

ADAMS & JOHNSON

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Claire House
St. Mary Parish, Louisiana
1101 Southeast Blvd. 2nd Floor
Morgan City, LA 70380

We have audited the financial statements of the Claire House, a component unit of St. Mary Parish Council, for the period from inception October 1, 1995 to June 30, 1996, and have issued the report thereon dated October 30, 1996.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Claire House is the responsibility of Claire House's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Claire Houses's compliance with certain provisions of laws, regulations, contracts, and grants. However, it should be noted that our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclose no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of management of the Claire House, the Legislative Auditor of the State of Louisiana, and the Finance Committee of the St. Mary Parish Council. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Adams & Johnson
ADAMS & JOHNSON
Certified Public Accountants

Patterson, LA
October 30, 1996

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH GENERAL REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Claire House
St. Mary Parish, Louisiana
1101 Southeast Blvd. 2nd Floor
Morgan City, LA 70380

We have audited the financial statements of Claire House, a component unit of St. Mary Parish Council, for the period from inception October 1, 1995 to June 30, 1996, and have issued our report thereon dated October 30, 1996.

We have applied procedures to test Claire House's compliance with the following requirements applicable to its federal financial assistance program, which is identified in the schedule of federal financial assistance, for the period from inception October 1, 1995 to June 30, 1996:

- Political activity
- Civil rights
- Cash management
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments." Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Claire House's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Claire House had not complied, in all material respects, with those requirements.

In our opinion, Claire House complied, in all material respects, with the requirements governing types of services allowed or unallowed and claims for advances and reimbursements, that are applicable to its major federal financial assistance program for the period from inception October 1, 1995 to June 30, 1996.

This report is intended for the information of management of the Claire House, the Legislative Auditor of the State of Louisiana, and the Finance Committee of the St. Mary Parish Council. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Adams & Johnson

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Patterson, LA
October 30, 1996

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Claire House
St. Mary Parish, Louisiana
1101 Southeast Blvd. 2nd Floor
Morgan City, LA 70380

We have audited the financial statements of Claire House, a component unit of St. Mary Parish Council, as of and for the period from inception October 1, 1995 to June 30, 1996, and have issued our report thereon dated October 30, 1996.

We have also audited Claire House's compliance with the requirements governing types of services allowed or unallowed and claims for advances and reimbursements, that are applicable to its major federal financial assistance program, which is identified in the accompanying schedule of federal financial assistance for the year ended June 30, 1996. The management of Claire House is responsible for Claire House's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Claire House's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures did not disclose any immaterial instances of noncompliance with the requirements referred to above.

This report is intended for the use of the management of the Claire House, the Legislative Auditor of the State of Louisiana, and the Finance Committee of St. Mary Parish Council. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Adams & Johnson

ADAMS & JOHNSON
Certified Public Accountants

Patterson, LA
October 30, 1996

CLAIRE HOUSE
ST. MARY PARISH, LOUISIANA

Combined Balance Sheet-All Fund Types and Account Groups
June 30, 1996

	<u>Governmental</u> <u>Fund Type</u>	<u>Account</u> <u>Group</u>	<u>Total</u> <u>(Memorandum Only)</u>
	<u>General</u> <u>Fund</u>	<u>General</u> <u>Fixed Assets</u>	
<u>ASSETS</u>			
Cash	\$200	\$0	\$200
Due from State of Louisiana	75,472	0	75,472
Equipment	0	37,488	37,488
Vehicles	0	33,109	33,109
Furniture	0	23,626	23,626
	<hr/>		
Total Assets	\$75,672	\$94,223	\$169,895
	<hr/> <hr/>		
<u>LIABILITIES, EQUITY AND</u>			
<u>OTHER CREDITS</u>			
Liabilities:			
Due to St. Mary Parish Council	\$75,672	\$0	\$75,672
	<hr/>		
Total Liabilities	\$75,672	\$0	\$75,672
Equity and other credits:			
Investment in general fixed assets	0	94,223	94,223
Fund balance			
Unreserved, undesignated	0	0	0
	<hr/>		
Total equity and other credits	\$75,672	\$94,223	\$169,895
	<hr/> <hr/>		

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

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CLAIRE HOUSE
ST. MARY PARISH
STATE OF LOUISIANA

Annual Component Unit Financial Statements
with Independent Auditors' Report

and

Independent Auditors' Reports of Federal Financial Assistance,
Internal Accounting Control and Compliance

For the Period from Inception October 1, 1995 to June 30, 1996

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 5 1997

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
GENERAL REQUIREMENTS APPLICABLE TO FEDERAL
FINANCIAL ASSISTANCE PROGRAMS

22-23

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INDEPENDENT AUDITORS' REPORT

Claire House
St. Mary Parish, Louisiana
1101 Southeast Blvd. 2nd Floor
Morgan City, LA 70380

We have audited the accompanying financial statements of Claire House, a component unit of St. Mary Parish Council, as of June 30, 1996, and for the period from inception October 1, 1995 to June 30, 1996. These financial statements are the responsibility of Claire House'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, Government Auditing Standards issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128 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 Claire House as of June 30, 1996, and the results of its operations for the initial period ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 30, 1996 on our consideration of Claire House's internal control structure and a report dated October 30, 1996 on its compliance with laws and regulations.



ADAMS & JOHNSON
Certified Public Accountants

Patterson, LA
October 30, 1996

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the period from inception October 1, 1995 to June 30, 1996, Claire House expended 100% of its total federal financial assistance under its major federal financial assistance program.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims or used for material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to Claire House's major federal financial assistance program which is identified in the accompanying schedule of federal financial assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control policies and procedures used in administering the federal award, would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal award program 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 structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the use of the management of the Claire House, the Legislative Auditor of the State of Louisiana, and the Finance Committee of the St. Mary Parish Council. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Adams & Johnson

ADAMS & JOHNSON
Certified Public Accountants

Patterson, LA
October 30, 1996

CLAIRE HOUSE
ST. MARY PARISH, LOUISIANA

Statements of Revenues, Expenditures, and Changes
In Fund Balance - Budget and Actual
General Fund (The Entity's Only Governmental Fund Type)

For the Period from Inception
October 1, 1995 to June 30, 1996

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues			
Federal grant	\$606,307	\$429,883	\$176,424
Total revenues	\$606,307	\$429,883	\$176,424
Expenditures			
Health and welfare			
Personal services	\$222,367	\$155,855	\$66,512
Employee benefits	50,033	25,577	24,456
Travel	7,385	2,837	4,548
Operating services	73,474	38,103	35,371
Supplies	58,398	56,849	1,549
Professional services	95,325	56,439	38,886
Capital outlays	99,325	94,223	5,102
Total expenditures	\$606,307	\$429,883	\$176,424
Excess revenues over expenditure	\$0	\$0	\$0
Fund balance at beginning of year	0	0	0
Fund balance at end of year	\$0	\$0	\$0

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

CLAIRE HOUSE
ST. MARY PARISH, LOUISIANA

Notes to the Financial Statements
June 30, 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In January of 1995, the St. Mary Parish Council passed a resolution agreeing to participate in the operation of a long-term residential treatment facility for chemically addicted women and their children. The operations began on October 1, 1995 when they entered into an agreement with the State of Louisiana Department of Health and Hospitals to operate the Claire House Treatment Facility.

The financial statements of the Claire House have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Claire House's accounting policies are described below.

A) REPORTING ENTITY

GASB Statement No. 14, Governmental Reporting Entity, established criteria for determining which organizations should be included in a governmental financial reporting entity. The focal point for defining the financial reporting entity is the primary government. The Claire House is a component unit of the St. Mary Parish Council (primary government) and, as such, these financial reports may be included in the CAFR of the Council for the year ended December 31, 1996. The Claire House has followed GASB-14 guidance to determine that there are no financial statements of other organizations that should be combined with their statements to form a financial reporting entity. These financial statements include only the operations of the Claire House.

B) FUND ACCOUNTING

The accounts of the Claire House are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

The Claire House's current operations require only the use of one fund, the general fund, and one account group, the general fixed assets account group.

Governmental Fund

General Fund - The General Fund (specific revenue fund at the Parish oversight level) is the primary operating fund of the Claire House, since at the current time no other funds are required.

Governmental Account Groups

General Fixed Assets - Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. No depreciation has been provided on general fixed assets.

All fixed assets can be stated at historical cost or estimated historical cost if actual historical cost is not available. All fixed assets presented on the balance sheet as of June 30, 1996 are reflected at historical cost. Repairs and maintenance are recorded as expenditures, renewals and betterments are capitalized.

C) BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounting for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Gross receipts are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. All major revenues are susceptible to accrual.

The Claire House's major source of revenue is an operating grant which is recorded as revenue when the related grant requirements are met.

Expenditures are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) BUDGET

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted each year for the General Fund. Budgeted amounts are presented as originally adopted or as amended.

E) ENCUMBRANCE ACCOUNTING

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipts of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. No encumbrances were outstanding at year-end.

F) ACCUMULATED VACATION, COMPENSATORY TIME AND SICK LEAVE

Accumulated vacation, compensatory time and sick leave are recorded as an expenditure of the period in which incurred. For the year ended June 30, 1996, the Claire House did not have a provision for this potential liability because the amount was immaterial.

G) MEMORANDUM ONLY - TOTAL COLUMNS

The total column on the balance sheet is captioned Memorandum Only to indicate it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operation, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE 2 - DUE FROM STATE OF LOUISIANA

The Claire House incurred expenditures for the program in June totaling \$75,472, which are due from the State according to the grant agreement and had not been reimbursed as of June 30, 1996.

NOTE 3 - DUE FROM PARISH COUNCIL

The St. Mary Parish Council deposits all receipts and disburses all of Claire House's expenses out of the Parish Council's checking account. The amount due to the Parish Council is a result of the excess of Claire House's disbursements over deposits by \$75,672 as of June 30, 1996.

NOTE 4 - FIXED ASSETS

A summary of changed in general fixed assets for the period ended June 30, 1996, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Vehicles	\$ ---	33,109	---	\$ 33,109
Furniture	---	23,626	---	23,626
Equipment	<u>---</u>	<u>37,488</u>	<u>---</u>	<u>37,488</u>
Total	\$ <u>---</u>	<u>94,223</u>	<u>---</u>	\$ <u>94,223</u>

NOTE 5 - PENSION PLAN

All full-time employees of the Claire House are members of the Parochial Employees Retirement Systems of Louisiana, a multiple-employer (cost-sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans. Plan A and Plan B, with separate assets and benefit provisions. All employees of Claire House are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from Claire House funds are eligible to participate in the System. Under Plan A, employees who retire at or after 60 with at least 10 years of creditable service, at or after 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 per cent of creditable service. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

State statute requires covered employees to contribute a percentage of their salaries to the System. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year.

NOTE 5 - PENSION PLAN (Continued)

Covered employees are required by the State Legislature to contribute 9.50% of their gross salary to the plan. The Claire House was required by the same statute to contribute 8.00% in 1995 and 7.25% and 1996 of each employee's gross salary to the plan.

The following reflects the contributions by Claire House and its employees into Plan A for the year ended June 30, 1996 required by GASB Codification Section P20.129:

	<u>7/31/95</u> <u>to 12/31/95</u>	<u>01/01/96</u> <u>to 06/30/96</u>	<u>Total</u>
Contribution Rates:			
Employees	9.50%	9.50%	
Employer	8.00%	7.25%	
Total current-year payroll	\$ 8,168	\$147,687	\$155,855
Total current-year covered payroll	8,168	147,687	155,855
Contributions:			
Required by Statute:			
Actual			
Employees	\$ 776	\$ 14,030	\$ 14,806
Employer	<u>653</u>	<u>10,707</u>	<u>11,360</u>
Total	<u>\$1,429</u>	<u>\$ 24,737</u>	<u>\$ 26,166</u>
Actuarially required			
Employees		\$ 14,786	
Employer		<u>11,409</u>	
Total		<u>\$ 26,195</u>	
Per cent of total actuarially required contribution of all participating employers and employees			
		.11	

NOTE 5 - PENSION PLAN (Continued)

Year Ended December 31, 1995

Plan A

Retirement System	
Net Assets	\$ 647,645,108
Pension benefit obligation	<u>762,893,530</u>
Unfunded pension benefit obligation	\$ <115,248,422> =====

The total payroll of all covered employees of the System for the year ended December 31, 1996, is not available. The pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rated benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the system's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The system does not make separate measurements of assets and pension benefit obligations for individual employers.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 1995 comprehensive annual financial report. Claire House does not guarantee the benefits granted by the System.

NOTE 6 - RELATED PARTIES

The Claire House's operations are housed in a wing on the first and second floor of the building formerly utilized by Fairview Hospital. This building is owned by St. Mary Parish Hospital Service District No. 3 and the District is a component entity of the Council as is the Claire House, therefore, all three are related parties. The Claire House pays the district a monthly rental of \$3,200 for use of its portion of the building. This rental agreement is year to year on an annual basis, unless either party gives written notice to the other party of its intent not to renew beyond the then current annual term. Such term shall be in writing. This agreement shall be subject to termination if the council shall cease to operate the Claire House, or if the funds to continue its operations are not provided by the State of Louisiana.

NOTE 6 - RELATED PARTIED (Continued)

As described in Note 3, the Claire House owes the Council for the Claire House's disbursements out of the council's checking account in excess of the receipts made for the benefit of the Claire House in the amount of \$75,672.

NOTE 7 - ECONOMIC DEPENDENCE

Claire House currently receives 100% of its operating revenue through its federal grant. With the loss of this revenue, which is a year-to-year grant allocation, Claire House would not exist.

FEDERAL FINANCIAL ASSISTANCE, INTERNAL CONTROL
AND COMPLIANCE SECTION

FINANCIAL INFORMATION SECTION

CLAIRE HOUSE
ST. MARY PARISH

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
For the Year Ended June 30, 1996

<u>FEDERAL GRANTOR/ PASS THROUGH GRANTOR NAME/ PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>
--	------------------------	-------------------------------	---------------------

U.S. Department of Health and Human
Services

Public Health Service
Louisiana Department of
Health and Hospitals
Office of Human Services
Divisions of Alcohol and
Drug Abuse

Demonstration grant program
for residential treatment for
women with children

93.102

\$ 429,883

\$ 429,883

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INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL STATEMENT AUDIT CONDUCTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Claire House
St. Mary Parish, Louisiana
1101 Southeast Blvd.
Morgan City, LA 70380

We have audited the financial statements of Claire House, a component unit of St. Mary Parish Council, for the period from inception October 1, 1995 to June 30, 1996, and have issued our report thereon dated October 31, 1996.

We conducted our audit in accordance with generally accepted auditing standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Claire House is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are *executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.* Because of inherent limitation in any internal control structure, error or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that producers may become inadequate because of changes in condition or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Claire House for the period from inception October 1, 1996 to June 30, 1996, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended solely for the use of the management of Claire House, the Legislative Auditor of the State of Louisiana, and the Finance Committee of the St. Mary Parish Council. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Adams & Johnson

ADAMS & JOHNSON
Certified Public Accountants

Patterson, LA
October 30, 1996

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MEMBERS:

AMERICAN INSTITUTE OF
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SOCIETY OF LOUISIANA
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SINGLE AUDIT REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Claire House
St. Mary Parish, Louisiana
1101 Southeast Blvd. 2nd Floor
Morgan City, LA 70380

We have audited the financial statements of Claire House, a component unit of St. Mary Parish Council, for the period from inception October 1, 1995 to June 30, 1996, and have issued our report thereon dated October 30, 1996. We have also audited Claire House's compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated October 30, 1996.

We conducted our audits in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-129, "Audits of State and Local Governments." Those standards and OMB Circular A-128 require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether Claire House complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit for the period from inception October 1, 1995 to June 30, 1996, we considered the Claire House's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the Claire House's financial statements and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated October 30, 1996.

The management of Claire House is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulation. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedure may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

INTERNAL ACCOUNTING CONTROLS

- General
- Cash
- Revenue and receivable - governmental
- Expenditures/expenses for goods, services, and accounts payable
- Property, equipment, and capital expenditures
- Payroll

FEDERAL PROGRAM ADMINISTRATIVE CONTROLS

- General Requirements
- Political activity
- Civil rights
- Cash management
- Allowable costs/cost principles
- Drug-free Workplace Act
- Administrative requirements

- Specific requirements
- Types of services allowed or unallowed
- Reporting claims for advances and reimbursements

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INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Claire House
St. Mary Parish, Louisiana
1101 Southeast Blvd. 2nd Floor
Morgan City, LA 70380

We have audited the financial statements of Claire House, for the period from inception October 1, 1995 to June 30, 1996. These financial statements are the responsibility of Claire House'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 and Government Auditing Standards, issued by the Comptroller General of the United States and the provisions of Office of Management and Budget Circular A-128, "Audits of State and Local Governments." Those standards, and the OMB Circular A-128 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.

Our audit was made for the purpose of forming an opinion on the financial statements of Claire House taken as a whole. The accompanying schedule of federal financial assistance is presented for purposes of additional analysis and is not a required part of the financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Adams & Johnson

ADAMS & JOHNSON
Certified Public Accountants

Patterson, LA
October 31, 1996