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**THE ARC OF ST. MARTIN**

St. Martinville, Louisiana

**FINANCIAL REPORT**

Year Ended June 30, 2004

*Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 1-12-05

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

Financial Statements and Auditor's Report  
For The Year Ended June 30, 2004

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# MARAIST & MARAIST

CERTIFIED PUBLIC ACCOUNTANTS

(A PARTNERSHIP OF PROFESSIONAL ACCOUNTING CORPORATIONS)

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SOCIETY OF  
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## 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, 2004, 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 auditing standards generally accepted in the United States of America 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.

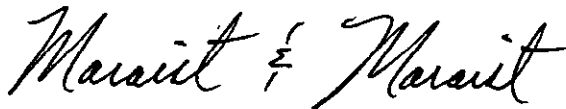
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of The ARC of St. Martin, Inc. as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2004 on our consideration of The ARC of St. Martin's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the Board of Directors of  
The ARC of St. Martin, Inc.

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 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  
Certified Public Accountants

October 29, 2004

**THE ARC OF ST. MARTIN, INC.**  
 St. Martinville, Louisiana  
**STATEMENT OF FINANCIAL POSITION**  
 June 30, 2004  
 (with comparative amounts for June 30, 2003)

	<u>ASSETS</u>	<u>Exhibit A</u>
	<u>6/30/04</u>	<u>6/30/03</u>
Current Assets:		
Cash and cash equivalents	\$ 184,631	\$ 135,014
Investments	-	-
Accounts Receivable:		
Grants/Contracts	17,388	17,473
Medicaid	131,919	93,866
Other	10,820	13,743
Total current assets	\$ 344,758	\$ 260,096
Fixed assets		
Land	\$ 49,014	\$ 49,014
Buildings and improvements	437,339	429,016
Furniture and equipment	59,677	58,647
Vehicles	283,168	283,168
	\$ 829,198	\$ 819,845
Less: accumulated depreciation	(371,523)	(322,230)
Total fixed assets	\$ 457,675	\$ 497,615
TOTAL ASSETS	\$ 802,433	\$ 757,711
 <u>LIABILITIES AND NET ASSETS</u>  		
Current Liabilities:		
Accounts payable and accrued expenses	\$ (157)	\$ 3,809
Accrued Salaries	43,102	23,440
Due to clients-trust fund balance	13,953	9,215
Current portion of notes payable	9,792	24,319
Total current liabilities	\$ 66,690	\$ 60,783
Notes payable, less current portion	16,255	26,065
Total liabilities	\$ 82,945	\$ 86,848
Net Assets:		
Unrestricted:		
Operations	\$ 287,860	\$ 223,632
Fixed Assets	431,628	447,231
	719,488	670,863
Permanently restricted	-	-
Total net assets	\$ 719,488	\$ 670,863
TOTAL LIABILITIES AND NET ASSETS	\$ 802,433	\$ 757,711

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, 2004  
 (with comparative amounts for June 30, 2003)

	Unrestricted	
	Operations	Fixed Assets
SUPPORT AND REVENUE:		
Support:		
Grants and Contracts	\$ 200,189	\$ -
Contributions	28,152	-
Total support	\$ 228,341	\$ -
Revenue:		
Client fees	\$ 52,829	-
Medicaid/Medicare	1,340,493	-
Work contracts	49,568	-
Interest/dividend income	2,774	-
Other	6,829	-
Total revenue	\$ 1,452,493	\$ -
<b>TOTAL SUPPORT AND REVENUE</b>	<b>\$ 1,680,834</b>	<b>-</b>
EXPENSES:		
Program services:		
Adult habilitation	\$ 786,535	\$ 44,043
Residential homes	532,883	15,892
Total program services	\$ 1,319,418	\$ 59,935
Support services:		
General and administrative	\$ 251,435	\$ 1,421
<b>TOTAL EXPENSES</b>	<b>\$ 1,570,853</b>	<b>\$ 61,356</b>
CHANGE IN NET ASSETS	\$ 109,981	\$ (61,356)
REDESIGNATION OF NET ASSETS	(45,753)	45,753
NET ASSETS, BEGINNING OF YEAR	223,632	447,231
NET ASSETS, END OF YEAR	<b>\$ 287,860</b>	<b>\$ 431,628</b>

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

Exhibit B

<u>Year End Totals</u>	
<u>6/30/04</u>	<u>6/30/03</u>
\$ 200,189	\$ 215,559
28,152	18,343
<u>\$ 228,341</u>	<u>\$ 233,902</u>
\$ 52,829	\$ 64,926
1,340,493	1,122,245
49,568	33,156
2,774	4,849
6,829	97,728
<u>\$ 1,452,493</u>	<u>\$ 1,322,904</u>
<u>\$ 1,680,834</u>	<u>\$ 1,556,806</u>
\$ 830,578	\$ 729,230
548,775	555,831
<u>\$ 1,379,353</u>	<u>\$ 1,285,061</u>
<u>\$ 252,856</u>	<u>\$ 251,046</u>
<u>\$ 1,632,209</u>	<u>\$ 1,536,107</u>
\$ 48,625	\$ 20,699
-	-
<u>670,863</u>	<u>650,164</u>
<u>\$ 719,488</u>	<u>\$ 670,863</u>

**THE ARC OF ST. MARTIN, INC.**  
 St. Martinville, Louisiana  
**STATEMENT OF CASH FLOWS**  
 Year Ended June 30, 2004  
 (with comparative amounts for June 30, 2003)

Exhibit C

	<u>Year End Totals</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:	<u>6/30/04</u>	<u>6/30/03</u>
Change in net assets	\$ 48,625	20,699
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	61,356	46,862
(Increase)/decrease in accounts receivable	(35,045)	(8,190)
Increase/(decrease) in accounts payable and accrued expenses	(3,966)	(15,338)
Increase/(decrease) in accrued salaries	19,662	1,912
Increase/(decrease) in client trust funds owed	4,738	(12,608)
Net cash provided by operating activities	\$ 95,370	\$ 33,337
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of land, building & equipment	\$ (21,416)	\$ (112,425)
Net cash used for investing activities	\$ (21,416)	\$ (112,425)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bank loan	\$	\$ 15,005
Payments on notes payable	(24,337)	(8,003)
Net cash used for financing activities	\$ (24,337)	\$ 7,002
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 49,617	\$ (72,086)
CASH AND CASH EQUIVALENTS-Beginning of Year	135,014	207,100
CASH AND CASH EQUIVALENTS-End of Year	\$ 184,631	\$ 135,014

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, 2004  
 (with comparative totals from June 30, 2003)

	<u>Adult Habilitation</u>	<u>Residential Homes</u>	<u>Total Program Services</u>
<b>FUNCTIONAL EXPENSES:</b>			
Salaries and wages	\$ 546,896	\$ 296,265	\$ 843,161
Employee benefits	26,642	34,889	61,531
Payroll taxes	40,087	23,352	63,439
	<hr/>	<hr/>	<hr/>
Total salaries and related expenses	\$ 613,625	\$ 354,506	\$ 968,131
Rental of Property	-	-	-
Maintenance & Repairs	8,888	8,715	17,603
Professional Fees	5,451	-	5,451
Supplies	7,752	2,273	10,025
Insurance	57,646	29,089	86,735
Interest	-	1,227	1,227
Utilities & telephone	10,521	14,753	25,274
Dues & publications	103	64	167
Automotive	41,229	3,400	44,629
Provider fees & licenses	5,690	46,582	52,272
Office expenses	12,888	704	13,592
Personal client needs	280	4,476	4,756
Travel, seminars, etc.	9,329	368	9,697
Consultant fees	-	14,972	14,972
Educational	-	8,080	8,080
Recreational	-	149	149
Dietary	998	6,653	7,651
Food	4,426	24,517	28,943
Medical & nursing	1,489	10,238	11,727
Training	424	-	424
Association responsibility	4,916	-	4,916
Housekeeping	248	1,831	2,079
Laundry and linen	159	286	445
Other	473	-	473
	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	\$ 786,535	\$ 532,883	\$ 1,319,418
Depreciation	44,043	15,892	59,935
	<hr/>	<hr/>	<hr/>
Total expenses	\$ 830,578	\$ 548,775	\$ 1,379,353

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

Exhibit D

<u>General And Administrative</u>	<u>Year End Totals</u>	
	<u>6/30/04</u>	<u>6/30/03</u>
\$ 205,005	\$ 1,048,166	\$ 943,132
9,033	70,564	66,614
17,803	81,242	75,451
\$ 231,841	\$ 1,199,972	\$ 1,085,197
-	-	3,600
173	17,776	24,543
5,451	10,902	12,980
-	10,025	9,275
8,338	95,073	94,512
-	1,227	1,677
1,541	26,815	26,773
-	167	285
55	44,684	54,610
-	52,272	56,742
592	14,184	14,196
-	4,756	5,719
1,988	11,685	14,200
-	14,972	12,827
-	8,080	8,630
-	149	3,307
-	7,651	5,220
1,313	30,256	31,653
-	11,727	8,703
-	424	1,817
-	4,916	2,162
-	2,079	7,276
-	445	949
143	616	2,392
\$ 251,435	\$ 1,570,853	\$ 1,489,245
1,421	61,356	46,862
\$ 252,856	\$ 1,632,209	\$ 1,536,107

**THE ARC OF ST. MARTIN, INC.**  
St. Martinville, Louisiana  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2004

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

The ARC of St. Martin, Inc. is a non-profit community organization governed by a volunteer board of directors, 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. The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization 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. As permitted by the statement, the Organization does not use fund accounting.

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.

There were no restricted (temporarily or permanently) net assets at June 30, 2004.

Prior Year Summarized Information

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, 2003, from which the summarized information was derived.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Arc of St. Martin had no temporarily or permanently restricted net assets for the year ended June 30, 2004.

**THE ARC OF ST. MARTIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

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 Taxes

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, 2004.

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.

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	25 years
Improvements	10 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.

**THE ARC OF ST. MARTIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2004

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

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 benefited.

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 STATEMENTS

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 are based on amortized carrying value, if the stated rate is comparable to rates currently available on U.S. Treasury investments of comparable maturities.

(3) ACCOUNTS RECEIVABLE-GRANTS/CONTRACTS

Grants and contracts receivable represents amounts due from various Federal/State agencies and are deemed to be fully collectible by management. As of June 30, 2004, accounts receivable from grants and contracts was composed of the following:

Louisiana Department of Health and Hospitals-Office for Citizens with Developmental Disabilities	<u>\$ 17,388</u>
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(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, 2004 is as follows:

Land and buildings	\$486,353
Furniture, fixtures, & equipment	59,677
Vehicles	<u>283,168</u>
Subtotal	\$829,198
Less: Accumulated Depreciation	<u>(371,523)</u>
Total	<u>\$ 457,675</u>

**THE ARC OF ST. MARTIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2004

(5) NOTES PAYABLE

The notes payable consist of installment notes with a carrying value of \$26,046 payable to First Louisiana National Bank, in monthly installments of \$880.00 thru January, 2007 including interest at 3.5%, secured by a chattel mortgage on the vehicles owned and operated by the Organization, and a pledge of certificates of deposit with First Louisiana National Bank.

The annual requirements to amortize all notes outstanding at June 30, 2004, including interest of \$1,246 are as follows:

Fiscal Year <u>End</u>	<u>Total</u>
6/2005	\$10,560
6/2006	10,560
6/2007	<u>6,172</u>
Total	<u>\$27,292</u>

(6) 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.

(7) COMPENSATED ABSENCES

Employees of The ARC of St. Martin, Inc. are entitled to paid vacation, paid sick leave, and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

(8) CONCENTRATIONS OF REVENUE/CASH BALANCES

The ARC of St. Martin is primarily dependent for support on annual grant funding obtained through the Louisiana Department of Health and Hospitals and the Louisiana Department of Social Services. Revenues derived from grant funding have historically been relatively stable. However, the State of Louisiana is currently contemplating budget cuts to combat an anticipated statewide revenue shortfall for the coming fiscal year. Such funding cuts may affect the expected revenues of the Organization, and such revenue declines may be material.

**THE ARC OF ST. MARTIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2004

(8) CONCENTRATIONS OF REVENUE/CASH BALANCES(Continued)

The Organization maintains substantially all of its demand deposit cash accounts at St. Martin Bank and Trust, Teche Bank and Trust, and First Louisiana National Bank. Cash accounts at banks are insured by the FDIC for up to \$100,000. No account balance amounts in excess of insured limits were maintained at any bank at June 30, 2004.

(9) 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.

(10) RISK MANAGEMENT

The Organization is exposed to risks of loss in the areas of general and auto liability and workers' compensation. Those risks are handled by purchasing commercial insurance. There have been no significant reductions in insurance coverage during the current fiscal year.

(11) SUBSEQUENT EVENTS

The ARC of St. Martin has been named as a defendant in a class action lawsuit involving the applicability of federal overtime labor provisions to domestic and household employees (homeworkers). Management is of the opinion that any adverse decision in this pending legal matter will have an immaterial effect on future financial operations of the Organization.

(12) SCHEDULE OF FINDINGS AND QUESTIONED COSTS

The Organization has elected to absorb all non-qualifying cost 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, 2004 disclosed no findings or questioned costs which were not, or will not be absorbed by the Organization.

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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, 2004 and for the year then ended, and have issued our report thereon dated October 29, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 significant deficiencies in the design or operation of the internal control over

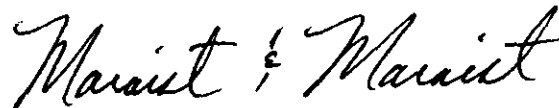


To the Board of Directors of  
The ARC of St. Martin, Inc.

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 findings, questioned costs and management's corrective action plan as item 04-1.

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 solely for the information and use of management, others within the organization, Board Members, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



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October 29, 2004

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MEMBERS  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
SOCIETY OF  
LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

## 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, 2004. 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 auditing standards generally accepted in the United States of America, 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 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 of The ARC of St. Martin's compliance with those requirements.

In our opinion, *The ARC of St. Martin, Inc.* complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

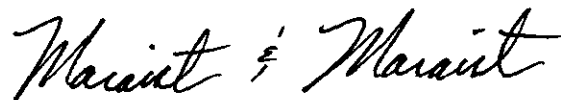
To the Board of Directors of  
The ARC of St. Martin, Inc.

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 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 solely for the information and use of management, others within the organization, Board Members, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



MARAIST & MARAIST  
CERTIFIED PUBLIC ACCOUNTANTS

October 29, 2004

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

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2004

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM NAME</u>	<u>PROGRAM NAME</u>	<u>FEDERAL CFDA NUMBER</u>
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	93.667
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 Habilitation for the Mentally Retarded Supported Habilitation Services Personal Care Attendants Non-Emergency Transportation and Ongoing Support & Maintenance	93.778
	TOTALS	

\*Denotes major federal program as defined by OMB Circular A-133.

Schedule I

REVENUE  
RECOGNIZED

EXPENDITURES

\$ 199,689

\$ 199,689

1,340,492

1,340,492

\$ 1,540,181

\$ 1,540,181

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

Schedule of Findings, Questioned Costs and  
Management's Corrective Action Plan

Year Ended June 30, 2004

Part I: Summary of Auditor's Results:

1. An unqualified report was issue on the financial statements.
2. A reportable condition in internal control was disclosed by the audit of the financial statement, 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. An unqualified opinion was issued on compliance for the major program (Medicaid Title XIX Medical Assistance Program).
6. The audit disclosed no audit findings required to be reported under Section 510 (a) of Circular A-133.
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.

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

Schedule of Findings, Questioned Costs and  
Management's Corrective Action Plan (Continued)

Year Ended June 30, 2004

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

04-1 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.

Management's Corrective Action Plan: The management of The ARC of St. Martin, Inc. has determined that it is not cost effective to completely segregate accounting functions. No plan is considered necessary.

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

There are no findings at June 30, 2004 which are required to be reported under the above guidance.

Part IV: Management Letter Items:

There are no management letter items at June 30, 2004.

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

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2004

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

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

03-1. Inadequate Segregation of Accounting Functions

Finding: The ARC of St. Martin, Inc. did not have a completely adequate segregation of functions within the accounting system.

Status: Unresolved (See Item 04-1).

Section II: Internal Control and Compliance Material to Federal Awards

There were no findings mentioned under this section at June 30, 2003.

Section III: Management Letter

There were no management letter items at June 30, 2003.