVICE	GREAT EXPECTATIONS	SAFE HARBOR	GENERAL FUND	TOTAL
REVENUE										
Grant appropriations	\$ 100,318	\$ 2,000	\$ 172,286	\$ 377,921	\$ 79,292	\$ 47,189	\$ 79,746	\$ 26,979	\$ -	\$ 885,711
Contributions	-	-	-	-	-	44	-	-	7,558	7,558
Interest income	-	-	-	-	-	-	-	-	-	44
Fund raising net of direct cost of \$1,651	-	-	-	-	-	-	-	-	7,590	7,590
Other	-	-	-	-	-	-	-	-	19,353	19,353
	<u>100,318</u>	<u>2,000</u>	<u>172,286</u>	<u>377,921</u>	<u>79,292</u>	<u>47,233</u>	<u>79,746</u>	<u>26,979</u>	<u>14,501</u>	<u>920,276</u>
EXPENDITURES										
Salaries	69,398	-	111,625	208,288	42,746	8,833	39,044	8,919	<3,837>	485,016
Fringe benefits	11,344	-	11,122	57,830	8,069	687	3,062	703	233	93,050
Travel	-	-	2,044	1,468	-	-	94	-	-	3,606
Operating services	13,204	-	29,560	38,346	18,211	-	8,856	12,486	221	120,884
Supplies	725	-	14,577	54,926	3,983	40,307	8,297	3,571	275	126,661
Professional services	3,000	2,000	4,592	7,071	1,099	500	3,650	1,300	209	25,363
Capital outlay	2,647	-	-	-	-	-	1,193	-	-	3,840
Other costs	-	-	918	9,992	2,505	98	15,550	-	4,454	33,517
	<u>100,318</u>	<u>2,000</u>	<u>174,438</u>	<u>377,921</u>	<u>78,844</u>	<u>50,425</u>	<u>79,746</u>	<u>26,979</u>	<u>1,546</u>	<u>891,937</u>
INCREASE <DECREASE> IN NET ASSETS	-	-	<2,152>	-	728	<3,192>	-	-	32,955	28,239
Net assets, beginning of year	430	-	1,817	-	441	15,537	-	-	1,782	24,607
Net assets, end of year	<u>\$ 430</u>	<u>\$ -</u>	<u>\$ <335></u>	<u>\$ -</u>	<u>\$ 1,169</u>	<u>\$ 12,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,737</u>	<u>\$ 53,346</u>

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 1997

<u>PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Passed through Total Community Action, Inc.: Head Start Program	93.600	\$ 377,921
Passed through State of Louisiana Department of Health & Hospitals: Alcohol and Drug Abuse	93.959	174,438
Passed through City of New Orleans Mental and Child Health	93.994	<u>79,746</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>632,105</u>
U.S. DEPARTMENT OF AGRICULTURE		
Passed through State of Louisiana Department of Education Food Service Program	10.558	<u>50,425</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>50,425</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed through City of New Orleans:		
Central City Day Care Services	14.218	100,318
Audit	14.218	2,000
Afterschool	14.231	<u>26,979</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u>129,297</u>
Total federal awards		<u>\$ 811,827</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- The Schedule of Expenditures of Federal Awards was prepared on the accrual basis of accounting.

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

**STATEMENT OF EXPENDITURES COMPARED
TO BUDGET – CENTRAL CITY DAY CARE SERVICES**

For the year ended December 31, 1997

	<u>BUDGET</u>	<u>EXPENDITURES</u>	<u>ACTUAL <OVER> UNDER BUDGET</u>
Salaries	\$ 69,398	\$ 69,398	\$ -
Fringe benefits	12,078	11,344	734
Insurance	1,741	1,741	-
Accounting services	3,000	3,000	-
Payroll service	600	600	-
Rent	4,176	4,176	-
Vehicle repairs	5,000	5,000	-
Supplies	2,412	2,412	-
Equipment	<u>2,647</u>	<u>2,647</u>	<u>-</u>
	<u>\$ 101,052</u>	<u>\$ 100,318</u>	<u>\$ 734</u>

Justin J. Scanlan, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT
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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
Central City Economic Opportunity Corporation

I have audited the financial statements of Central City Economic Opportunity Corporation, as of and for the year ended December 31, 1997, and have issued my report thereon dated April 29, 1998. 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 Central City Economic Opportunity Corporation'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 Central City Economic Opportunity Corporation'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 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 audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

Justin J. Scanlan, CPA

New Orleans, Louisiana
April 29, 1998

Justin J. Scanlan, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT
4769 ST. ROCH AVE. NEW ORLEANS, LOUISIANA 70122
TELEPHONE: (504) 288-0050

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

Board of Directors
Central City Economic Opportunity Corporation

Compliance

I have audited the compliance of Central City Economic Opportunity Corporation 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 December 31, 1997. Central City Economic Opportunity Corporation'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 Central City Economic Opportunity Corporation's management. My responsibility is to express an opinion on Central City Economic Opportunity Corporation'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 the States, Local Governments, Non-Profit Organizations." Those 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 Central City Economic Opportunity Corporation'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 Central City Economic Opportunity Corporation's compliance with those requirements.

In my opinion, Central City Economic Opportunity Corporation 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 December 31, 1997.

Internal Control Over Compliance

The management of Central City Economic Opportunity Corporation 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 Central City Economic Opportunity Corporation'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 OMB Circular A-133.*

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, contract 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 weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record, and its distribution is not limited.

Justin J. Scanlan, CPA

New Orleans, Louisiana
April 29, 1998

CENTRAL CITY ECONOMIC OPPORTUNITY CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 1997

A. SUMMARY OF THE AUDITOR'S REPORT

1. An unqualified opinion was issued on the financial statements of the auditee.
2. The statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses is not applicable.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of the auditee.
4. The statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses is not applicable.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit disclosed no findings which are required to be reported under Section 510(a) of Circular A-133.
7. Major programs for the fiscal year ended December 31, 1997 were Head Start Program and Central City Day Care Services.
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000. A Type B program was classified as Type A to comply with the 50% coverage rule.
9. The auditee did not qualify as a low-risk auditee.

B. SCHEDULE OF FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There were no findings related to the financial statements for the year ended December 31, 1997.

C. SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

There were no items identified in the course of my testing during the current year required to be reported.

D. STATUS OF PRIOR YEAR AUDIT FINDINGS

The prior year reportable conditions were resolved. They were cash, and intergrant receivable/payable balances.