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OPTIONS, INC.
HAMMOND, LOUISIANA
FINANCIAL STATEMENTS
JUNE 30, 1998

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 JAN 13 1999

OPTIONS, INC.
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JAMES M. CAMPBELL
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August 21, 1998

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Options, Inc.
Hammond, Louisiana

Ladies and Gentlemen:

I have audited the accompanying statement of financial position of

OPTIONS, INC.
(a nonprofit organization)

as of June 30, 1998, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Options', Inc. 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 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, 1998, 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 21, 1998, on my consideration of Options', Inc. 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.

 James W. Campbell CFA, APC

OPTIONS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1998

ASSETS

<u>ASSETS</u>	
Cash	\$ 309,778
Investments	75,346
Accounts receivable	232,676
Prepaid expenses	12,059
Deposits	6,000
Land	112,733
Building and improvements	535,917
Furniture and fixtures	263,238
Vehicles	446,913
Less: accumulated depreciation	<u>(688,792)</u>
 <u>TOTAL ASSETS</u>	 <u>\$ 1,305,868</u>

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u>	
Accounts payable	109,348
Escrow account payable	17,318
Cafeteria plan payable	15,517
Compensated absences payable	25,730
Other payables	75,302
Notes payable	<u>157,439</u>
 <u>Total Liabilities</u>	 <u>400,654</u>
 <u>NET ASSETS</u>	
Unrestricted net assets:	
Operations	<u>905,214</u>
 <u>Total Net Assets</u>	 <u>905,214</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	 <u>\$ 1,305,868</u>

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

OPTIONS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1998

<u>PUBLIC SUPPORT</u>	
Contributions	\$ 48,535
<u>GOVERNMENT GRANTS</u>	
State grants and Title XIX	2,041,152
<u>OTHER REVENUE</u>	
Program service fees	172,564
Contract work	299,715
Interest income	6,982
Other income	<u>5,898</u>
<u>Total Other Revenue</u>	<u>485,158</u>
<u>TOTAL PUBLIC SUPPORT,</u>	
<u>GOVERNMENT GRANTS,</u>	
<u>AND OTHER REVENUE</u>	<u>2,574,846</u>
<u>EXPENSES</u>	
Program Services:	
Supervised apartments	283,113
Habilitation Program	883,931
Residential programs	1,057,953
Respite care	54,011
Personal care	220,429
Crisis intervention	<u>12,330</u>
<u>Total Program Services</u>	<u>2,511,767</u>
<u>SUPPORTING SERVICES</u>	
Management and general	<u>38,949</u>
<u>TOTAL EXPENSES</u>	<u>2,550,716</u>
<u>CHANGE IN NET ASSETS</u>	24,130
<u>NET ASSETS, BEGINNING OF YEAR</u>	<u>881,084</u>
<u>NET ASSETS, END OF YEAR</u>	<u>\$ 905,214</u>

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

OPTIONS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1998

CASH FLOWS FROM OPERATING ACTIVITIES:

Excess (deficiency) of support and revenue over expenses (Change in net assets)	\$ 24,130
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	98,278
(Increase) decrease in:	
Accounts receivable	(12,172)
Prepaid expenses	(1,536)
Deposits	3,655
Increase (decrease) in:	
Accounts payable	(12,544)
Escrow account payable	1,768
Cafeteria plan payable	(1,143)
Compensated absences payable	(4,393)
Other payables	<u>67,347</u>

NET CASH FROM OPERATING ACTIVITIES

163,390

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investment securities	(75,346)
Purchases of property and equipment	<u>(43,863)</u>

NET CASH FROM INVESTING ACTIVITIES

(119,209)

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments of notes payable	<u>(44,927)</u>
---------------------------	-----------------

NET CASH FROM FINANCING ACTIVITIES

(44,927)

INCREASE IN CASH AND CASH EQUIVALENTS:

\$ (746)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR:

310,524

CASH AND CASH EQUIVALENTS, END OF YEAR:

\$ 309,778

SUPPLEMENTAL INFORMATION

Interest expense	<u>\$ 15,874</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, 1998

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 development disabilities. These services include adult supervised living and supported employment programs in Hammond, Louisiana and the surrounding parishes of Tangipahoa and Livingston.

B. BASIS 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 509(a) of the Internal Revenue Code. There was no unrelated business income for 1998.

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 benefitted.

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 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.

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

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1998

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED)

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. INVESTMENTS

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the balance sheet as required by Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations."

H. 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.

I. 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 those 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 \$500 or more, and an estimated useful life of at least one year.

Options follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500.

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1998

NOTE 2: FIXED ASSETS, (CONTINUED)

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	5-12 years
Leasehold Improvements	8-40 years
Transportation Equipment	5 years
Buildings	31 years

Depreciation expense of \$98,278, which includes capital lease amortization, was deducted at June 30, 1998.

NOTE 3: SUMMARY OF STATE CONTRACT FUNDING

<u>Funding Source</u>	<u>Contract Number</u>	<u>Period</u>	<u>Total Contract</u>	<u>Recognized Support</u>
State Dept. of Health & Hospitals	62821	7/1/97- 6/30/98	\$282,892	\$ 282,892
State Dept. of Health & Hospitals	62687	7/1/97- 6/30/98	40,944	34,721
State Dept. of Health & Hospitals	64688	7/1/97- 6/30/98	10,000	6,193
State Dept. of Health & Hospitals	62706	7/1/97- 6/30/98	15,000	<u>15,000</u>
Total Contracts				<u>\$ 338,806</u>

NOTE 4: ACCOUNTS RECEIVABLE

Receivables at June 30, 1998, 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 XIX and Title XIX Waiver:

<u>Programs:</u>	
Habilitation Services	\$ 56,925
Other Services	26,279
Supervised Apartment	37,274

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1998

NOTE 4: ACCOUNTS RECEIVABLE (CONTINUED)

Residential - "Our House"	\$ 21,820
Residential - "Fortenberry House"	21,039
Residential - "Alpha House"	24,250
Residential - "La Casa"	22,895
 <u>Due from private sector:</u>	
Contract work	18,028
Other receivables	4,166
	<u>\$232,676</u>

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>ACCRUAL RATE</u>
40 hour employees	6.67 to 14 hours per month Maximum 168 hours
35-39 hour employees	5.80 to 12.25 hours per month Maximum 147 hours
30-34 hour employees	5 to 10.5 hours per month Maximum 126 hours

The leave policy for the year ending June 30, 1998 permitted employees to carryover five days of leave to the following year. Accrued leave at June 30, 1998 was \$25,730.

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, 1998. Payments include interest at 9%. The note is secured by: first mortgage on real estate located

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1998

NOTE 6: LONG-TERM DEBT, (CONTINUED)

at Illinois and Easy Street; second mortgage on a house located at General Pershing; first mortgage on a office building located in Industrial Park; and first mortgage on a house located on North Oak St., Hammond, Louisiana. 38,426

Note payable to Elvia P. Jackman, due in monthly installments of \$573 including interest at 8%, collateralized by a house located at North General Pershing, Hammond, Louisiana. 45,066

Note payable to Citizens National Bank, due in thirty-two monthly installments of \$1,100 each, with the balance becoming due on September 15, 1998. Payments include interest at 9.00%, collateralized by a first mortgage on a house and land located on General Ott Road, Hammond, Louisiana. 73,947

Less current maturities 157,439
115,749
\$ 41,690

Principle maturities of debt are as follows:

1999	\$115,749
2000	3,656
2001	3,960
2002	4,288
2003	4,644
2004	5,029
thereafter	<u>20,113</u>
	<u>\$157,439</u>

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

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1998

NOTE 7: COMMITMENTS AND CONTINGENCIES, (CONTINUED)

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 403(b) 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, 1998, totaled \$12,047.

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 employer 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. There were no employer contributions for the year ended June 30, 1998.

NOTE 10: CONCENTRATION OF CREDIT RISK

Options maintains several bank accounts at several banks. Accounts at each institution are insured by the Federal

OPTIONS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1998

NOTE 10: CONCENTRATION OF CREDIT RISK (CONTINUED)

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 \$133,026 as of June 30, 1998.

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.

Investments -

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

The estimated fair values of Options' financial instruments at June 30, 1998, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Cash and cash equivalents	\$ 309,778	\$309,778
Investments	75,346	75,346
Financial liabilities:		
Notes payable	157,439	157,439

SUPPLEMENTARY INFORMATION

OPTIONS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 1998

	<u>SUPERVISED APARTMENTS</u>	<u>HABILITATION PROGRAM</u>	<u>RESIDENTIAL PROGRAMS</u>	<u>RESPIRE CARE</u>
Salaries	\$ 144,746	\$ 518,728	\$ 393,663	\$ 30,066
Payroll taxes and fringe benefits	<u>19,829</u>	<u>66,419</u>	<u>52,886</u>	<u>4,091</u>
<u>Total Salaries & Related Expenses</u>	<u>164,575</u>	<u>585,147</u>	<u>446,549</u>	<u>34,157</u>
Building-maintenance & repairs	514	2,336	18,774	
Bed tax			84,243	
Central office overhead	100,423	103,628	230,298	18,654
Client allowance			10,944	
Consultants: physicians, therapists, etc.	242	166	61,398	
Cost of client employment		37,008	1,317	
Equipment	165	653		
Fundraising				
Insurance	2,711	48,232	20,643	199
Interest	10	1,485	13,818	50
License and membership		200	2,455	
Miscellaneous		803	3,155	
Office supplies, printing & copying	606	1,412	1,608	
Personal needs, food & linen			52,510	
Postage	94	124		
Recreational and training	(1,148)	455	8,835	
Supplies	326	2,667	20,866	6
Telephone	418	1,463	3,696	
Training, in service	1,387	5,197	3,800	
Travel and seminars	4,361	9,549	1,816	945
Utilities		349	18,444	
Vehicle-gas, oil & repairs	<u>5,748</u>	<u>52,502</u>	<u>12,277</u>	
<u>Total Expenses Before Depreciation</u>	<u>280,432</u>	<u>853,376</u>	<u>1,017,446</u>	<u>54,011</u>
Depreciation of buildings & equipment	<u>2,681</u>	<u>30,555</u>	<u>40,507</u>	<u>0</u>
<u>Total Expenses</u>	<u>\$ 283,113</u>	<u>\$ 883,931</u>	<u>\$1,057,953</u>	<u>\$ 54,011</u>

See auditor's report.

<u>CRISIS INTERVENTION</u>	<u>PERSONAL CARE</u>	<u>TOTAL PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>	<u>TOTAL 6/30/98</u>
\$ 2,564	\$ 123,566	\$ 1,213,333	\$ 14,955	\$ 1,228,288
<u>336</u>	<u>17,075</u>	<u>160,636</u>	<u>2,632</u>	<u>163,268</u>
<u>2,900</u>	<u>140,641</u>	<u>1,373,969</u>	<u>17,587</u>	<u>1,391,556</u>
		21,624		21,624
		84,243		84,243
806	77,760	531,569	2,536	534,105
		10,944		10,944
8,604		70,410	10,672	81,082
		38,325		38,325
		818		818
			6,359	6,359
20	829	72,634	100	72,734
	50	15,413		15,413
		2,655		2,655
		3,958	65	4,023
		3,626	813	4,439
		52,510		52,510
		218		218
		8,142		8,142
	78	23,943		23,943
		5,577	1	5,578
	190	10,574	536	11,110
	881	17,552	280	17,832
		18,793		18,793
		<u>70,527</u>		<u>70,527</u>
12,330	220,429	2,438,024	38,949	2,476,973
<u>0</u>	<u>0</u>	<u>73,743</u>	<u>0</u>	<u>73,743</u>
<u>\$ 12,330</u>	<u>\$ 220,429</u>	<u>\$ 2,511,767</u>	<u>\$ 38,949</u>	<u>\$ 2,550,716</u>

OPTIONS, INC.
SCHEDULE OF FEDERAL/STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 1998

<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# 000061 DHH#: 062687 DOA#: 340-800310	\$ 34,721
Vocational and Habilitative Services		OCDD# 000060 DHH#: 62821 DOA#: 340-800252	282,892*
Total Other DHH Awards			<u>21,193</u>
Total			<u>\$ 338,806</u>

*Major Program

See auditor's report.

JAMES M. CAMPBELL
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August 21, 1998

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.
Hammond, Louisiana

I have audited the financial statements of Options, Inc. (a nonprofit organization) as of and for the year ended June 30, 1998, and have issued my report thereon dated August 21, 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 the financial statements of Options, Inc. 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. 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 M. Campbell CPA, APC

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August 21, 1998

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
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 that are applicable to each of its major federal programs for the year ended June 30, 1998. The major federal programs of Options, Inc. are identified in the schedule of federal awards in the supplementary section. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Options', Inc. management. My responsibility is to express an opinion on Options', Inc. compliance based on my audit.

I conducted my audit 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*. 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 Options', Inc. 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 Options', Inc. 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, 1998.


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

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

 James M. Campbell CPA, APC

OPTIONS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 1998

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Options, Inc.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Options, Inc. were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Options, Inc. expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for Options, Inc. are reported.
7. The programs tested as major programs included: Vocational and Habilitative Services 340-800252.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Options, Inc. was determined to be a low-risk auditee.