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THE ARC OF ST. MARTIN, INC.

St. Martinville, Louisiana

FINANCIAL REPORT

Year Ended June 30, 1998

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

Financial Statements and Auditor's Report
For The Year Ended June 30, 1998

CONTENTS

MARAIST & MARAIST
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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, 1998, 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, 1998, 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 14, 1998 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 St. Martin Association
for Retarded Citizens

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 14, 1998

THE ARC OF ST. MARTIN, INC.
St. Martinville, Louisiana
STATEMENT OF FINANCIAL POSITION
June 30, 1998
(with comparative amounts for June 30, 1997)

Exhibit A

ASSETS

	6/30/98	6/30/97
Current Assets:		
Cash and cash equivalents	$180,017	$151,394
Investments	9,951	9,918
Accounts Receivable:		
Grants/Contracts	56,843	48,301
Medicaid	73,376	54,343
Other	654	4,727
Total current assets	$320,841	$268,683
Fixed Assets:		
Land	$ 49,014	$ 49,014
Buildings and improvements	429,908	403,598
Furniture and equipment	51,756	44,185
Vehicles	129,169	125,669
	$659,847	$622,466
Less: accumulated depreciation	187,011	145,665
Total fixed assets	$472,836	$476,801
TOTAL ASSETS	$793,677	$745,484

LIABILITIES AND NET ASSETS

	6/30/98	6/30/97
Current Liabilities:		
Accounts payable and accrued expenses	$ 12,821	$ 13,599
Accrued salaries	29,999	23,230
Due to clients-trust fund balance	19,567	12,902
Current portion of mortgage payable	9,152	8,453
Total current liabilities	$ 71,539	$ 58,184
Mortgage payable, less current portion	44,741	53,860
Total liabilities	$116,280	$112,044
Net Assets:		
Unrestricted:		
Operations	$248,666	$209,164
Fixed Assets	418,943	414,488
	$667,609	$623,652
Permanently restricted	9,788	9,788
Total net assets	$677,397	$633,440
TOTAL LIABILITIES AND NET ASSETS	$793,677	$745,484

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, 1998
(with comparative amounts for June 30, 1997)

	Unrestricted	
	Operations	Fixed Assets
SUPPORT AND REVENUE:		
Support:		
Grants and Contracts	$ 374,570	$ -
Contributions	14,944	-
Total support	$ 389,514	$ -
Revenue:		
Client fees	$ 28,114	$ -
Medicaid/Medicare	634,075	-
Training revenues	-	-
Work contracts	43,314	-
Interest/dividend income	5,471	-
Other	1,331	-
Total revenue	$ 712,305	$ -
TOTAL SUPPORT AND REVENUE	$1,101,819	$ -
EXPENSES:		
Program services:		
Day treatment	$ 240,978	$ 35,129
Residential	346,121	5,978
Supportive employment	84,269	-
Total program services	$ 671,368	$ 41,107
Support services:		
General and administrative	$ 344,405	$ 982
TOTAL EXPENSES	$1,015,766	$ 42,089
CHANGE IN NET ASSETS	$ 86,053	$(42,089)
REDESIGNATION OF NET ASSETS	(46,544)	46,544
NET ASSETS, BEGINNING OF YEAR	209,164	414,488
NET ASSETS, END OF YEAR	$ 248,673	$418,943

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

Exhibit B

Permanently Restricted	Year End Totals 6/30/98	Year End Totals 6/30/97
$ -	$ 374,570	$ 315,187
-	14,944	22,822
$ -	$ 389,514	$ 338,009
$ -	$ 28,114	42,111
-	634,075	591,549
-	-	45,651
-	43,314	29,726
-	5,471	5,649
-	1,331	1,249
$ -	$ 712,305	$ 715,935
$ -	$1,101,819	$1,053,944
$ -	$ 313,633	$ 176,069
-	352,099	364,925
-	46,743	72,030
$ -	$ 712,475	$ 613,024
$ -	$ 345,387	$ 322,920
$ -	$1,057,862	$ 935,944
$ -	$ 43,957	$ 118,000
-	-	-
9,788	633,440	515,440
$ 9,788	$ 667,397	$ 633,440

THE ARC OF ST. MARTIN, INC.
St. Martinville, Louisiana
STATEMENT OF CASH FLOWS
Year Ended June 30, 1998
(with comparative amounts for June 30, 1997)

Exhibit C

	Year End Totals	
CASH FLOWS FROM OPERATING ACTIVITIES:	6/30/98	6/30/97
Change in net assets	$ 43,957	$118,000
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	42,089	31,883
Increase in accounts receivable	(23,502)	(15,660)
Decrease in accounts payable and accrued expense	(778)	(353)
Increase in accrued salaries	6,769	13,845
Increase/(Decrease) in client trust funds owed	6,665	(12,439)
Net cash provided by operating activities	$ 75,200	$135,276
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Purchase of investments	$ (33)	$ (32)
Purchase of land, buildings & equipment	(38,124)	(241,940)
Net cash used for investing activities	(38,157)	(241,972)
CASH FLOWS USED FOR FINANCING ACTIVITIES:		
Payments on mortgage payable	$ (8,420)	$ (7,069)
Net cash used for financing activities	$ (8,420)	$ (7,069)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	28,623	(113,765)
CASH AND CASH EQUIVALENTS-Beginning of Year	151,394	265,159
CASH AND CASH EQUIVALENTS-End of Year	$180,017	$151,394

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, 1998
(with comparative totals for June 30, 1997)

	Program Services		
	Adult Habilitation	Residential Homes	Vocational Rehabilitation
FUNCTIONAL EXPENSES:			
Salaries and wages	$172,875	$200,398	$69,184
Employee benefits	16,336	28,947	-
Payroll taxes	11,938	16,083	5,168
Total salaries and related expenses	$201,149	$245,428	$74,352
Rental of property	3,705	-	-
Maintenance & repairs	-	4,649	65
Professional fees	-	-	-
Supplies	13,232	292	1,111
Insurance	-	-	-
Interest	-	4,713	-
Utilities & telephone	1,220	8,565	963
Dues & publications	-	-	-
Automotive	-	-	-
Provider fees & licenses	-	-	-
Office expense	-	-	-
Contractual services	-	3,745	-
Personal client needs	1,019	12,555	-
Travel, seminars, etc.	-	-	-
Consultant fees	525	16,071	-
Educational	263	4,959	-
Recreational	1,624	1,113	-
Dietary	771	2,235	-
Food	10,433	29,012	210
Medical & nursing	521	10,345	-
Training costs	-	-	6,622
Association responsibility	4,356	-	60
Housekeeping	2,160	2,439	886
Testing	-	-	-
Other	-	-	-
Total expenses before depreciation	$240,978	$346,121	$84,269
Depreciation	35,129	5,978	-
Total expenses	$276,107	$352,099	$84,269

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

Exhibit D

Total Program Services	General and Administrative	Year End Totals 6/30/98	Year End Totals 6/30/97
$442,457	$141,881	$584,338	$460,110
45,283	14,003	59,286	50,886
33,189	13,207	46,396	35,608
$520,929	$169,091	$690,020	$546,604
3,705	-	3,705	1,225
4,714	245	4,959	13,017
-	11,678	11,678	9,064
14,635	-	14,635	8,993
-	38,031	38,031	55,298
4,713	-	4,713	6,062
10,748	7,822	18,570	21,860
-	1,072	1,072	2,736
-	37,388	37,388	30,955
-	46,829	46,829	44,664
-	15,458	15,458	8,737
3,745	-	3,745	4,154
13,574	156	13,730	14,846
-	15,094	15,094	10,313
16,596	68	16,664	17,497
5,222	-	5,222	5,194
2,737	-	2,737	4,054
3,006	-	3,006	2,251
39,655	499	40,154	32,989
10,866	-	10,866	7,745
6,622	-	6,622	45,649
4,416	-	4,416	2,976
5,485	-	5,485	5,253
-	-	-	468
-	974	974	583
$671,368	$344,405	$1,015,773	$904,061
41,107	982	42,089	31,883
$712,475	$345,387	$1,057,862	$935,944

THE ARC OF ST. MARTIN, INC.
St. Martinville, Louisiana
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

(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, 1997, from which the summarized information was derived.

(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, 1998.

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.

(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 and Improvements	25 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.

Investments-Fair value of investments(consisting of a single U. S. Treasury Note) are based on amortized

(2) FAIR VALUE OF FINANCIAL INSTRUMENTS(Continued)

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, 1998, accounts receivable from grants and contracts was composed of the following:

Louisiana Department of Health and Hospitals-Office for Citizens with Developmental Disabilities	$ 8,524
Louisiana Department of Social Services-Louisiana Rehabilitation Services	
Vocational Rehabilitation	32,203
Job Readiness	10,743
Work Contracts Receivable	5,373
	$56,843

(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, 1998 is as follows:

Land and buildings	$478,922
Furniture, fixtures & equipment	51,756
Vehicles	129,169
Subtotal	$659,847
Less: Accumulated Depreciation	(187,011)
Total	$472,836

(5) NOTES PAYABLE

The notes payable consist of a real estate mortgage note with a carrying value of $53,893 payable to St. Martin Bank and Trust, in monthly installments of $1,094.37 thru April, 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, 1998, including interest of $9,782 are as follows:

Fiscal Year End	Total
6/99	13,132
6/2000	13,132
6/2001	13,132
6/2002	13,132
6/2003	11,147
Total	$63,675

(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) 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.

(9) 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, 1998 disclosed no findings or questioned costs which were not, or will not be absorbed by the Organization.

(10) NAME CHANGE

The ARC of St. Martin, Inc.(previously known as the St. Martin Association for Retarded Citizens, Inc.) changed its appellation during fiscal year 6/30/98 to more clearly reflect its mission, goals and operating philosophy, and also to more clearly identify with similar non-profit organizations operating throughout the state.

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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, 1998 and for the year then ended, and have issued our report thereon dated December 14, 1998. 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 98-1.

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 14, 1998

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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, 1998. 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.

As described in item 98-2 of the accompanying schedule of findings and questioned costs, The ARC of St. Martin, Inc. did not fully comply with requirements regarding eligibility and reporting that are applicable to its Medicaid Title XIX-Medical Assistance Program.

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 14, 1998

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

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 1998

FEDERAL GRANTOR/PASS-THROUGH GRANTOR	PROGRAM NAME	FEDERAL CFDA NUMBER
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	13.667
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	13.714
United States Dept. of Education-Louisiana Dept. of Social Services-Rehabilitative Services	Vocational Rehabilitation Services Basic Support Program	84.126
	Total	

*Denotes major federal program.

Schedule 1

REVENUE RECOGNIZED	EXPENDITURES
$ 137,467	$ 137,467
634,075	634,075
237,102	237,102
$1,008,644	$1,008,644

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 1998

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. The auditors' report on compliance for the major program (Medicaid Title XIX Medical Assistance Program) expresses a qualified opinion.

6. Audit findings relative to the major federal awards program for The ARC of St. Martin, Inc. are reported in this schedule.

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 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 and Questioned Costs(Continued)
Year Ended June 30, 1998

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

98-1 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.

Recommendation: Based upon the limited size of the organization, and the cost-benefit to be derived from the hiring of additional administrative personnel, it may not be feasible to achieve complete segregation of accounting functions and duties.

Response: No response is considered necessary.

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

Schedule of Findings and Questioned Costs(Continued)
Year Ended June 30, 1998

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

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

Finding: The ARC of St. Martin, Inc. did not comply with certain program reporting standards and resident eligibility requirements, as determined pursuant to the organization's 1998 Medicaid audit. Certain residents'(4) personal funds accounts were not timely charged for expenses ascribed to them, which resulted in their personal fund account balances exceeding the $2,000 eligibility limit for a brief period.

The ARC of St. Martin anticipates that claims for refund of ineligible grant funds for these recipients, when ultimately resolved, will not be material in amount. However, pending reconciliation of resident absorbable costs for the months in question, and final determination of ineligible grant funds received, the exact amount of questioned costs is indeterminate.

Recommendation: Policies and procedures should be formulated and implemented to insure that administrative personnel comply with DHH/Medicaid standards relating to reporting and funding eligibility. Also, periodic supervisory reviews of resident personal fund accounts should be instituted to insure that accounts are timely charged for resident responsibility costs, reconciled on a timely basis, and that both the resident and the state are notified on a timely basis when the resident's personal funds account balance exceeds $2,000.

Response: The ARC of St. Martin has formulated and implemented several revised procedures and amendments to their policy manual(and provided documentation of each to the Department of Health and Hospitals) which should address and rectify the findings referred to above. These include increased frequency of resident personal fund account reconciliations, as well as increased supervisory review of resident account activity.

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

Summary Schedule of Prior Audit Findings
Year Ended June 30, 1998

There were no audit findings at June 30, 1997.

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

Corrective Action Plan
Year Ended June 30, 1998

Corrective actions, where needed, have been addressed on the schedule of findings and questioned costs. Procedures will be implemented immediately(or have already been implemented), where applicable, to remediate all audit findings and questioned costs.