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ARC OF IBERIA

FINANCIAL REPORT

JUNE 30, 1999

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Release Date JAN 12 2000

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
ARC of Iberia
New Iberia, Louisiana

We have audited the accompanying statements of financial position of ARC of Iberia (a nonprofit organization) as of June 30, 1999 and 1998 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ARC of Iberia as of June 30, 1999 and 1998, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 29, 1999, on our consideration of ARC of Iberia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Broussard, Poché, Lewis & Breaux, L.L.P.
New Iberia, Louisiana
October 29, 1999

* A Professional Accounting Corporation.

ARC OF IBERIA

STATEMENTS OF FINANCIAL POSITION
June 30, 1999 and 1998

ASSETS	1999	1998
CURRENT ASSETS		
Cash	$ 642,969	$ 316,775
Investments	114,874	109,960
Receivables	28,688	30,864
Due from other agencies	264,338	300,243
Inventory	3,025	4,004
Prepaid expenses	10,196	3,672
Other current assets	8,532	22,798
Total current assets	$1,072,622	$ 788,316
FIXED ASSETS		
Property and equipment, net	$1,124,029	$1,170,505
RESTRICTED CASH		
Respite building fund	$ 6,267	$ 4,665
Total assets	$2,202,918	$1,963,486

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS	1999	1998
CURRENT LIABILITIES		
PAYABLE FROM CURRENT ASSETS		
Accounts payable	$ 62,668	$ 76,447
Accrued liabilities	88,221	86,431
Accrued compensated absences	37,307	-
Current maturities of long-term debt	6,186	20,185
Current portion of capital lease obligations	5,539	5,194
	$ 199,921	$ 188,257
CURRENT LIABILITIES		
PAYABLE FROM RESTRICTED ASSETS		
Current portion of long-term debt	1,571	3,457
Total current liabilities	$ 201,492	$ 191,714
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	$ 262,062	$ 272,257
Capital lease obligations, less current portion	3,402	8,859
Total long-term liabilities	$ 265,464	$ 281,116
Total liabilities	$ 466,956	$ 472,830
NET ASSETS		
Unrestricted	$1,617,678	$1,440,853
Temporarily restricted	118,284	49,803
Total net assets	$1,735,962	$1,490,656
Total liabilities and net assets	$2,202,918	$1,963,486

ARC OF IBERIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 1999

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Contributions	$ 27,867	$ 117,453	$ 145,320
Program revenue	3,532,860	-	3,532,860
Interest revenue	10,768	-	10,768
Membership revenue	1,995	-	1,995
Miscellaneous revenue	23,126	-	23,126
Net assets released from restrictions:			
Satisfaction of program restrictions	28,527	(28,527)	-
Expiration of time restrictions	20,445	(20,445)	-
Total revenues and other support	$ 3,645,588	$ 68,481	$ 3,714,069
EXPENSES			
Program expenses:			
ARC Unlimited	$ 1,160,098	$ -	$ 1,160,098
Outreach Services	11,788	-	11,788
Independent Living	554,319	-	554,319
Residential Services	687,264	-	687,264
Respite Services	756,319	-	756,319
Bright Beginnings	13,117	-	13,117
General and administrative expenses	285,858	-	285,858
Total expenses	$ 3,468,763	$ -0-	$ 3,468,763
Changes in net assets	$ 176,825	$ 68,481	$ 245,306
Net assets, beginning of year	1,440,853	49,803	1,490,656
Net assets, end of year	$ 1,617,678	$ 118,284	$ 1,735,962

See Notes to Financial Statements.

ARC OF IBERIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 1998

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Contributions	$ 34,625	$ 44,760	$ 79,385
Program revenue	3,176,932	-	3,176,932
Interest revenue	15,166	-	15,166
Membership revenue	1,255	-	1,255
Miscellaneous revenue	33,516	-	33,516
Gain on sale of fixed assets	1,100	-	1,100
Net assets released from restrictions:			
Satisfaction of program restrictions	19,085	(19,085)	-
Expiration of time restrictions	14,058	(14,058)	-
Total revenues and other support	$ 3,295,737	$ 11,617	$ 3,307,354
EXPENSES			
Program expenses:			
ARC Unlimited	$ 1,204,782	$ -	$ 1,204,782
Outreach Services	8,595	-	8,595
Independent Living	452,340	-	452,340
Residential Services	674,498	-	674,498
Respite Services	638,947	-	638,947
General and administrative expenses	248,232	-	248,232
Total expenses	$ 3,227,394	$ -0-	$ 3,227,394
Changes in net assets	$ 68,343	$ 11,617	$ 79,960
Net assets, beginning of year	1,372,510	38,186	1,410,696
Net assets, end of year	$ 1,440,853	$ 49,803	$ 1,490,656

See Notes to Financial Statements.

ARC OF IBERIA

STATEMENTS OF CASH FLOWS
Years Ended June 30, 1999 and 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 245,306	$ 79,960
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	137,632	130,292
Gain on sale of fixed assets	-	(1,100)
Donated fixed assets	(53,109)	(18,813)
(Increase) decrease in receivables	2,176	(11,229)
(Increase) decrease in due from other agencies	35,905	(63,406)
Increase in inventories and prepaids	(5,545)	(2,581)
(Increase) decrease in other current assets	14,266	(538)
Decrease in accounts payable	(13,779)	(9,078)
Increase in accrued liabilities	1,790	24,953
Increase in accrued compensated absences	37,307	-
Net cash provided by operating activities	$ 401,949	$ 128,460
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	$ (38,047)	$ (131,650)
Proceeds from sales of fixed assets	-	2,150
Purchases (maturities) of investments	(4,914)	76,491
Net cash used in investing activities	$ (42,961)	$ (53,009)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	$ (26,080)	$ (94,497)
Principal payments on lease obligations	(5,112)	(14,213)
Net cash used in financing activities	$ (31,192)	$ (108,710)
Net increase (decrease) in cash	$ 327,796	$ (33,259)
Cash, beginning of year	321,440	354,699
Cash, end of year	$ 649,236	$ 321,440
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS		
Donated fixed assets	$ 53,109	$ 18,813

See Notes to Financial Statements.

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization:

ARC of Iberia (the "Association") is a Louisiana nonprofit corporation chartered in August 1954. Its purpose is to promote the general welfare of mentally retarded, physically handicapped and incapacitated citizens in Iberia Parish and to aid their parents and families. The following is a description of the various programs.

Operating Fund

The operating fund is used to account for all general and administrative expenses of the Association.

ARC Unlimited

ARC Unlimited is a day program for citizens of the community with mental retardation.

Residential Services

Residential Services provides three homes for adults with mental retardation.

Respite Services

Respite Services allows parents and guardians of those with mental retardation to leave them for short periods of time.

Outreach Services

Outreach Services is a program to provide prenatal education for young expecting mothers along with parenting skills with a long-term goal of child abuse prevention.

Independent Living

The Association supervises adults with mental retardation that live in their own home or apartment. These clients require considerably less care than clients living in the residential homes.

Bright Beginnings

The Association is providing day care services for children of the community.

NOTES TO FINANCIAL STATEMENTS

The accompanying financial statements of the Association have been prepared on the accrual basis of accounting.

Significant accounting policies:

Support and expenses:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities as net assets released from restrictions.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Investments:

Investments which consists of certificates of deposits, are presented in the financial statements at cost which approximates fair market value.

Inventory:

Inventory is stated at the lower of cost or market, with cost determined by the first-in first-out method.

Allowance for doubtful accounts:

The Association considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Restricted cash:

The Association is required to put at least 10% of the monthly payment to FHA under loan provisions for the building acquired for the Respite Services program. These reserved amounts are reflected as restricted cash on the statements of financial position.

Property and equipment:

Purchased property and equipment is recorded at cost at the date of acquisition. Contributed property and equipment is recorded at fair value at the date of donation. In the absence of donor stipulations regarding how long the contributed assets must be used, the Association has adopted a policy of implying a time restriction on contributions of such assets that expires over the assets' useful lives. As a result, all contributions of property and equipment, and of assets contributed to acquire property and equipment, are recorded as restricted support.

Depreciation is computed by the straight-line method at rates based on the following estimated useful lives:

	Years
Furniture and equipment	5 - 25
Building and improvements	10 - 30
Transportation equipment	3 - 5

Compensated absences:

Employees of the Association earn annual leave per month depending on years of service at a minimum of twelve days per fiscal year. Annual leave is cumulative from one year to the next, up to a maximum of 240 hours. Upon termination of employment for cause, an employee may be paid for the value of any accrued leave up to a maximum of 240 hours.

Donated services:

The Association receives donated services from unpaid volunteers who assist in program services during the year; however, these donated services are not reflected in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

Federal income taxes:

The Association qualifies for an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Cash and cash equivalents:

For the purposes of the statement of cash flows, the Association considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Use of 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.

NOTES TO FINANCIAL STATEMENTS

Note 2. Due From Other Agencies

Due from other agencies at June 30, 1999 and 1998 consisted of:

	1999	1998
Due from O.C.D.D.	$ 30,556	$ 26,487
Due from Department of Natural Resources	-	17,162
Due from Louisiana Rehabilitation Services	14,565	43,468
Due from Medicaid	194,307	181,981
Due from other facilities	24,910	31,145
	$ 264,338	$ 300,243

Note 3. Property and Equipment

Property and equipment at June 30, 1999 consisted of:

	Historical Costs	Donated Value	Total
Land	$ 56,585	$ 91,750	$ 148,335
Buildings and improvements	1,110,719	25,000	1,135,719
Furniture and equipment	383,344	3,600	386,944
Vehicles	320,887	163,956	484,843
Livestock	850	-	850
	$1,872,385	$ 284,306	$ 2,156,691
Less accumulated depreciation	(899,136)	(133,526)	(1,032,662)
	$ 973,249	$ 150,780	$ 1,124,029

Total depreciation expense for the year ended June 30, 1999 was $137,632 of which $18,478 was related to donated assets and $2,085 was related to capital lease assets.

For the year ended June 30, 1999, the Association has capital lease assets of $48,929, included in equipment and land, and related accumulated amortization of $9,721, which is included in accumulated depreciation.

Property and equipment at June 30, 1998 consisted of:

	Historical Costs	Donated Value	Total
Land	$ 56,585	$ 91,750	$ 148,335
Buildings and improvements	1,104,883	25,000	1,129,883
Furniture and equipment	368,402	3,600	372,002
Vehicles	303,618	110,847	414,465
Livestock	850	-	850
	$1,834,338	$ 231,197	$2,065,535
Less accumulated depreciation	(779,982)	(115,048)	(895,030)
	$1,054,356	$ 116,149	$1,170,505

Total depreciation expense for the year ended June 30, 1998 was $130,292 of which $11,163 was related to donated assets and $2,085 was related to capital lease assets.

For the year ended June 30, 1998, the Association has capital lease assets of $48,929, included in equipment, and related accumulated amortization of $7,636, which is included in accumulated depreciation.

Note 4. Long-Term Debt

Long-term debt at June 30, 1999 and 1998 consisted of the following:

	1999	1998
ARC Unlimited:		
Mortgage note payable to bank, due in monthly installments of $830, bearing interest at 5.62%, secured by collateral mortgage on Walton Street, maturing April 15, 2001.	$ 58,382	$ 65,075
Residential Services:		
Note payable to bank, due in monthly installments of $388, bearing interest at 9.95%, collateralized by a security interest in a 1995 Chevrolet van, maturing July 13, 1999.	375	4,747

(continued)

Note 4. Long-Term Debt (Continued)

	1999	1998
Note payable to bank, due in monthly installments of $388, bearing interest at 9.95%, collateralized by a security interest in a 1995 Chevrolet van, maturing July 13, 1999.	$ 375	$ 4,747
Note payable to bank, due in monthly installments of $410, bearing interest at 9.95%, collateralized by a security interest in a 1996 Chevrolet van, maturing July 13, 1999.	399	5,024
Respite Services:		
Mortgage note payable to FHA, due in monthly installments of $1,028, bearing interest at 5.25%, secured by collateral mortgage on the Respite home, maturing April 11, 2025.	173,641	178,322
Mortgage note payable to FHA, due in monthly installments of $215, bearing interest at 5.125%, secured by collateral mortgage on the Respite home, maturing April 11, 2025.	36,647	37,984
	$ 269,819	$ 295,899
Less current maturities	(7,757)	(23,642)
Long-term debt, less current maturities	$ 262,062	$ 272,257

Aggregate maturities required on long-term debt, including interest of $188,432, are as follows at June 30, 1999:

2000	$ 15,516
2001	24,876
2002	24,876
2003	24,876
2004	24,876
Thereafter	343,231
	$ 458,251

Cash paid for interest during the years ended June 30, 1999 and 1998 was $13,912 and $23,343, respectively.

Note 5. Capital Lease Obligations

The Association has entered into a noncancellable lease agreement for the acquisition of property including building and improvements. The lease provides for monthly payments of $500 through January 2001. Additionally, the Association has entered into a noncancellable lease agreement for the acquisition of a copy machine. The lease provides for monthly payments of $100 through August 1998. These leases have been capitalized in accordance with Financial Accounting Standards Statement No. 13. The following is a schedule by years of the future minimum lease payments under these capital leases together with the value of the net minimum lease payments as of June 30:

	1999	1998
1999	$ -	$ 6,181
2000	6,082	6,000
2001	3,500	3,500
Total minimum lease payments	$ 9,582	$ 15,681
Less amount representing interest	(641)	(1,628)
Present value of net minimum lease payments	$ 8,941	$ 14,053
Less obligations under capital leases - current portion	(5,539)	(5,194)
Obligations under capital leases, long-term	$ 3,402	$ 8,859

NOTES TO FINANCIAL STATEMENTS

Note 6. Detail of Program Revenue

Program revenue included the following for the years ended June 30, 1999 and 1998:

	Total	Program: ARC Unlimited	Program: Outreach Services	Program: Independent Living	Program: Residential Services	Program: Respite Services
1999:						
Medicaid	$2,230,195	$ 156,000	$ -	$ 533,729	$ 777,829	$ 762,637
Office of Citizens with Developmental Disabilities	444,097	319,864	-	49,298	-	74,935
Louisiana Rehab Services	227,366	227,366	-	-	-	-
Foster & Adoptive Family Resource	5,728	-	-	-	-	5,728
Children's Trust Fund	10,000	-	10,000	-	-	-
Sales	185,545	185,545	-	-	-	-
Client billings	192,841	7,800	-	44,543	92,190	48,308
Other residential facilities:						
Res-Care Health Services	237,088	237,088	-	-	-	-
	$3,532,860	$1,133,663	$ 10,000	$ 627,570	$ 870,019	$ 891,608

	Total	Program: ARC Unlimited	Program: Outreach Services	Program: Independent Living	Program: Residential Services	Program: Respite Services
1998:						
Medicaid	$1,913,790	$ 151,549	$ -	$ 391,928	$ 778,625	$ 591,688
Office of Citizens with Developmental Disabilities	408,885	288,073	-	49,776	-	71,036
Louisiana Rehab Services	271,375	271,375	-	-	-	-
Foster & Adoptive Family Resource	4,228	-	-	-	-	4,228
Children's Trust Fund	7,000	-	7,000	-	-	-
Sales	177,213	177,213	-	-	-	-
Client billings	153,162	11,185	-	45,873	78,436	17,668
Other residential facilities:						
Normal Life	124,371	124,371	-	-	-	-
Res-Care Health Services	116,908	116,908	-	-	-	-
	$3,176,932	$1,140,674	$ 7,000	$ 487,577	$ 857,061	$ 684,620

NOTES TO FINANCIAL STATEMENTS

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following periods or purposes as of June 30, 1999 and 1998:

	1999	1998
ARC Unlimited program:		
Remaining estimated useful lives of contributed property and equipment	$ 65,667	$ 33,003
Unexpended food bank contributions	48,053	16,800
Unexpended Bright Beginnings contributions	4,564	-
	$ 118,284	$ 49,803

Note 8. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or the expiration of time for the year ended June 30:

	1999	1998
Purpose restrictions accomplished:		
ARC Unlimited program - Contributions	$ 14,970	$ 18,725
Respite Services program - Contributions	440	360
Bright Beginnings program - Contributions	13,117	-
	$ 28,527	$ 19,085
Time restriction expired:		
ARC Unlimited program - Expired portion of estimated useful lives of contributed property and equipment	20,445	14,058
Total restrictions released	$ 48,972	$ 33,143

Note 9. Natural Classification of Expenses

Expenses were incurred for the following for the years ended June 30, 1999 and 1998:

		Programs						Support
	Total	ARC Unlimited	Outreach Services	Independent Living	Residential Services	Respite Services	Bright Beginnings	Management and General
1999:								
Cost of sales	$ 108,118	$ 108,118	$ -	$ -	$ -	$ -	$ -	$ -
Salaries, wages, benefits and payroll taxes	2,390,079	661,207	7,612	500,167	371,040	650,903	3,228	195,922
Office and occupancy	432,060	164,910	620	29,619	129,259	49,985	3,173	54,494
Supplies and travel	137,666	37,011	2,337	6,150	74,261	12,487	2,263	3,157
Services and professional fees	111,424	25,577	1,020	4,416	46,282	16,268	1,750	16,111
Depreciation	137,632	70,886	-	612	40,581	12,183	2,703	10,667
Repairs and maintenance	137,546	87,879	199	13,355	25,012	5,594	-	5,507
Interest	14,238	4,510	-	-	829	8,899	-	-
	$3,468,763	$1,160,098	$ 11,788	$554,319	$687,264	$756,319	$ 13,117	$285,858

		Programs					Support
	Total	ARC Unlimited	Outreach Services	Independent Living	Residential Services	Respite Services	Management and General
1998:							
Cost of sales	$ 115,816	$ 115,816	$ -	$ -	$ -	$ -	$ -
Salaries, wages, benefits and payroll taxes	2,057,554	652,249	6,024	389,924	347,861	506,367	155,129
Office and occupancy	503,209	192,179	477	42,124	139,353	74,745	54,331
Supplies and travel	126,585	46,132	437	257	68,260	8,077	3,422
Services and professional fees	110,458	19,301	1,551	11,050	43,728	18,261	16,567
Depreciation	130,292	66,041	-	375	40,787	11,914	11,175
Repairs and maintenance	160,137	105,526	106	8,610	30,290	7,997	7,608
Interest	23,343	7,538	-	-	4,219	11,586	-
	$3,227,394	$1,204,782	$ 8,595	$452,340	$674,498	$638,947	$248,232

Note 10. Fiduciary Funds

Residential Services acts as a fiduciary agent for its residents. Additionally, there is one client of the Independent Living program for which the Association acts as a fiduciary agent. Checking accounts are maintained for each resident in the homes. Deposits include the resident's social security benefits, their payroll checks if employed and miscellaneous gifts from family members. Disbursements consist of day-to-day living expenses and are based on the individual resident's needs. The balance in these checking accounts at June 30, 1999 and 1998 was $27,222 and $19,548, respectively. These funds are not included in the balance sheet of the ARC of Iberia.

Note 11. Concentration of Credit Risk

The Association maintains cash balances in excess of $100,000 in banks, which are insured by the Federal Deposit Insurance Corporation up to $100,000 for cash balances and $100,000 for time deposits. At June 30, 1999, the Association's uninsured cash balances totaled $273,338.

The Association also receives a considerable amount of its total support and revenues from Medicaid for payments of medical services provided to clients. During the years ended June 30, 1999 and 1998, the Association received $2,230,195 and $1,913,790, respectively, from Medicaid, which was 60% and 58%, respectively, of total revenues.

Note 12. Retirement Plan

During 1998, the Association established a 401(k) retirement plan for all eligible employees. All full-time employees are eligible after one year of service. Eligible employees may elect to contribute up to 20% of their gross salary. The Association has chosen to make contributions to the Plan in an amount equal to 100% of the first 2% deferred by the employee. The amount contributed to the Plan for the years ended June 30, 1999 and 1998 was $10,017 and $7,506, respectively.

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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

To the Board of Directors
ARC of Iberia
New Iberia, Louisiana

We have audited the financial statements of ARC of Iberia (a nonprofit organization) as of and for the year ended June 30, 1999, and have issued our report thereon dated October 29, 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 ARC of Iberia's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered ARC of Iberia'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 significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Association'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 findings and questioned costs 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 the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the board of directors, management, all applicable federal agencies, and those other governments from which financial assistance was received.

Broussard, Poché, Lewis & Breaux, L.L.P.

New Iberia, Louisiana
October 29, 1999

ARC OF IBERIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 1999

We have audited the financial statements of ARC of Iberia as of and for the year ended June 30, 1999, and have issued our report thereon dated October 29, 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. Our audit of the financial statements as of June 30, 1999 resulted in an unqualified opinion.

Section I - Summary of Auditors' Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control
Material Weaknesses ___ Yes _X_ No
Reportable Conditions _X_ Yes ___ None reported

Compliance
Compliance Material to Financial Statements ___ Yes _X_ No

Section II - Financial Statement Findings

99-1 Cash Disbursements

Finding: When testing controls over cash disbursements, it was noted in three out of forty instances that no purchase order was used when required. In addition, it was noted in two out of forty instances that there was no documentation of approval for payment.

Recommendation: The procedures in place over cash disbursements need to be adhered to at all times to ensure adequate controls over the cash disbursement process.

ARC OF IBERIA

SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 1999

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

None reported.

Section II. Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III. Management Letter

The prior year's report did not include a management letter.

The
Arc
Iberia

formerly the Iberia
Association for
Retarded Citizens

Independent Living Services
(318) 367-6813

Arc Unlimited Employment
Services (318) 364-7215

Respite/PCA Services
(318) 367-3005

Residential Services
(318) 367-6813

3716 Redwood Dr.
P.O. Box 9610
New Iberia, LA 70562-9610
(318) 367-6813
e-mail arcib@acadian.net

October 29, 1999

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Dr. Daniel Kyle
Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397

ARC of Iberia respectfully submits the following corrective action plan for the year ended June 30, 1999.

Name and address of independent public accounting firm:
Broussard, Poche', Lewis & Breaux, L.L.P.
Certified Public Accountants
P.O. Box 9631
New Iberia, LA 70562-9631

Audit period: July 1, 1998 through June 30, 1999

The finding from the 1999 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule. Section I of the schedule, summary of Auditors' reports, does not include findings and is not addressed.

Section II - Financial Statement Finding

99-1 Cash Disbursements

Recommendation: The procedures in place over cash disbursements need to be adhered to at all times to ensure adequate controls over the cash disbursement process.

Action taken: The departments in which the purchases were made have been notified of the omission errors. Procedures will be adhered to in the future.

Sincerely,

ARC of Iberia

Kenny Patton

Kenny Patton
Executive Director

United Way