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FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date FEB 10 1999

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA

JUNE 30, 1998

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INDEPENDENT AUDITORS' REPORT

**The Board of Directors
The Association for Retarded Citizens/Ouachita
Monroe, Louisiana**

We have audited the accompanying statement of financial position of **Association For Retarded Citizens/Ouachita** (a nonprofit organization - the Association) as of June 30, 1998, and the related statements of activities, functional expenses and cash flows for the year 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 audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide* published by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. 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 financial statements referred to above present fairly, in all material respects, the financial position of the Association 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 23, 1998, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**The Board of Directors of Association for
Retarded Citizens/Ouachita
Page 2**

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information included as "Other Supplementary Data" and "Supplementary Information – Grant Activity" in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Association. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Luffey, Huffman & Marrow (APAC)

December 23, 1998

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1998

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
ASSETS			
Cash	\$ 135,924	\$ -	\$ 135,924
Investments	135,639		135,639
Accounts Receivable	186,752	74,715	261,467
Prepaid Expenses	1,963	9,900	11,863
Land, Building and Equipment	635,247	61,842	697,089
Accumulated Depreciation	(265,724)	(19,477)	(285,201)
TOTAL ASSETS	\$ 829,801	\$ 126,980	\$ 956,781
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts Payable	\$ 36,978	\$ -	\$ 36,978
Payroll Taxes Payable	5,171	-	5,171
Accrued Payroll	35,139	-	35,139
Notes Payable	319,904	-	319,904
Total Liabilities	397,192	-	397,192
Net Assets			
Unrestricted	432,610	-	432,610
Temporarily Restricted	-	126,980	126,980
Total Net Assets	432,610	126,980	559,590
TOTAL LIABILITIES AND NET ASSETS	\$ 829,801	\$ 126,980	\$ 956,781

The accompanying notes are an integral part of this statement.

**ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1998**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Intergovernmental	\$ 1,613,733	\$ 18,828	\$ 1,632,561
Charges for Services	172,714		172,714
United Way Allocation		148,617	148,617
Contributions	24,051		24,051
Other Revenues	87,611		87,611
Total	<u>1,898,108</u>	<u>167,445</u>	<u>2,065,553</u>
Net Assets Released from Time Restrictions	<u>155,487</u>	<u>(155,487)</u>	<u>-</u>
Total Support and Revenue	2,053,595	11,958	2,065,553
Expenses			
Program Services			
Adult Habilitation	310,664	-	310,664
Vocational Rehabilitation	37,398	-	37,398
Supported Work Contracts	66,684	-	66,684
Supported/Independent Living	365,136	-	365,136
Community Homes:			
Mallard Home	225,888	-	225,888
Williams Home	245,135	-	245,135
Respite	135,628	-	135,628
Personal Care Attendant	90,279	-	90,279
Early Intervention	157,646	-	157,646
Total Program Services	<u>1,634,457</u>	<u>-</u>	<u>1,634,457</u>
Supporting Services			
Management and General	<u>379,595</u>	<u>-</u>	<u>379,595</u>
Total Expenses	<u>2,014,052</u>	<u>-</u>	<u>2,014,052</u>
Increase in Net Assets	39,543	11,958	51,501
Net Assets at Beginning of Year	<u>393,067</u>	<u>115,022</u>	<u>508,089</u>
NET ASSETS AT END OF YEAR	<u>\$ 432,610</u>	<u>\$ 126,980</u>	<u>\$ 559,590</u>

The accompanying notes are an integral part of this statement.

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 1998

	<u>Adult Habilitation</u>	<u>Vocational Rehabil- itation</u>	<u>Supported Work Contracts</u>	<u>Supported/ Independent Living</u>
Salaries	\$ 207,595	\$ 34,320	\$ 60,347	\$ 281,000
Payroll Taxes	16,154	2,896	29	22,476
Pension	5,128	-	-	3,857
Total Salaries and Related Expenses	<u>228,877</u>	<u>37,216</u>	<u>60,376</u>	<u>307,333</u>
Dues and Subscriptions	1,491	-	-	839
Food	354	-	-	1,218
Insurance	27,738	-	1,164	14,414
Interest	1,354	-	-	944
Licenses and Inspections	707	-	-	602
Maintenance	3,875	-	3,246	2,751
Medical	2,544	-	-	3,328
Miscellaneous	252	-	21	149
Office Supplies and Postage	4,016	182	13	1,188
Professional Fees	1,081	-	-	1,182
Public Awareness	3,604	-	-	1,246
Rent	1,100	-	-	299
Supplies	816	-	925	2,486
Telephone	1,868	-	641	943
Training	1,469	-	2	1,854
Transportation	7,483	-	-	4,296
Travel	6,650	-	-	15,225
Utilities	4,313	-	-	2,727
Total	<u>299,592</u>	<u>37,398</u>	<u>66,388</u>	<u>363,024</u>
Depreciation of Buildings and Equipment	<u>11,072</u>	<u>-</u>	<u>296</u>	<u>2,112</u>
Total Functional Expenses	310,664	37,398	66,684	365,136
Allocation of Central Office Overhead to Programs	<u>56,287</u>	<u>-</u>	<u>-</u>	<u>78,736</u>
TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES	<u>\$ 366,951</u>	<u>\$ 37,398</u>	<u>\$ 66,684</u>	<u>\$ 443,872</u>

The accompanying notes are an integral part of this statement.

PROGRAM SERVICES

Community Homes		Respite	Personal Care Attendant	Early Intervention	Total	Supporting Services Management and General	Total Expenses
Mallard Home	Williams Home						
\$ 106,312	\$ 130,468	\$ 101,269	\$ 67,513	\$ 81,324	\$ 1,070,149	\$ 200,911	\$ 1,271,060
8,224	10,633	8,123	5,415	6,087	80,036	14,746	94,782
706	1,658	1,349	900	24	13,622	5,510	19,132
<u>115,242</u>	<u>142,759</u>	<u>110,741</u>	<u>73,827</u>	<u>87,435</u>	<u>1,163,807</u>	<u>221,167</u>	<u>1,384,974</u>
1,150	1,003	239	20	414	5,157	1,809	6,966
6,635	6,190	110	74	506	15,087	4,274	19,361
10,937	10,786	5,356	3,571	6,263	80,228	21,918	102,146
5,705	16,898	8	6	21	24,936	2,623	27,559
930	1,200	440	293	134	4,306	320	4,626
21,051	5,534	815	543	4,204	42,019	24,355	66,374
4,782	4,350	1,162	775	453	17,394	514	17,908
246	2,171	13	8	35	2,896	-	2,896
2,253	988	1,018	679	2,910	13,246	16,197	29,443
5,539	4,082	137	91	34,605	46,716	30,795	77,511
969	726	754	503	236	8,038	18,230	26,268
70	153	7,276	4,851	8,250	21,999	3,990	25,989
8,802	674	155	104	87	14,049	3,033	17,082
1,053	1,092	568	379	4,838	11,382	3,038	14,420
28,313	27,641	281	188	1,473	61,222	2,355	63,577
1,542	2,654	18	12	699	16,704	-	16,704
390	2,321	6,362	4,241	2,928	38,117	3,227	41,344
5,452	6,919	36	24	47	19,518	5,315	24,833
<u>221,062</u>	<u>238,140</u>	<u>135,491</u>	<u>90,188</u>	<u>155,538</u>	<u>1,606,821</u>	<u>363,159</u>	<u>1,969,980</u>
<u>4,825</u>	<u>6,995</u>	<u>137</u>	<u>91</u>	<u>2,107</u>	<u>27,636</u>	<u>16,436</u>	<u>44,072</u>
225,888	245,135	135,628	90,279	157,646	1,634,457	379,595	2,014,052
<u>32,152</u>	<u>33,857</u>	<u>27,574</u>	<u>18,420</u>	<u>38,167</u>	<u>285,193</u>	<u>(285,193)</u>	<u>-</u>
<u>\$ 258,040</u>	<u>\$ 278,992</u>	<u>\$ 163,202</u>	<u>\$ 108,699</u>	<u>\$ 195,813</u>	<u>\$ 1,919,650</u>	<u>\$ 94,402</u>	<u>\$ 2,014,052</u>

**ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1998**

Cash Flows From Operating Activities	
Increase in Net Assets	\$ 51,501
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	44,072
UMTA Federal Grant	(18,827)
Gain on asset retirements	(7,710)
Changes in assets and liabilities	
Accounts receivable	(60,250)
Other assets	7,847
Accounts payable and accrued expenses	(13,590)
Net cash provided by operating activities	<u>3,043</u>
 Cash Flows From Investing Activities	
Proceeds from sale of equipment	15,106
Purchase of equipment	(62,907)
Purchase of certificate of deposits	(135,639)
Net cash used by investing activities	<u>(183,440)</u>
 Cash Flows From Financing Activities	
Payments on notes payable	(2,369)
Payments on capital leases	(355)
Net cash used by financing activities	<u>(2,724)</u>
 Net Increase in Cash	 (183,121)
 Cash at Beginning of Year	 <u>319,045</u>
 CASH AT END OF YEAR	 <u><u>\$ 135,924</u></u>
 Supplemental Disclosure of Noncash Financing Activities	
 Capitalization of UMTA van	 <u><u>\$ 26,854</u></u>

The accompanying notes are an integral part of this statement.

**ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998**

Note 1 - Description of Organization

ARCO, A Community Resource, dba Association for Retarded Citizens/Ouachita (the Association) was established in 1954 to promote the general welfare of all persons with developmental disabilities. Their programs are designed to assist and train clients to become independent citizens within the community. The principal programs consist of vocational training, residential living, temporary care of clients, and early intervention.

Note 2 - Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements have been prepared on an accrual basis and in conformity with the standards promulgated by the American Institute of Certified Public Accountants in its *Audit Guide for Not-For-Profit Organizations*.

The financial statements of the Association are presented as recommended by the Financial Accounting Standards Board in Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Association 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. At June 30, 1998, the Association had no permanently restricted net assets.

B. Contributions

The Association has also adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. At June 30, 1998 the Association had a receivable of \$74,715 representing United Way contributions awarded during fiscal year ending June 30, 1998 but not received until after year end. Under SFAS No 116, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the related time restrictions.

C. Donated Services

Members, agencies, business firms, volunteers and others contribute substantial services toward the fulfillment of projects initiated by the Association. No amounts have been recognized in the Statement of Activities because the criteria for recognition of such volunteer effort under SFAS No 116 have not been satisfied.

**ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998**

D. Land, Buildings and Equipment

Land, buildings and equipment are stated at cost. All donated capital assets are recorded at fair market value on the date of the donation. Depreciation is computed on a straight-line basis over the useful lives of the assets using the following estimated lives:

	<u>Years</u>
Buildings	15 - 30
Furniture and Equipment	3 - 10
Vehicles	5

E. Compensated Absences

The financial statements do not include any accrual for vacation or sick pay. The Association's policy is that vacation days are taken or compensated prior to year end. Sick days may be accumulated to a maximum of 15 days; however, employees are not paid for any unused sick days upon termination.

F. Functional Expenses

Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by various statistical bases.

G. Programs

The Association's principal programs and primary funding sources are:

Adult Habilitation - The Adult Habilitation's income is derived from the Louisiana Department of Health and Hospitals and the United Way. These funds are used to train clients in vocational and prevocational activities and supportive services. Service fees charged Community Homes' clients for training in the amount of \$54,450 are included in charges for services.

Vocational Rehabilitation - Vocational Rehabilitation's income is derived from the Department of Social Services, Office of Louisiana Rehabilitative Services. This program provides vocational training support to clients placed in jobs within the community.

Supported Work Contracts - Supported Work Contract's income is derived from janitorial services by clients.

**ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998**

Supported/Independent Living - Supported Independent Living's income is derived from the Louisiana Department of Health and Hospitals, United Way, Community Development Block Grant and Ouachita Council of Governments. This program, similar to Community Homes, helps the individual clients become more independent by providing support and training in their residences within the community.

Community Homes - Community Homes' income is derived from the Louisiana Department of Health and Hospitals. Clients pay a pro-rata share of the costs based on their income. This program provides clients' with a home environment within the community and helps them become more independent citizens. Clients in Community Homes are trained in the Adult Habilitation Program. Included in the expense is \$54,450 for this service.

Respite - Respite's income is derived from the Louisiana Department of Health and Hospitals and United Way. This program provides temporary care within the client's own home.

Personal Care Attendant - Personal Care Attendant's income is derived from Louisiana Department of Health and United Way. This program provides support and training for individuals in satisfying their own personal needs.

Early Intervention - Early Intervention's income is derived from the Louisiana Department of Health and Hospitals, United Way, Children's Trust Grant, Department of Education and charges for therapeutic services (private insurance). This program provides training and therapeutic services to disabled infants, ages 0-3 years.

H. Tax-Exempt Status

The Association is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for Federal income taxes. Contributions to the Association are tax deductible within the limitations prescribed by the Code.

I. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Association considers demand deposits, time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents.

**ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998**

J. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Land, Building and Equipment

Land, Building and Equipment consisted of the following at June 30, 1998:

Buildings	\$ 385,922
Furniture and Equipment	116,426
Motor Vehicles	134,776
Land	58,438
Capital Lease Equipment	1,528
Less: Accumulated Depreciation	<u>(285,201)</u>
NET LAND, BUILDING AND EQUIPMENT	\$ <u>411,889</u>

Two vehicles were acquired through a federal grant. The Association retains title to these vehicles as long as they are kept, maintained and used for the Association's designated purpose. These vehicles are not to be sold or disposed of during its useful life, 5 years or 100,000 miles, without the state's permission; therefore, these vehicles and related accumulated depreciation are shown as temporarily restricted. The restriction will be rescinded from one vehicle in 1998 and the other in 2002, at which time the assets will be transferred from temporarily restricted to unrestricted.

Note 4 - Notes Payable

Notes Payable consisted of the following at June 30, 1998:

Midland Loan Services	\$ 62,097
Regions Bank	73,268
GMAC	21,137
Hibernia National Bank	<u>163,402</u>
TOTAL	\$ <u>319,904</u>

**ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998**

The mortgage due Midland Loan Services is an adjustable rate mortgage reviewed every three years, secured by real estate and maturing in March, 2014. The monthly installments are \$515, including interest at 6.375 percent.

The amount due Regions Bank is a mortgage with interest at 7.75% and is secured by real estate. This mortgage is payable in 120 monthly installments of principal and interest in the amount of \$961.

The amount due GMAC is a mortgage with interest at 4.90% and is secured by a vehicle. This mortgage is payable in 48 monthly installments of principal and interest in the amount of \$525.80.

The mortgage due Hibernia National Bank is a balloon mortgage secured by real estate and an assignment of life insurance. Monthly payments of \$2,470, including interest at 8.50%, are due through December, 2000. A final payment of the balance due plus accrued interest is due January 6, 2001.

A letter of credit in the amount of \$6,600 was issued by Hibernia National Bank on behalf of the Association to the State of Louisiana, Department of Transportation and Development for a 1999 UMTA van.

The aggregate principal payments of indebtedness maturing during the next five years are as follow: 1999 - \$30,178; 2000 - \$32,537; 2001 - \$145,047; 2002 - \$14,674; 2003 - \$11,349; and thereafter - \$86,119.

Note 5 - Cafeteria Plan

In October 1986, the Association installed a cafeteria plan pursuant to Section 125 of the Internal Revenue Code. All full-time employees are eligible to participate in the plan with no cost to the Association.

Note 6 - Disclosures About Concentrations

The Association's cash and cash investments are on deposit with several federally insured financial institutions. The bank balance of these funds totaled \$294,085, of which \$11,507 was not insured at June 30, 1998.

The Association's contracts are primarily with government agencies; therefore, a majority of its revenue and accounts receivable are derived from that source.

**ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998**

Note 7 - Fair Value of Financial Instruments

Cash and cash equivalents, receivables and accounts payable

The carrying amount approximates fair value due to the short maturity of the instruments.

Long-term debt

At June 30, 1998 the carrying amount of the Association's long-term debt approximates its fair value, due to current refinancings, the relatively short maturity dates of the notes and/or the use of variable interest rates.

Note 8 - Operating Leases

Total rent expense for the year was \$25,989. The Association has several lease commitments. However, these leases are either on a month-to-month basis or contain "funding-out" clauses which allows the agreement to be cancelled.

Note 9 - Commitments and Contingencies

At June 30, 1998, the Association had no pending litigation or claims. However, subsequent to year end a lawsuit was filed against the Association by a client for injuries incurred as a result of actions by an Association employee. Management is of the opinion that any liability would be covered by insurance and would not materially affect the financial position of the Association at June 30, 1998.

During the year, the Association was informed of the results of an audit by the Louisiana Department of Health and Hospitals covering the fiscal year ending June 30, 1994. Among the findings in the audit were findings related to two patient's financial resources which could result in Medicare disallowances ranging from \$0 to \$105,000. Management feels that no material adverse financial effect to the Associations' financial position would result from these items. However, the ultimate outcome of these matters is not presently known and the Association's June 30, 1998 financial statements do not include the effect of any adjustment which might be required as a result of the resolution of this uncertainty.

The worldwide challenge facing organizations, commonly referred to as the Year 2000 (Y2K) issue, is the result of problems that may be encountered with date-related transactions on systems that have historically recognized years using two digits vs. four digits, e.g. 98 versus 1998. These systems will potentially recognize the "00" as the year 1900 instead of 2000. On the surface, the Y2K problem sounds simple enough; however, the implications of this problem are far reaching and could impact a full range of business services and activities.

**ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998**

The Association has conducted a study of its own systems and operations. Based on this study, the Association has initiated a project to take all necessary and reasonable steps to get the mission critical systems and operations Y2K compliant in a timely manner. The project will include confirming the Y2K preparedness of significant third parties.

The total costs of the Y2K efforts are estimated to be between \$30,000 to \$40,000 and will be funded with cash flows from operations. As of June 30, 1998, the Association has not expended any funds toward making the Association's system year 2000 compliant.

The assessment of the costs of the Y2K compliance effort, and the timetable for the planned completion of the internal Y2K modifications, are management's estimates. The estimates were based on numerous assumptions as to future events. There can be no guarantee that these estimates will prove accurate, and actual results could differ from those estimated if these assumptions prove inaccurate. Additionally, there can be no absolute guarantee that significant third parties will successfully and timely convert their systems.

OTHER SUPPLEMENTARY DATA

**ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
COMBINING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 1998**

SCHEDULE 1

	General Fund	Vocational Fund	Vocational Rehabil- itation	Supported Work Contracts	Supported/ Independent Living
ASSETS					
Cash	\$ 134,669	\$ 75	\$ -	\$ -	\$ -
Investments	135,639				
Accounts Receivable	88,563	18,736	7,575	3,096	59,986
Due From Other Funds	-	203,055	9,305	41,498	-
Fixed Assets	244,590	63,352	-	1,976	3,612
Accumulated Depreciation	(103,915)	(19,796)	-	(1,972)	(557)
Land	-	-	-	-	-
Prepaid Expenses	1,949	9,914	-	-	-
TOTAL ASSETS	\$ 501,495	\$ 275,336	\$ 16,880	\$ 44,597	\$ 63,041
LIABILITIES AND NET ASSETS					
Liabilities					
Accounts Payable	\$ 12,695	\$ 2,527	\$ -	\$ 189	\$ 2,678
Due to Other Funds	275,856	-	-	-	62,353
Payroll Taxes Payable	5,171	-	-	-	-
Accrued Payroll	35,139	-	-	-	-
Notes Payable	73,274	-	-	-	-
Total Liabilities	402,135	2,527	-	189	65,031
Net Assets					
Unrestricted	24,645	220,544	16,880	44,408	(1,990)
Temporarily Restricted	74,715	52,265	-	-	-
Total Net Assets	99,360	272,809	16,880	44,408	(1,990)
TOTAL LIABILITES AND NET ASSETS	\$ 501,495	\$ 275,336	\$ 16,880	\$ 44,597	\$ 63,041

<u>Community Homes</u>		<u>Respite</u>	<u>Personal Care Attendant</u>	<u>Early Intervention</u>	<u>Total All Funds</u>
<u>Mallard Home</u>	<u>Williams Home</u>				
\$ 120	\$ 1,060	\$ -	\$ -	\$ -	\$ 135,924
23,036	23,919	19,900	2,581	14,075	135,639
168,603	-	29,480	-	106,171	261,467
116,705	222,063	-	-	22,991	558,112
(66,116)	(80,441)	-	-	(12,403)	675,289
8,000	13,800	-	-	-	(285,201)
-	-	-	-	-	21,800
-	-	-	-	-	11,863
<u>\$ 250,348</u>	<u>\$ 180,400</u>	<u>\$ 49,380</u>	<u>\$ 2,581</u>	<u>\$ 130,834</u>	<u>\$ 1,514,893</u>
\$ 6,268	\$ 7,821	\$ 949	\$ 633	\$ 3,219	\$ 36,978
-	217,954	-	1,948	-	558,112
-	-	-	-	-	5,171
-	-	-	-	-	35,139
83,228	163,402	-	-	-	319,904
<u>89,496</u>	<u>389,177</u>	<u>949</u>	<u>2,581</u>	<u>3,219</u>	<u>955,303</u>
160,852	(208,777)	48,431	-	127,616	432,610
-	-	-	-	-	126,980
<u>160,852</u>	<u>(208,777)</u>	<u>48,431</u>	<u>-</u>	<u>127,616</u>	<u>559,590</u>
<u>\$ 250,348</u>	<u>\$ 180,400</u>	<u>\$ 49,380</u>	<u>\$ 2,581</u>	<u>\$ 130,834</u>	<u>\$ 1,514,893</u>

**ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1998**

SCHEDULE 2

	<u>General Fund</u>	<u>Vocational Fund</u>	<u>Vocational Rehabil- itation</u>	<u>Supportive Work Contracts</u>	<u>Supported/ Independent Living</u>
Support and Revenue					
Intergovernmental	\$	\$ 336,485	\$ 37,381	\$ 24	\$ 418,854
Charges For Services		54,450		62,538	13,896
Contributions	24,026			-	
United Way Allocation	148,617				
Other Revenues	86,660	(1,190)		1,866	-
Total support and revenue	<u>259,303</u>	<u>389,745</u>	<u>37,381</u>	<u>64,428</u>	<u>432,750</u>
Expenses					
Depreciation and Amortization	3,451	13,674		296	5,729
Dues and Subscriptions	1,232	1,606		-	1,000
Food	3,954	418		-	1,307
Insurance	2,358	31,245		1,164	19,376
Interest	250	1,738		-	1,453
Licenses and Inspections	29	765		-	683
Maintenance	1,916	8,404		3,246	8,923
Medical	45	2,604		-	3,412
Miscellaneous	(989)	253		21	149
Office Supplies and Postage	11,125	5,222	181	13	2,877
Payroll Taxes	3,461	18,395	2,896	29	25,631
Pension	1,236	5,941		-	4,996
Professional Fees	-	7,209		-	9,768
Public Awareness	17,226	3,804		-	1,526
Rent	811	1,733		-	1,185
Richmond House	279			-	
Salaries	46,632	238,303	34,320	60,347	324,183
Supplies	327	1,287		925	3,144
Telephone	(21)	2,344		641	1,593
Training	320	1,886		2	2,417
Transportation	-	7,483		-	4,296
Travel	95	7,351		-	16,207
Utilities	660	5,288		-	4,017
Total Expenses	<u>94,397</u>	<u>366,953</u>	<u>37,397</u>	<u>66,684</u>	<u>443,872</u>
Excess (Deficiency) of Revenues Over Expenses	164,906	22,792	(16)	(2,257)	(11,122)

<u>Community Homes</u>		<u>Respite</u>	<u>Personal Care Attendant</u>	<u>Early Intervention</u>	<u>Total All Funds</u>
<u>Mallard Home</u>	<u>Williams Home</u>				
\$ 258,566	\$ 228,109	\$ 134,033	\$ 60,742	\$ 158,366	\$ 1,632,561
11,090	29,101	1,639		-	172,714
25	-	-		-	24,051
					148,617
25	-			250	87,611
<u>269,706</u>	<u>257,210</u>	<u>135,672</u>	<u>60,742</u>	<u>158,616</u>	<u>2,065,553</u>
6,261	8,555	1,403	936	3,767	44,072
1,214	1,073	296	57	488	6,966
6,671	6,229	142	95	547	19,361
12,848	12,835	7,142	4,761	10,418	102,147
6,268	17,116	182	123	428	27,559
962	1,235	469	312	171	4,626
23,494	8,243	3,038	2,027	7,084	66,374
4,983	4,386	1,192	794	491	17,908
246	2,171	17	8	35	1,912
2,924	1,717	1,610	1,074	3,686	30,429
9,480	11,990	9,223	6,148	7,530	94,782
1,158	2,337	1,749	1,166	547	19,132
8,951	7,786	3,148	2,099	38,550	77,511
1,080	846	852	568	364	26,268
422	535	7,587	5,058	8,658	25,989
-	-	-	-	-	279
123,490	148,854	116,309	77,539	101,083	1,271,060
9,849	958	386	257	390	17,522
1,310	1,372	795	530	5,135	13,700
28,537	27,884	481	318	1,732	63,577
1,542	2,654	18	12	699	16,704
390	2,745	6,683	4,494	3,379	41,344
5,960	7,472	482	321	632	24,833
<u>258,042</u>	<u>278,992</u>	<u>163,203</u>	<u>108,699</u>	<u>195,815</u>	<u>2,014,053</u>
11,665	(21,782)	(27,531)	(47,957)	(37,199)	51,500

(Continued)

**ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
 COMBINING SCHEDULE OF ACTIVITIES (CONCLUDED)
 FOR THE YEAR ENDED JUNE 30, 1998**

SCHEDULE 2

	<u>General Fund</u>	<u>Vocational Fund</u>	<u>Vocational Rehabil- itation</u>	<u>Supportive Work Contracts</u>	<u>Supported/ Independent Living</u>
Other Financing Sources (Uses)					
Operating Transfers In	\$	\$ 2,653	\$ 16	\$ -	\$ 9,132
Operating Transfers Out	<u>(148,667)</u>			<u>-</u>	
Total Other Financing Sources (Uses)	<u>(148,667)</u>	<u>2,653</u>	<u>16</u>	<u>-</u>	<u>9,132</u>
Increase (Decrease) in Net Assets	16,239	25,445	-	(2,257)	(1,990)
Net Assets at Beginning of Year	<u>83,122</u>	<u>247,364</u>	<u>16,880</u>	<u>46,665</u>	<u>-</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 99,361</u>	 <u>\$ 272,809</u>	 <u>\$ 16,880</u>	 <u>\$ 44,408</u>	 <u>\$ (1,990)</u>

<u>Community Homes</u>		<u>Respite</u>	<u>Personal Care Attendant</u>	<u>Early Intervention</u>	<u>Total All Funds</u>
<u>Mallard Home</u>	<u>Williams Home</u>				
\$ 127	\$ 123	\$ 44,395	\$ 47,957	\$ 44,263	\$ 148,667
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(148,667)</u>
<u>127</u>	<u>123</u>	<u>44,395</u>	<u>47,957</u>	<u>44,263</u>	<u>-</u>
11,792	(21,659)	16,864	-	7,065	51,500
<u>149,060</u>	<u>(187,118)</u>	<u>31,566</u>	<u>-</u>	<u>120,551</u>	<u>508,090</u>
<u>\$ 160,852</u>	<u>\$ (208,777)</u>	<u>\$ 48,430</u>	<u>\$ -</u>	<u>\$ 127,616</u>	<u>\$ 559,590</u>

**SUPPLEMENTARY INFORMATION -
GRANT ACTIVITY**

**ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 1998**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>C.F.D.A. Number</u>	<u>Federal Award Amount</u>	<u>Expenditures</u>
Flow-Through Programs			
Department of Transportation Office of Urban Mass Transit Adult Habilitation	20.500	\$ 18,828	\$ 18,828
Department of Education Office of Special Educational Services Early Intervention Program	84.181	90,026	35,880
Housing and Urban Development City of Monroe Supported Independent Living	14.218	<u>12,000</u>	<u>17,633</u>
TOTAL FEDERAL AWARDS		<u>\$ 120,854</u>	<u>\$ 72,341</u>

See Notes to Schedule of Federal and State Awards

**ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
SCHEDULE OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 1998**

<u>Grantor Program/Program Title</u>	<u>Grant Assistance I.D. Number (OCDD#)</u>	<u>State Award Amount</u>	<u>Expenditures</u>
Louisiana Department of Health and Hospitals			
Office of Mental Retardation/ Developmental Disabilities: Early Intervention Program	000129	\$ 95,000	\$ 95,000
Office of Mental Retardation Adult Habilitation	000146	221,131	221,131
Office of Human Services Respite	000136	67,812	67,271
Louisiana Department of Social Services			
Office of Community Services Early Intervention Program Children's Trust Grant	N/A	10,000	10,000
Office of Community Services Supervised Independent Living	000185	2,000	1,988
Office of Community Services Supervised Independent Living	000142	<u>24,922</u>	<u>24,922</u>
TOTAL STATE AWARDS		\$ <u>420,865</u>	\$ <u>420,312</u>

See Notes to Schedule of Federal and State Awards

ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 1998

1. General

The Schedules of Expenditures of Federal and State Awards presents the activity of all Federal and state awards programs of the **Association for Retarded Citizens/Ouachita**. All Federal awards received directly from Federal agencies, as well as Federal awards passed through other government agencies, are included in the Schedule of Federal Awards.

2. Basis of Accounting

The Schedules of Federal and State Awards are presented using the accrual basis of accounting which is more fully described in Note 2 to the Association's financial statements.

3. Relationship to Combining Schedules of Activities

Federal, state and local government awards revenue and fees for service are included in intergovernmental revenue on the Statement of Activities. This revenue is further detailed on Schedule 2. Intergovernmental revenue consists of the following:

	Federal <u>Awards</u>	State <u>Awards</u>	Local Government <u>Assistance</u>	Fees For <u>Services</u>	Total Inter- govern- mental <u>Revenue</u>
Adult Habilitation	\$ 18,828	\$ 221,131	\$ 0	\$ 96,526	\$ 336,485
Mallard Home	0	0	0	258,566	258,566
Williams Home	0	0	0	228,109	228,109
Respite	0	67,271	0	66,762	134,033
Supervised Apartments	17,633	26,910	6,821	367,490	418,854
Early Intervention	35,880	105,000	0	17,486	158,366
Vocational Rehabilitation	0	0	0	37,381	37,381
Personal Care Attendant	<u>0</u>	<u>0</u>	<u>0</u>	<u>60,742</u>	<u>60,742</u>
<u>TOTALS</u>	<u>\$ 72,341</u>	<u>\$ 420,312</u>	<u>\$ 6,821</u>	<u>\$1,133,062</u>	<u>\$1,632,536</u>

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**The Board of Directors
Association for Retarded Citizens / Ouachita
Monroe, Louisiana**

We have audited the financial statements of **Association for Retarded Citizens/Ouachita** (the Association) as of and for the year ended June 30, 1998, and have issued our report thereon dated December 23, 1998. We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Compliance

As part of obtaining reasonable assurance about whether the Association'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 noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Association'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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 judgement, 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. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 98-01 and 98-02. A

**The Board of Directors
Association for Retarded Citizens/Ouachita
Monroe, Louisiana
Page 2 of 2**

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 material weaknesses. However, of the reportable conditions described above, we consider item 98-01 and 98-02 to be material weaknesses.

This report is intended for the information of management of the Association, awarding agencies and pass-through entities, other entities granting funds to the Association and the Legislative Auditor for the state of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Luffey, Huffman + Marrow (APAC)

December 23, 1998

**ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
MONROE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1998**

Findings Related to the Financial Statements which are required to be reported under Government Auditing Standards:

98-01 Accounts Receivable Reconciliation to General Ledger

Finding:

During the fiscal year ended June 30, 1998, Accounts Receivables were not reconciled to the general ledger on a monthly basis. Procedures were in place to complete monthly reconciliations to agree billing amounts and receipts to the general ledger. However, in September, 1997 the accounts receivable clerk resigned and the payroll clerk moved to the accounts receivable/payable position thus the payroll clerk position became vacant. The responsibilities of the payroll clerk were assumed by the business director. Given the additional responsibilities of the business director, time did not permit adequate training for the new accounts receivable/payable clerk.

Recommendation:

Accounts receivable/payable clerk should receive adequate training. Receivables should be reconciled on a monthly basis and reviewed by the business director.

Management's Corrective Action Plan:

In December, 1998 accounts receivables were reconciled through November 30, 1998 and will be completed each month thereafter. The business director has reviewed the November reconciliation and will continue to review on a monthly basis. The business director is scheduled to attend training classes on the accounts receivable module of the accounting software in February, 1999. At that time the accounts receivable/payable clerk will also receive training.

98-02 Reconciliation of Operating and Payroll Cash Bank Accounts

Finding:

The operating and payroll cash accounts had not been reconciled on a timely basis. The monthly statements for the period of October through April were not reconciled until May, 1998. The May and June bank statements were reconciled in October, 1998. Normally the payroll account is reconciled by the accounts receivable/payable clerk and the operating account is reconciled by the payroll clerk. Due to the change/shortage of personnel as discussed in 98-01, the proper training nor the necessary time was available for the reconciliations to be completed by the staff. In May, 1998 an outside accounting firm was engaged to prepare the reconciliations each month. The services will be provided externally

**ASSOCIATION FOR RETARDED CITIZENS/OUACHITA
MONROE, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1998 (CONCLUDED)**

until the payroll clerk position is filled and both clerks receive adequate training on the reconciliation process.

Recommendation:

Monthly bank reconciliations should be prepared timely for all cash accounts and reviewed by the business director.

Management's Corrective Action Plan:

The outside accounting firm will continue to prepare the reconciliations each month. The business manager reviews the reconciliations and oversees the posting of any necessary adjustments. Management has filled the payroll clerk position and the business manager is currently training staff on all aspects of the position. Management estimates the task of bank reconciliations will be performed by the clerks in approximately three months.