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THE ARC OF ST. MARTIN, INC.

St. Martinville, Louisiana

FINANCIAL REPORT

Year Ended June 30, 1999

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 12 2000

THE ARC OF ST. MARTIN, INC.  
St. Martinville, Louisiana

Financial Statements and Auditor's Report  
For The Year Ended June 30, 1999

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# MARAIST & MARAIST

CERTIFIED PUBLIC ACCOUNTANTS

(A PARTNERSHIP OF PROFESSIONAL ACCOUNTING CORPORATIONS)

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

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
The ARC of St. Martin, Inc.  
St. Martinville, Louisiana

We have audited the accompanying statement of financial position of The ARC of St. Martin, Inc. (a nonprofit organization) as of June 30, 1999, and the related statements of activities, cash flows, and functional expenses for the year then ended. These basic financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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. Those 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 basic financial statements referred to above present fairly, in all material respects, the financial position of The ARC of St. Martin, Inc. as of June 30, 1999, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 1999 on our consideration of The ARC of St. Martin's internal control over financial reporting and our tests 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 basic financial statements of The ARC of St. Martin, Inc. taken as a whole. The accompanying schedule of expenditures of

To the Board of Directors of  
The ARC of St. Martin, Inc.

federal awards as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The financial information for the preceding year which is included for comparative purposes was taken from the financial report for that year in which we expressed an unqualified opinion on the basic financial statements of The ARC of St. Martin, Inc.

*Maraist & Maraist*

Maraist & Maraist  
Certified Public Accountants

December 13, 1998

THE ARC OF ST. MARTIN, INC.  
St. Martinville, Louisiana  
STATEMENT OF FINANCIAL POSITION  
June 30, 1999

Exhibit A

(with comparative amounts for June 30, 1998)

	<u>ASSETS</u>	<u>6/30/99</u>	<u>6/30/98</u>
Current Assets:			
Cash and cash equivalents		\$279,512	\$180,017
Investments		-	9,951
Accounts Receivable:			
Grants/Contracts		27,332	56,843
Medicaid		68,651	73,376
Other		642	654
Total current assets		<u>\$376,137</u>	<u>\$320,841</u>
Fixed Assets:			
Land		\$ 49,014	\$ 49,014
Buildings and improvements		430,613	429,908
Furniture and equipment		62,245	51,756
Vehicles		<u>167,613</u>	<u>129,169</u>
		\$709,485	\$659,847
Less: accumulated depreciation		<u>234,806</u>	<u>187,011</u>
Total fixed assets		<u>\$474,679</u>	<u>\$472,836</u>
 TOTAL ASSETS		 <u>\$850,816</u> =====	 <u>\$793,677</u> =====
 <u>LIABILITIES AND NET ASSETS</u>  			
Current Liabilities:			
Accounts payable and accrued expenses		\$ 19,462	\$ 12,821
Accrued salaries		7,226	29,999
Due to clients-trust fund balance		13,604	19,567
Current portion of mortgage payable		<u>9,918</u>	<u>9,152</u>
Total current liabilities		\$ 50,210	\$ 71,539
Mortgage payable, less current portion		<u>34,747</u>	<u>44,741</u>
Total liabilities		<u>\$ 84,957</u>	<u>\$116,280</u>
Net Assets:			
Unrestricted:			
Operations		\$325,735	\$248,666
Fixed Assets		<u>430,014</u>	<u>418,943</u>
		\$755,749	\$667,609
Permanently restricted		<u>10,110</u>	<u>9,788</u>
Total net assets		<u>\$765,859</u>	<u>\$677,397</u>
 TOTAL LIABILITIES AND NET ASSETS		 <u>\$850,816</u> =====	 <u>\$793,677</u> =====

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



THE ARC OF ST. MARTIN, INC.  
 St. Martinville, Louisiana  
 STATEMENT OF ACTIVITIES  
 Year Ended June 30, 1999  
 (with comparative amounts for June 30, 1998)

	Unrestricted	
	Operations	Fixed Assets
SUPPORT AND REVENUE:		
Support:		
Grants and Contracts	\$ 463,254	\$ -
Contributions	13,733	-
Total support	\$ 476,987	\$ -
Revenue:		
Client fees	\$ 55,874	\$ -
Medicaid/Medicare	699,696	-
Training revenues	-	-
Work contracts	45,189	-
Interest/dividend income	6,376	-
Other	1,615	-
Total revenue	\$ 808,750	\$ -
TOTAL SUPPORT AND REVENUE	\$1,285,737	\$ -
EXPENSES:		
Program services:		
Adult Habilitation	\$ 386,129	\$ 41,585
Residential Homes	357,917	5,878
Total program services	\$ 744,046	\$ 47,463
Support services:		
General and administrative	\$ 404,937	\$ 829
TOTAL EXPENSES	\$1,148,983	\$ 48,292
CHANGE IN NET ASSETS	\$ 136,754	\$ (48,292)
REDESIGNATION OF NET ASSETS	(59,685)	59,363
NET ASSETS, BEGINNING OF YEAR	248,666	418,943
NET ASSETS, END OF YEAR	\$ 325,735	\$430,014

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

Permanently Restricted

	<u>Year End Totals</u>	
	<u>6/30/99</u>	<u>6/30/98</u>
\$ -	\$ 463,254	\$ 374,570
-	13,733	14,944
<u>\$ -</u>	<u>\$ 476,987</u>	<u>\$ 389,514</u>
\$ -	\$ 55,874	28,114
-	699,696	634,075
-	-	-
-	45,189	43,314
-	6,376	5,471
-	1,615	1,331
<u>\$ -</u>	<u>\$ 808,750</u>	<u>\$ 712,305</u>
<u>\$ -</u>	<u>\$1,285,737</u>	<u>\$1,101,819</u>
\$ -	\$ 427,714	\$ 360,376
-	363,795	352,099
<u>\$ -</u>	<u>\$ 791,509</u>	<u>\$ 712,475</u>
<u>\$ -</u>	<u>\$ 405,766</u>	<u>\$ 345,387</u>
<u>\$ -</u>	<u>\$1,197,275</u>	<u>\$1,057,862</u>
\$ -	\$ 88,462	\$ 43,957
322	-	-
<u>9,788</u>	<u>677,397</u>	<u>633,440</u>
<u>\$ 10,110</u>	<u>\$ 765,859</u>	<u>\$ 677,397</u>
<u>=====</u>	<u>=====</u>	<u>=====</u>

THE ARC OF ST. MARTIN, INC.  
 St. Martinville, Louisiana  
 STATEMENT OF CASH FLOWS  
 Year Ended June 30, 1999  
 (with comparative amounts for June 30, 1998)

Exhibit C

	<u>Year End Totals</u>	
	<u>6/30/99</u>	<u>6/30/98</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 88,462	\$ 43,957
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	48,292	42,089
(Increase)/decrease in accounts receivable	34,248	(23,502)
Increase/(decrease) in accounts payable and accrued expenses	6,641	(778)
Increase/(decrease) in accrued salaries	(22,773)	6,769
Increase/(decrease) in client trust funds owed	<u>(5,963)</u>	<u>6,665</u>
Net cash provided by operating activities	<u>\$148,907</u>	<u>\$ 75,200</u>
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Purchase of investments	\$ -	\$ (33)
Investments redeemed	9,951	-
Purchase of land, buildings & equipment	<u>(50,135)</u>	<u>(38,124)</u>
Net cash used for investing activities	<u>(40,184)</u>	<u>(38,157)</u>
CASH FLOWS USED FOR FINANCING ACTIVITIES:		
Payments on mortgage payable	<u>\$ (9,228)</u>	<u>\$ (8,420)</u>
Net cash used for financing activities	<u>\$ (9,228)</u>	<u>\$ (8,420)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	99,495	28,623
CASH AND CASH EQUIVALENTS-Beginning of Year	<u>180,017</u>	<u>151,394</u>
CASH AND CASH EQUIVALENTS-End of Year	<u>\$279,512</u> =====	<u>\$180,017</u> =====

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



THE ARC OF ST. MARTIN, INC.  
 St. Martinville, Louisiana  
 STATEMENT OF FUNCTIONAL EXPENSES  
 Year Ended June 30, 1999  
 (with comparative totals for June 30, 1998)

	<u>Program Services</u>		<u>Total</u>
	<u>Adult</u>	<u>Residential</u>	<u>Program</u>
	<u>Habilitation</u>	<u>Homes</u>	<u>Services</u>
<b>FUNCTIONAL EXPENSES:</b>			
Salaries and wages	\$271,108	\$197,699	\$468,807
Employee benefits	23,863	32,014	55,877
Payroll taxes	<u>18,970</u>	<u>14,062</u>	<u>33,032</u>
Total salaries and related expenses	\$313,941	\$243,775	\$557,716
Rental of property	3,900	-	3,900
Maintenance & repairs	8,706	8,440	17,146
Professional fees	-	-	-
Supplies	2,443	3,673	6,116
Insurance	-	-	-
Interest	-	4,999	4,999
Utilities & telephone	2,515	8,732	11,247
Dues & publications	-	-	-
Automotive	-	-	-
Provider fees & licenses	-	-	-
Office expense	-	-	-
Contractual services	-	-	-
Personal client needs	1,218	17,321	18,539
Travel, seminars, etc.	-	-	-
Consultant fees	25	13,815	13,840
Educational	121	8,392	8,513
Recreational	-	2,052	2,052
Dietary	2,847	4,904	7,751
Food	11,029	27,905	38,934
Medical & nursing	1,462	9,181	10,643
Therapeutic and training	34,459	-	34,459
Association responsibility	-	-	-
Housekeeping	-	3,221	3,221
Laundry & linen	3,463	1,507	4,970
Other	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses before depreciation	\$386,129	\$357,917	\$744,046
Depreciation	<u>41,585</u>	<u>5,878</u>	<u>47,463</u>
Total expenses	\$427,714 =====	\$363,795 =====	\$791,509 =====

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

Exhibit D

<u>General and Administrative</u>	<u>Year End Totals</u>	
	<u>6/30/99</u>	<u>6/30/98</u>
\$190,167	\$ 658,974	\$ 584,338
10,759	66,636	59,286
<u>19,803</u>	<u>52,835</u>	<u>46,396</u>
\$220,729	\$ 778,445	\$ 690,020
-	3,900	3,705
-	17,146	4,959
12,730	12,730	11,678
-	6,116	14,635
44,832	44,832	38,031
-	4,999	4,713
9,304	20,551	18,570
5,014	5,014	1,072
37,290	37,290	37,388
43,336	43,336	46,829
11,732	11,732	15,458
-	-	3,745
-	18,539	13,730
17,515	17,515	15,094
-	13,840	16,664
-	8,513	5,222
-	2,052	2,737
-	7,751	3,006
62	38,996	40,154
-	10,643	10,866
-	34,459	6,622
-	-	4,416
-	3,221	5,485
-	4,970	-
<u>2,393</u>	<u>2,393</u>	<u>974</u>
\$404,937	\$1,148,983	\$1,015,773
<u>829</u>	<u>48,292</u>	<u>42,089</u>
<u>\$405,766</u>	<u>\$1,197,275</u>	<u>\$1,057,862</u>
=====	=====	=====

THE ARC OF ST. MARTIN, INC.  
St. Martinville, Louisiana  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1999

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The ARC of St. Martin, Inc. is a non-profit community organization which operates an adult habilitation center and two residential community homes serving the needs of the mentally retarded citizens of St. Martin Parish, Louisiana.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets-Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets-Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. When 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.

Permanently restricted net assets-Net assets subject to donor imposed stipulations that they be maintained permanently by the Association. Generally, the donors of these assets permit the Association to use all or part of the income earned on any related investments for general or specific purposes.

The financial statements include certain prior-year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 1998, from which the summarized information was derived.

THE ARC OF ST. MARTIN, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase.

Investments

Investments in marketable securities with readily determinable fair market values are reported at their fair values in the statement of financial position. Any unrealized gains and losses are included in the change in net assets.

Income Tax Status

The ARC of St. Martin, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes in the accompanying financial statements. There was no unrelated business income for the fiscal year ended June 30, 1999.

Support and Revenue

The ARC of St. Martin, Inc. receives its grant and contract support primarily from the State Department of Health and Hospitals and other state agencies. Support received from those grants and contracts is recognized on a "net funded" basis whereby State Department of Health and Hospitals funding is recognized on a last-dollar-in basis. Related expenses incurred are "netted" first by client fees and Medicaid income in determining grant funds to be recognized. The Organization receives client fees and Medicaid income for billable client services and recognizes these fees and income when earned.



THE ARC OF ST. MARTIN, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

Fixed assets acquired by The ARC of St. Martin, Inc. 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 Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$100. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

Buildings	25 years
Improvements	10 years
Furniture and Equipment	7 years
Vehicles	5 years

The net fixed asset balance has been recorded as a separate component in unrestricted net assets.

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.

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.

(2) 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.



THE ARC OF ST. MARTIN, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

(2) FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Investments-Fair value of investments (consisting of a single U. S. Treasury Note) are based on amortized carrying value, since the stated rate is comparable to rates currently available on U. S. Treasury investments of comparable maturities.

Mortgage Payable-Fair value approximates carrying value since stated rates are similar to rates currently available to the Association for debt with similar terms and remaining maturities.

(3) ACCOUNTS RECEIVABLE-GRANTS/CONTRACTS

As of June 30, 1999, accounts receivable from grants and contracts was composed of the following:

Louisiana Department of Health and Hospitals-Office for Citizens with Developmental Disabilities	\$16,246
Louisiana Department of Social Services-Louisiana Rehabilitation Services	4,860
Work Contracts Receivable	6,226
	-----
	\$27,332
	=====

(4) PLANT ASSETS AND DEPRECIATION

Depreciation of plant assets is calculated on the straight-line basis over the estimated useful lives of the assets. The cost of such assets at June 30, 1999 is as follows:

Land and buildings	\$479,627
Furniture, fixtures & equipment	62,245
Vehicles	167,613
	-----
Subtotal	\$709,485
Less: Accumulated Depreciation	(234,806)
	-----
Total	\$474,679
	=====

THE ARC OF ST. MARTIN, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

(5) NOTES PAYABLE

The notes payable consist of a real estate mortgage note with a carrying value of \$44,665 payable to St. Martin Bank and Trust, in monthly installments of \$1,094.37 thru June, 2003 including interest at 8.00%, secured by a real estate mortgage on the community homes operated by the Organization.

The annual requirements to amortize all notes outstanding at June 30, 1999, including interest of \$7,641 are as follows:

Fiscal Year <u>End</u>	<u>Total</u>
6/2000	13,132
6/2001	13,132
6/2002	13,132
6/2003	12,910
	-----
Total	\$52,306
	=====

(6) PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are endowment funds restricted in perpetuity by the donor to continue the traditional services of the Organization. Income generated by these assets can be used for operating expenses.

(7) RETIREMENT PLANS

All employees of The ARC of St. Martin, Inc. are members of the Social Security Retirement System. No supplemental contributory retirement or pension plans are maintained or provided by the Organization.

(8) COMPENSATED ABSENCES

Employees of The ARC of St. Martin, Inc. are entitled to paid vacation, paid sick leave, and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

THE ARC OF ST. MARTIN, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

(9) CONCENTRATIONS OF REVENUE/CASH BALANCES

The ARC of St. Martin is primarily dependent for support on annual grant funding obtained through the Louisiana Department of Health and Hospitals and the Louisiana Department of Social Services. Revenues derived from grant funding have historically been relatively stable. However, the State of Louisiana is currently contemplating budget cuts to combat an anticipated statewide revenue shortfall for the coming fiscal year. Such funding cuts may affect the expected revenues of the Organization, and such revenue declines may be material.

The Organization maintains substantially all of its demand deposit cash accounts at St. Martin Bank and Trust. Cash accounts at banks are insured by the FDIC for up to \$100,000. Amounts in excess of insured limits were approximately \$56,000 at June 30, 1999.

(10) COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Organization expects such amounts, if any, to be immaterial.

(11) RISK MANAGEMENT

The Organization is exposed to risks of loss in the areas of general and auto liability and workers' compensation. Those risks are handled by purchasing commercial insurance. There have been no significant reductions in insurance coverage during the current fiscal year.

(12) SCHEDULE OF FINDINGS AND QUESTIONED COSTS

The Organization has elected to absorb all non-qualifying costs incurred under federal programs as an organization responsibility, chargeable against the unrestricted net assets derived from non-grantor provided revenues of the Organization. Sample transactions selected in the conduct of the audit for fiscal year ended June 30, 1999 disclosed no findings or questioned costs which were not, or will not be absorbed by the Organization.

THE ARC OF ST. MARTIN, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

(13) IMPACT OF THE YEAR 2000 ON COMPUTER PROGRAMS (UNAUDITED)

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Organization's computer programs that have time sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, or engage in similar normal business activities.

The Organization is utilizing both internal and external resources to identify and test the systems for Year 2000 compliance. To date, a preliminary assessment of the impact of this issue has not been completed. Consequently, management has not assessed the Year 2000 compliance expense and related potential effect on the Organization's change in net assets.

(14) SUBSEQUENT EVENTS

On August 2, 1999, a vehicle owned and operated by the St. Martin Parish Police Jury struck a passenger van belonging to The ARC of St. Martin from behind. The van was transporting several clients of the Organization, and the passengers sustained only minor injuries. The accident was definitely the fault of the police jury vehicle, and it has been ascertained that the police jury does have adequate insurance coverage in force to cover any possible claims. It is not anticipated that potential residual claims from this accident, if any, will have a material effect on the future financial results of The ARC of St. Martin.



# MARAIST & MARAIST

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

To the Board of Directors of  
The ARC of St. Martin, Inc.  
St. Martinville, Louisiana

We have audited the financial statements of The ARC of St. Martin, Inc., as of June 30, 1999 and for the year then ended, and have issued our report thereon dated December 13, 1999. 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 ARC of St. Martin's financial statements 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 non-compliance that are required to be reported under Government Auditing Standards.

### Internal Control Over Financial Statements

In planning and performing our audit, we considered The ARC of St. Martin's 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating



To the Board of Directors of  
The ARC of St. Martin, Inc.

to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect The ARC of St. Martin's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of prior and current audit findings as item 99-1.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

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

*Maraist & Maraist*

MARAIST AND MARAIST  
CERTIFIED PUBLIC ACCOUNTANTS

December 13, 1999

# MARAIST & MARAIST

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS  
AMERICAN INSTITUTE OF  
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SOCIETY OF  
LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of  
The ARC of St. Martin, Inc.  
St. Martinville, Louisiana

### Compliance

We have audited the compliance of The ARC of St. Martin, Inc. (a non-profit organization) 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 its major federal program for the year ended June 30, 1999. The ARC of St. Martin's major federal program is 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 its major federal program is the responsibility of The ARC of St. Martin's management. Our responsibility is to express an opinion on The ARC of St. Martin'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 the provisions of Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Nonprofit 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 federal program occurred. An audit includes examining, on a test basis, evidence about The ARC of St. Martin'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 on The ARC of St. Martin's compliance with those requirements.

To the Board of Directors of  
The ARC of St. Martin, Inc.

In our opinion, The ARC of St. Martin, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The management of The ARC of St. Martin, 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 our audit, we considered The ARC of St. Martin'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 management, and federal awarding agencies and pass-through entities of The ARC of St. Martin, Inc. However, this report is a matter of public record and its distribution is not limited.

*Maraist & Maraist*

MARAIST AND MARAIST  
CERTIFIED PUBLIC ACCOUNTANTS

December 13, 1999

THE ARC OF ST. MARTIN, INC.  
St. Martinville, Louisiana

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 1999

FEDERAL GRANTOR/PASS- <u>THROUGH GRANTOR</u>	<u>PROGRAM NAME</u>	FEDERAL CFDA <u>NUMBER</u>
United States Dept. of Health & Human Services- Louisiana Dept. of Health and Hospitals-Office for Citizens with Developmental Disabilities	Social Adult Habilitation Services for the Mentally Retarded	93.667
United States Dept. of Health & Human Services- Louisiana Dept. of Health and Hospitals-Office for Citizens with Developmental Disabilities	*Medicaid Title XIX-Medical Assistance Program- Residential Homes for the Mentally Retarded/HCB Waiver	93.778
United States Dept. of Education-Louisiana Dept. of Social Services	Vocational Rehabilitation Services Basic Support Program/Supported Employment Services for Individuals with Severe Disabilities	84.126/ 84.187
United States Dept. of Transportation-Louisiana Dept. of Transportation & Development	Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513
Total		

\*Denotes major federal program.



REVENUE  
RECOGNIZED

EXPENDITURES

\$ 191,776

\$ 191,776

699,696

699,696

240,723

240,723

30,755

30,755

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\$1,162,950  
=====

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\$1,162,950  
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ST. MARTIN ASSOCIATION FOR RETARDED CITIZENS  
St. Martinville, Louisiana

Schedule of Findings, Questioned Costs  
and Management's Corrective Action Plan

Year Ended June 30, 1999

Part I: Summary of Auditor's Results:

1. An unqualified report was issued on the financial statements.
2. A reportable condition in internal control was disclosed by the audit of the financial statements, however, it was not considered to be a material weakness.
3. Material noncompliance was not disclosed.
4. No reportable conditions in internal control over the major program were disclosed by the audit of the financial statements.
5. An unqualified opinion was issued on compliance for the major program (Medicaid Title XIX Medical Assistance Program).
6. The audit disclosed no audit findings required to be reported under Section 510(a) of Circular A-133.
7. The major program was:  
  
United States Department of Health & Human Services/  
Louisiana Department of Health & Hospitals-Division  
of Mental Retardation: Medicaid Title XIX Medical  
Assistance Program.
8. The dollar threshold used to distinguish between Type A and Type B programs, as described in Section 520(b) of Circular A-133 was \$300,000.
9. The auditee did not qualify as a low-risk auditee under Section 530 of Circular A-133.

ST. MARTIN ASSOCIATION FOR RETARDED CITIZENS  
St. Martinville, Louisiana

Schedule of Findings, Questioned Costs and  
Management's Corrective Action Plan(Continued)

Year Ended June 30, 1999

Part II: Findings which are required to be reported in accordance with generally accepted government auditing standards:

99-1 Inadequate Segregation of Accounting Functions

Finding: Due to the limited number of administrative employees, The ARC of St. Martin did not have a completely adequate segregation of functions within the accounting system.

Management's Corrective Action Plan: The management of The ARC of St. Martin, Inc. has determined that it is not cost effective to completely segregate accounting functions. No plan is considered necessary.

Part III: Findings and questioned costs for Federal awards which include audit findings as defined in Section 510(a) of Circular A-133:

There are no findings which are required to be reported under the above guidance.

Part IV: Management Letter Items:

There were no management letter items at June 30, 1998 or June 30, 1999.

ST. MARTIN ASSOCIATION FOR RETARDED CITIZENS  
St. Martinville, Louisiana

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 1999

The audit findings at June 30, 1998 were as follows:

Section I: Internal Control and Compliance Material  
to the Financial Statements

98-1 Inadequate Segregation of Accounting Functions

Finding: The ARC of St. Martin, Inc. did not have a completely adequate segregation of functions within the accounting system.

Status: Unresolved(See Item 99-1).

Section II: Internal Control and Compliance Material  
to Federal Awards

98-2 Non-Compliance with DHH Residential Care Rate Standards and ICF/MR Standards for Payment

Finding: The ARC of St. Martin did not comply with certain program reporting standards and resident eligibility requirements.

Status: Management has formulated and implemented revised procedures and policies to insure monthly review of client eligibility requirements and appropriate reporting of clients determined to be ineligible based on such review procedures.