TARC

FINANCIAL STATEMENTS

JUNE 30, 1999

TARC
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LEGISLATIVE AUDITOR
BATON ROUGE LA 70804

DATA COLLECTION FORM

FOR REPORTING ON AUDITS OF STATE AND LOCAL GOVERNMENT AND QUASIPUBLIC ENTITIES

OMB Form 0348-0057 may be used as a substitute for this form.

Date Submitted 12/22/99

RETURN to: Legislative Auditor
Attn: Engagement Processing
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

1. Fiscal Year Ending Date For This Submission: 6/30/99

2. Type of Report:
☒ Single Audit ☐ GAO Audit Standards Audit
☐ Compilation ☐ Compilation/Attestation
☐ Program Audit ☐ Other

3. Audit Period Covered
☒ Annual ☐ Biennial
☐ Other ____ to ____

4. AUDITEE INFORMATION

Auditee Name: TARC
Street Address (Number and Street): 201 East Church Street
Mailing Address (PO No.):
City: Hammond, State: LA Zip: 70401
Auditee Contact
Name: Melinda Bass Title: Executive Director
Telephone: 504-345-8811 Fax: 504-345-9072
Email (Optional):

5. AUDITOR INFORMATION

Firm Name: JAMES M. CAMPBELL, CPA,APC
b. Street Address (Number and Street): 8939 Jefferson Hwy. 1st Floor, Ste A,B,C
Mailing Address (PO No.):
City: Baton Rouge State: LA Zip: 70809
c. Auditor Contact
Name: James M. Campbell, CPA Title:
Telephone: 225-926-6047 Fax: 225-926-6270
Email (Optional):

Component Units Included Within the Report and for Which No Separate Report Will Be Issued:

If there are no modifications to the auditor's financial opinion, no reportable conditions, no material weaknesses, no reported instances of noncompliance, and no management letter, check this box; do not complete the rest of the form.
☒

6. FINANCIAL STATEMENTS
a. Type of audit report on financial statements. ☐ Not Applicable
☐ Unqualified Opinion ☐ Qualified Opinion ☐ Adverse Opinion ☐ Disclaimer of Opinion
b. Is a 'going concern' explanatory paragraph included in the audit report? ☐ Yes ☐ No
c. Do any of the funds have deficit fund balances? ☐ Yes ☐ No
d. Is there a related party footnote? ☐ Yes ☐ No

7. INTERNAL CONTROL
Do the comments on internal control include: ☐ material weaknesses ☐ reportable conditions ☐ not applicable

8. COMPLIANCE
Do the comments on compliance include: ☐ illegal acts ☐ fraud/criminal acts ☐ not applicable

9. MANAGEMENT LETTER (Finding Caption and No.)

	Resolved
	☐ Yes ☐ No ☐ No Longer Applicable
	☐ Yes ☐ No ☐ No Longer Applicable
	☐ Yes ☐ No ☐ No Longer Applicable

10. SCHEDULE OF CURRENT YEAR FINDINGS/QUESTIONED COSTS (Finding Caption and No.)

	$	Resolved
	$	☐ Yes ☐ No ☐ No Longer Applicable
	$	☐ Yes ☐ No ☐ No Longer Applicable
	$	☐ Yes ☐ No ☐ No Longer Applicable
	$	☐ Yes ☐ No ☐ No Longer Applicable
	$	☐ Yes ☐ No ☐ No Longer Applicable
	$	☐ Yes ☐ No ☐ No Longer Applicable

Do any findings address nepotism, ethics violations or related party transactions? ☐ Yes ☐ No
Do any findings address violation of bond indenture covenants? ☐ Yes ☐ No

11. SCHEDULE OF PRIOR YEAR FINDINGS/QUESTIONED COSTS (Finding Caption and No.)

	Resolved
	☐ Yes ☐ No ☐ No Longer Applicable
	☐ Yes ☐ No ☐ No Longer Applicable
	☐ Yes ☐ No ☐ No Longer Applicable
	☐ Yes ☐ No ☐ No Longer Applicable
	☐ Yes ☐ No ☐ No Longer Applicable

AUDITEE SIGNATURE [signature] Date 12/16/99

JAMES M. CAMPBELL

CERTIFIED PUBLIC ACCOUNTANT

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Baton Rouge, Louisiana 70809

August 20, 1999

INDEPENDENT AUDITOR'S REPORT

Board of Directors
TARC
Hammond, Louisiana

Ladies and Gentlemen:

I have audited the accompanying statement of financial position of TARC (a nonprofit organization) as of June 30, 1999, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of TARC's management. My responsibility is to express an opinion on these financial statements based upon 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 TARC 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, I have also issued my report dated August 20, 1999, on my consideration of TARC's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

My audit was performed for the purpose of forming an opinion on the basic financial statements of TARC taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 M. Campbell CPA, APC

TARC
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1999

ASSETS

	1999
ASSETS	
Cash	$ 149,352
Accounts receivable	139,840
Prepaid expenses and deposits	6,790
Trust Investment	18,326
Leasehold improvements	4,387
Furniture and equipment	59,865
Vehicles	32,617
Less: accumulated depreciation	(56,442)
Total Assets	354,735

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable	6,710
Accrued payroll	14,108
Payroll taxes payable	1,110
Other payroll withholding liabilities	906
Total Liabilities	22,834
NET ASSETS	
Unrestricted net assets	316,161
Temporarily restricted net assets	740
Permanently restricted net assets	15,000
Total Net Assets	331,901
TOTAL LIABILITIES AND NET ASSETS	354,735

The accompanying notes are an integral part of this statement.

TARC
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 1999

	1999
UNRESTRICTED NET ASSETS	
Contributions	$ 7,578
Fundraisers	80,651
Memberships	1,230
Contributions - United Way	9,627
Donated facilities	32,000
Total Unrestricted Public Support	131,086
REVENUES	
Fees and grants from Governmental Agencies and private insurers	879,598
Interest income	3,131
Miscellaneous	700
Total Unrestricted Revenues	883,429
Total Unrestricted Public Support and Revenue	1,014,515
EXPENSES	
Program services	894,212
Supporting services	
Management & general	95,386
Total Expenses	989,598
INCREASE IN UNRESTRICTED NET ASSETS	24,917
TEMPORARILY RESTRICTED NET ASSETS	
Net assets released from donor restrictions	0
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	0
TOTAL INCREASE IN NET ASSETS	24,917
NET ASSETS, BEGINNING OF YEAR	306,984
NET ASSETS, END OF YEAR	331,901

The accompanying notes are an integral part of this statement.

TARC
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 1999

	1999
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 24,917
Adjustments to reconcile change to net cash provided by operating activities:	
Depreciation	9,576
(Increase) Decrease in:	
Accounts receivable	(30,833)
Prepaid expenses	(5,588)
Increase (Decrease) in:	
Accounts payable	(7,077)
Accrued payroll	10,956
Payroll taxes payable	(72)
Other payroll withholding liabilities	(85)
NET CASH FROM OPERATING ACTIVITIES	1,794
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of equipment	(1,533)
NET CASH FROM INVESTING ACTIVITIES	(1,533)
CASH FLOWS FROM FINANCING ACTIVITIES	
NET CASH FROM FINANCING ACTIVITIES	0
NET INCREASE (DECREASE) IN CASH	261
CASH, BEGINNING OF YEAR	149,091
CASH, END OF YEAR	149,352
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid during the year for:	
Interest	0

The accompanying notes are an integral part of this statement.

NOTE #1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

TARC is a private, non-profit organization whose purpose is to provide an early intervention program for children, birth to three years of age, who reside in Tangapahoa and Livingston Parishes, with developmental needs or handicaps, or at risk of having developmental needs or handicaps. TARC also provides advocacy services to individuals with disabilities. TARC's support comes primarily from various state contracts and programs.

B. 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 TARC 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 TARC and/or the passage of time. When a 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 TARC. Generally, the donors of these assets permit TARC to use all or part of the income earned on any related investments for general or specific purposes.

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

C. Financial Statement Presentation

In 1997, TARC adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, TARC is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. As permitted by this Statement, TARC has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required. The reclassification had no cumulative effect on the change in net assets at the date of adoption.

TARC also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made," in 1997. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The adoption had no cumulative effect on net assets at the date of the adoption.

D. Income Taxes

TARC 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, TARC 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 1999.

E. Allocation of Supporting Service Expenditures

Certain overhead expenses have been allocated between Program services and Supporting services based on a time study and an allocation of floor space based on the utilization of square footage by each program.

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

F. Cash and Cash Equivalents

TARC considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

G. Contributions

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.

H. Fixed Assets

Fixed assets acquired by TARC are considered to be owned by TARC; 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.

TARC follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of $500. Depreciation is computed on a straight-line basis over the useful lives of the assets generally as follows:

	Estimated Useful Life	Cost
Leasehold Improvements	5-10 years	$ 4,387
Furniture and equipment	5-10 years	59,865
Vehicles	5 years	32,617
		96,869

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

Depreciation expense was $9,576 for the year ending June 30, 1999.

I. 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.

J. 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.

K. Support and Revenue

TARC receives its grant and contract support primarily from the State Department of Health and Hospitals and other State Agencies (see Note 11 - Summary of Grants/Contracts Funding). TARC receives client fees, Medicaid income, and Medicare income for billable client services and recognizes these fees and income when earned.

NOTE #2: ACCOUNTS RECEIVABLE

Receivables at June 30, 1999, are summarized below. TARC anticipates that substantially all receivables will be collected and no provision for uncollectible receivables has been provided.

	June 30, 1999
Due from State of Louisiana:	
Infant Habilitation	$ 32,239
OSE Part H Grant	64,718
Due from other sources:	
Other Receivables	42,883
	139,840

NOTE #3: ACCRUED VACATION AND LEAVE - EMPLOYEE BENEFITS

Employees of TARC accrue annual vacation and leave at various rates and number of days. There is a six (6) month probationary period for all new employees prior to accruing any vacation or leave. Any vacation days carried over to the following fiscal year must be used by the 31st of August of that year or be forfeited. There was no accrued leave recorded at June 30, 1999.

NOTE #4: COMMITMENTS AND CONTINGENCIES

TARC receives a substantial portion of its revenues from Government grants and contracts which require the Organization to obtain a contract compliance audit of expenditures charged to the contracts. These may be subject to retroactive adjustments by third party payers. Management is not aware of any proposed adjustments and no provision for estimated retroactive adjustment has been provided.

NOTE #5: DONATED FACILITIES, MATERIALS, EQUIPMENT AND SERVICES

Donated facilities are reflected as revenue received directly from the public with a corresponding expense to supporting services in the amount of $32,000. The estimated value was determined by inquiry of real estate agents in the general area.

TARC records the value of donated goods or services when there is an objective basis available to measure their value.

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt. There were no equipment donations as of June 30, 1999. The value of donated services is not reflected in the accompanying financial statements because there is no objective basis available to measure the value of such services and the amount of time donated is immaterial.

NOTE #6: LEASES

TARC's lease with the State of Louisiana, for a 6,400 square foot building located at 201 East Church Street, Hammond, Louisiana was renewed for an additional five years on October 19, 1998. The consideration was the mutual benefit, advantages, and convenience to be derived by the public in the operation of TARC. The donated facilities are valued at $32,000 annually.

TARC leased an office building for sixty months for a monthly rent of $600 in May, 1995. The lease expense for the year ending June 30, 1999, was $5,400. The lease was terminated during the year.

At June 30, 1999, there were no future minimum lease payments required.

NOTE #7: SALARY REDUCTION PROGRAM

TARC offers its employees a 403(b)(7) salary reduction program. Participation in this program is voluntary. TARC does not contribute to this program.

NOTE #8: TRUST INVESTMENT

Investments as of June 30, 1999, are summarized as follows:

Certificate of deposit	$ 18,326

Permanently restricted net assets are endowment funds consisting of $15,000 which is included in the certificate of deposit along with the interest which has been reinvested. The interest can be used for operating expenses.

These funds were invested in a certificate of deposit that pays interest of 6.5%, and matures October 1, 1999.

NOTE #9: 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 - Certificates of Deposit - Fair value approximates carrying value because the stated rates are similar to rates currently available to TARC with similar terms.

The estimated fair values of TARC's financial instruments at June 30, 1999, are as follows:

	Carrying Amount	Fair Value
Financial assets:		
Cash and cash equivalents	$149,352	$149,352
Investments	18,326	18,326

NOTE #10: CONCENTRATION OF CREDIT RISK

TARC maintains several bank accounts at two banks. Accounts at an institution are insured by the Federal 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 $22,167 as of June 30, 1999.

NOTE #11: YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electrical data processing systems and other related equipment that may adversely effect operations in the year 1999 and beyond. Many programs (if not corrected) will not be able to distinguish between the year 2000 and the year 1900. TARC has obtained the latest computer equipment and accounting software currently available because of this potential problem.

NOTE #12: SUMMARY OF GRANTS/CONTRACTS FUNDING

TARC was primarily funded through the following grants and contracts for the period July 1, 1997 to June 30, 1999:

Funding Source	Grant Contract Number	Period	Contract	Support
State Department Health and Hospitals	340-900368	7/1/98-6/30/99	$ 282,481	$ 282,481
	340-900432	7/1/98-6/30/99	63,210	60,270
State Department of Education	84.181 97-IHSJSO	7/1/98-6/30/99	284,867	349,401
TOTAL GRANTS AND CONTRACTS				692,152

<u>SUPPLEMENTARY INFORMATION</u>

TARC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 1999

	PROGRAM EXPENSES			
	INFANT PROGRAM	MEDICAID & PRIVATE INSURANCE	PART H	CASE MANAGEMENT
Salaries	$ 143,328	$ 1,035	$ 128,608	$ 72,824
Payroll taxes and benefits	14,233	112	13,302	9,540
Total employee compensation	157,561	1,147	141,910	82,364
Affiliation fees				
Billing agent fees		4,106		2,562
Central office overhead	56,390	11,851	7,449	31,567
Contract therapist services	2,506	98,961	136,311	
Dues and subscriptions	529			
Equipment	2,300		680	
Fund raising expense				
Insurance	3,182		456	262
Meeting expense				
Miscellaneous	495	736	23	957
Office expense	5,620	69	60	216
Postage	350			9
Professional services				324
Rent				5,400
Repairs and maintenance-buildings	2,511			336
Repairs and maintenance - vehicles	1,396			
Supplies - general	1,044			87
Supplies - training	32,255		1,042	
Telephone	1,615			104
Training	1,998		4,156	273
Travel and seminars	10,458		16,190	4,831
Total expenses before depreciation	280,210	116,870	308,277	129,292
Depreciation of Fixed Assets	8,162			995
Total Functional Expenses	288,372	116,870	308,277	130,287

SEE AUDITOR'S REPORT

PERSONAL SUPPORT COORDINATION	TOTAL PROGRAM EXPENSES	SUPPORTING SERVICES	TOTAL EXPENSES (MEMORANDUM ONLY) 6-30-99
$ 29,487	$ 375,282	$ 14,667	$ 389,949
3,990	41,177	5,436	46,613
33,477	416,459	20,103	436,562
		2,074	2,074
	6,668	1,356	8,024
13,074	120,331	18,645	138,976
	237,778		237,778
600	1,129	238	1,367
	2,980	811	3,791
		6,329	6,329
106	4,006	1,153	5,159
		3,279	3,279
	2,211	4,322	6,533
163	6,128	3,353	9,481
	359	4	363
	324	231	555
	5,400	32,000	37,400
	2,847	3	2,850
	1,396		1,396
	1,131	20	1,151
	33,297		33,297
510	2,229		2,229
133	6,560	229	6,789
2,343	33,822	817	34,639
50,406	885,055	94,967	980,022
	9,157	419	9,576
50,406	894,212	95,386	989,598

TARC
SCHEDULE OF FEDERAL/STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 1999

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA OR OTHER NUMBER	PASS-THROUGH GRANTOR'S NUMBER	DISBURSEMENTS/ EXPENDITURES
State Department of Health and Hospitals			
Infant Habilitation	340-900368	57	$ 282,481
Personal Support Coordination	340-900432	72	60,270
Department of Education			
IDEA Part C *	84.181	97-IH-SJ-S	308,277
Total			651,028

*Major Programs

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August 20, 1999

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

Board of Directors
TARC
Hammond, Louisiana

I have audited the financial statements of TARC (a nonprofit organization) as of and for the year ended June 30, 1999, and have issued my report thereon dated August 20, 1999. 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 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 TARC's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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
(CONTINUED)

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

James M. Campbell CPA, APC

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August 20, 1999

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

Board of Directors
TARC
Hammond, Louisiana

Compliance

I have audited the compliance of TARC, (a nonprofit 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 each of its major federal/state programs for the year ended June 30, 1999. TARC's major federal/state programs are identified in the Schedule of Federal/State Awards on page number 17. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of TARC's management. My responsibility is to express an opinion on TARC's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of 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/state program occurred. An audit includes examining, on a test basis, evidence about TARC's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on TARC's compliance with those requirements.

In my opinion, TARC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal/state award programs for the year ended June 30, 1999.

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 (CONCLUDED)

Internal Control Over Compliance

The management of TARC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal/state programs. In planning and performing my audit, I considered TARC's internal control over compliance with requirements that could have a direct and material effect on a major federal/state 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, contracts and grants that would be material in relation to a major federal/state 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 considered to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

James M. Campbell CPA, APC