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# THE ARC OF MOREHOUSE

**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 is to be distributed to the auditor, or his/her entity and other persons whose 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 ~~NOV 25 1998~~

**THE ARC OF MOREHOUSE**

**JUNE 30, 1998**

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Luffey  
Huffman  
& Monroe

(A Professional Accounting Corporation)  
CERTIFIED PUBLIC ACCOUNTANTS

John L. Luffey, MBA, CPA  
Francis I. Huffman, CPA  
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Esther Atteberry, CPA  
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## INDEPENDENT AUDITORS' REPORT

**Board of Directors  
The ARC OF Morehouse  
Bastrop, Louisiana**

We have audited the accompanying balance sheet of **The ARC of Morehouse** (a nonprofit organization - the Association) as of June 30, 1998, and the accompanying 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 and the standards for financial and compliance 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 general purpose 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 results of its operations 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 September 16, 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.

**Board of Directors  
The ARC of Morehouse**

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as Supplemental Schedules in the accompanying Index is presented for purposes of additional analysis and is not a required part of the financial statements of the Association. Such information 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.

*Ruffalo, Huffman & Moore (A.P.A.C.)*

**September 16, 1998**

**THE ARC OF MOREHOUSE**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 1998**

<b>ASSETS</b>	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Total</b></u>
Cash and Cash Equivalents	\$ 55,138	\$ -	\$ 55,138
Certificates of Deposit	279,407	-	279,407
Accounts Receivable	123,513	-	123,513
Interest Receivable	1,698	-	1,698
Fixed Assets	614,803	38,848	653,651
Accumulated Depreciation	(287,968)	(11,016)	(298,984)
Other Assets	14,381	-	14,381
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 800,972</b>	<b>\$ 27,832</b>	<b>\$ 828,804</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 22,710	\$ -	\$ 22,710
Accrued Liabilities	51,486	-	51,486
Total Liabilities	<hr/> 74,196	<hr/> -	<hr/> 74,196
<b>Net Assets</b>			
Unrestricted net assets	726,776	-	726,776
Temporarily restricted net assets	-	27,832	27,832
Total Net Assets	<hr/> 726,776	<hr/> 27,832	<hr/> 754,608
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 800,972</b>	<b>\$ 27,832</b>	<b>\$ 828,804</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of this financial statement.

**THE ARC OF MOREHOUSE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 1998**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Support and Revenues</b>			
Intergovernmental Revenue	\$ 1,167,416	\$ -	\$ 1,167,416
Program Receipts	241,891	-	241,891
United Fund	12,155	-	12,155
Donations	1,156	-	1,156
Memberships	3,010	-	3,010
Interest	9,612	-	9,612
Miscellaneous	5,291	-	5,291
Total Support and Revenues	<u>1,440,531</u>	<u>-</u>	<u>1,440,531</u>
<b>Expenses</b>			
Program Services			
Day Program	272,208	4,541	276,749
Contract Services	90,081	-	90,081
Supported Living	368,892	-	368,892
East Morehouse Community Home	209,672	-	209,672
Crossett Road Community Home	217,932	-	217,932
Early Intervention	4,946	-	4,946
Total of Program Services	<u>1,163,731</u>	<u>4,541</u>	<u>1,168,272</u>
Supporting Services			
General and Administrative	<u>162,906</u>	<u>-</u>	<u>162,906</u>
Total Expenses	<u>1,326,637</u>	<u>4,541</u>	<u>1,331,178</u>
<b>Change in net assets</b>	113,894	(4,541)	109,353
<b>Net Assets at Beginning of Year</b>	<u>612,882</u>	<u>32,373</u>	<u>645,255</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 726,776</u>	<u>\$ 27,832</u>	<u>\$ 754,608</u>

The accompanying notes are an integral part of this financial statement.

**THE ARC OF MOREHOUSE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 1998**

	<b>General and Administrative</b>	<b>Program Services</b>		
		<b>Adult Habilitation (Day) Program</b>	<b>Contract Services</b>	<b>Supported Living</b>
Consultants	\$ -	\$ 1,165	\$ 1,701	\$ 12,285
Data Processing	-	984	-	811
Dues and Subscriptions	640	1,352	-	1,572
Food and Client Needs	994	1,866	-	6,382
Insurance	-	20,185	1,419	8,298
Maintenance	-	23,698	71	3,771
Miscellaneous	863	-	-	-
Office	197	673	-	741
Payroll Taxes and Fringe Benefits	-	19,317	206	32,320
Postage	59	323	-	429
Professional Fees	-	4,661	-	6,211
Public Awareness	-	640	-	853
Rent	-	-	-	180
Salaries	-	199,534	75,977	340,045
Supplies	252	8,251	10,707	556
Taxes and Licenses	100	1,003	-	679
Telephone	-	3,387	-	1,643
Travel and Conventions	102	590	-	1,554
Utilities	-	5,903	-	1,454
Total	<u>3,207</u>	<u>293,532</u>	<u>90,081</u>	<u>419,784</u>
Depreciation	<u>10,959</u>	<u>21,410</u>	<u>-</u>	<u>-</u>
Functional expenses before reallocation	14,166	314,942	90,081	419,784
Reallocation of general and administrative expenses from program services (Note 4)	<u>148,740</u>	<u>(38,193)</u>	<u>-</u>	<u>(50,892)</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 162,906</u>	<u>\$ 276,749</u>	<u>\$ 90,081</u>	<u>\$ 368,892</u>

The accompanying notes are an integral part of this financial statement.

<b>Residential Services</b>			
<b>East Morehouse</b>	<b>Crossett Road</b>	<b>Early Intervention</b>	<b>Total</b>
\$ 2,283	\$ 8,381	\$ 4,760	\$ 30,575
461	479	10	2,745
826	843	11	5,244
63,615	71,563	31	144,451
7,542	7,403	165	45,012
9,821	13,126	20	50,507
-	-	-	863
470	474	10	2,565
12,545	10,587	35	75,010
329	329	6	1,475
3,530	3,669	80	18,151
485	504	11	2,493
-	-	-	180
117,117	112,746	389	845,808
2,355	2,808	4	24,933
788	980	49	3,599
1,728	1,729	19	8,506
244	231	1	2,722
6,172	4,202	13	17,744
<u>230,311</u>	<u>240,054</u>	<u>5,614</u>	<u>1,282,583</u>
8,287	7,939	-	48,595
238,598	247,993	5,614	1,331,178
<u>(28,926)</u>	<u>(30,061)</u>	<u>(668)</u>	<u>-</u>
<u>\$ 209,672</u>	<u>\$ 217,932</u>	<u>\$ 4,946</u>	<u>\$ 1,331,178</u>

**THE ARC OF MOREHOUSE  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 1998**

	<b>1998</b>
<b>Cash Flows From Operating Activities</b>	
Increase in net assets	\$ 109,353
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	48,595
Changes in assets and liabilities:	
Accounts receivable	(84)
Other assets	(12,451)
Accounts payable	(665)
Provider fee payable	(3,382)
Accrued liabilities	4,333
Net cash provided by operating activities	145,699
 <b>Cash Flows From Investing Activities</b>	
Certificates of deposit	(107,208)
Payments for property and equipment	(38,483)
Net cash used by investing activities	(145,691)
 <b>Cash Flows From Financing Activities</b>	-
 <b>Net increase in cash and cash equivalents</b>	8
 <b>Beginning cash and cash equivalents</b>	55,130
 <b>ENDING CASH AND CASH EQUIVALENTS</b>	\$ 55,138

The accompanying notes are an integral part of this financial statement.

**THE ARC OF MOREHOUSE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1998**

**Note 1 - Description of Organization**

The ARC of Morehouse is a nonprofit voluntary health and welfare association chartered in 1958 to promote the general welfare of mentally retarded persons residing in Morehouse Parish.

**Note 2 - Summary of Significant Accounting Policies**

*A. Financial Statement Presentation*

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-For-Profit Associations," 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) based upon the existence or absence of donor-imposed restrictions.

In accordance with the SFAS No. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Association has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

*B. Basis of Accounting*

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

*C. Cash and Cash Equivalents*

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

*D. Plant Assets*

Plant assets are recorded at historical cost. Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. The Association has a policy to capitalize plant assets costing more than \$500. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and the gain or loss is included in operations.

**THE ARC OF MOREHOUSE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1998**

Depreciation of buildings and equipment is computed by the straight-line method over the following estimated service lives:

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

*E. Support and Revenues*

Revenues received under government grant programs are recorded as revenues when the Association has incurred expenditures in compliance with the specific restrictions. Donations are considered to be available for unrestricted use unless specifically restricted by the donor.

*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 basis.

*G. Programs*

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

**Adult Habilitation (Day Program)** - The Adult Habilitation funds are used to train clients in vocational and prevocational activities and supportive services. The supported employment program was combined with the Day Program in the current year.

**Contract Services** - Contract Services income is derived from services by clients which include janitorial and other contracts.

**Supported Living** - Supported Living income is received from the Louisiana Department of Health and Hospitals. This program, similar to the 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 received 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.

**THE ARC OF MOREHOUSE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1998**

Early Intervention - Early Intervention's income is received from the Louisiana Department of Health and Hospitals and the Department of Education. This program provides training and therapeutic services to disabled infants.

*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. 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.

**Note 3 - Plant Assets**

Fixed assets are recorded at cost when cost can be determined, and at estimated cost when cost is unknown. All donated assets have been recorded at fair value on the date of donation.

Fixed assets consisted of the following at June 30, 1998:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
Buildings	\$ 207,524	\$ -
Equipment	190,686	-
Vehicles	150,255	38,848
Improvements	48,519	-
Total	<u>596,984</u>	<u>38,848</u>
Less: Accumulated Depreciation	<u>287,968</u>	<u>11,016</u>
Net Depreciable Assets	309,016	27,832
Land	17,820	0
<b>TOTAL FIXED ASSETS</b>	<b><u>\$ 326,836</u></b>	<b><u>\$ 27,832</u></b>

Temporarily restricted vehicles include a van obtained through a grant from the state's Urban Mass Transit Association, UMTA. The Association is required to maintain the van during the first five years of use after which the Department of Transportation will determine if the vehicle is eligible for disposition.

**THE ARC OF MOREHOUSE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 1998**

**Note 4 – Allocation of General Administrative Expenses**

For presentation purposes on the Statement of Functional Expenses, general and administrative expenses are included in each expense category for all program services. The total general and administrative expenses for each program is then reallocated out of program service expense to general and administrative. The following is the detail of the \$148,740 of general and administrative expenses reallocated.

Data Processing	2,370
Dues & Subscriptions	2,392
Food and Client Needs	594
Insurance	12,562
Maintenance	4,286
Office	1,767
Payroll Taxes and Fringe Benefits	8,089
Postage	1,258
Professional Fees	18,152
Public Awareness	2,926
Salaries	86,473
Supplies	586
Telephone	4,260
Travel and Conventions	277
Utilities	<u>2,748</u>
TOTAL	<u>\$ 148,740</u>

**Note 5 - Significant Concentrations of Risk**

The Association's cash and cash investments are in excess of Federal deposit insurance limits at June 30, 1998. The bank balance of these funds totaled \$351,806 at year-end, of which \$7,400 was not insured or collateralized.

The Association receives approximately 80% of total revenue and support from various state agencies.

**SUPPLEMENTAL SCHEDULES**

**THE ARC OF MOREHOUSE  
SCHEDULE OF FINANCIAL POSITION  
FOR THE YEAR ENDED JUNE 30, 1998**

	<u>Local Fund</u>	<u>Adult Habilitation (Day) Program</u>	<u>Contract Services</u>	<u>Supported Living</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 54,532	\$ -	\$ -	\$ -
Certificates of Deposit	279,407	-	-	-
Accounts Receivable	-	20,784	12,251	41,108
Interest Receivable	1,698	-	-	-
Due From Other Funds	477,143	412,246	13,385	147,457
Fixed Assets	653,651			
Accumulated Depreciation	(298,984)			
Other Assets	4,414	1,398	100	7,319
<b>TOTAL ASSETS</b>	<b>\$ <u>1,171,861</u></b>	<b>\$ <u>434,428</u></b>	<b>\$ <u>25,736</u></b>	<b>\$ <u>195,884</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 1,282	\$ 2,274	\$ 1,844	\$ 3,335
Accrued Liabilities	-	7,636	3,671	22,993
Due To Other Funds	745,948	223,684	19,501	-
Total Current Liabilities	<u>747,230</u>	<u>233,594</u>	<u>25,016</u>	<u>26,328</u>
Unrestricted Net Assets	396,799	200,834	720	169,556
Temporarily Restricted Net Assets	<u>27,832</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>1,171,861</u></b>	<b>\$ <u>434,428</u></b>	<b>\$ <u>25,736</u></b>	<b>\$ <u>195,884</u></b>

**SCHEDULE 1**

<u>Residential Services</u>			
<u>East Morehouse</u>	<u>Crossett Road</u>	<u>Early Intervention</u>	<u>Total</u>
489	\$ 117	\$ -	\$ 55,138
-	-	-	279,407
23,664	24,445	1,261	123,513
-	-	-	1,698
80,195	59,445	19,899	1,209,770
			653,651
			(298,984)
<u>453</u>	<u>678</u>	<u>19</u>	<u>14,381</u>
<u>104,801</u>	<u>\$ 84,685</u>	<u>\$ 21,179</u>	<u>\$ 2,038,574</u>
1,202	\$ 12,580	\$ 193	\$ 22,710
8,923	8,233	30	51,486
<u>106,753</u>	<u>109,508</u>	<u>4,376</u>	<u>1,209,770</u>
116,878	130,321	4,599	1,283,966
(12,077)	(45,636)	16,580	726,776
<u>-</u>	<u>-</u>	<u>-</u>	<u>27,832</u>
<u>104,801</u>	<u>\$ 84,685</u>	<u>\$ 21,179</u>	<u>\$ 2,038,574</u>

**THE ARC OF MOREHOUSE  
SCHEDULE OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 1998**

	Program Services			
	Local Fund	Adult Habilitation (Day) Program	Contract Services	Supported Living
<b>Revenues and Other Support</b>				
Intergovernmental Revenue	\$ -	\$ 223,467	\$ -	\$ 445,400
Program Receipts	-	118,392	88,530	-
United Fund	-	255	5,236	-
Donations	1,031	125	-	-
Memberships	3,010	-	-	-
Interest	9,612	-	-	-
Miscellaneous	431	2,678	2,096	-
Total Revenues and Other Support	14,084	344,917	95,862	445,400
<b>Expenses</b>				
Program Services				
Day Program	-	293,532	-	-
Contract Services	-	-	90,081	-
Supported Living	-	-	-	419,784
East Morehouse Community Home	-	-	-	-
Crossett Road Community Home	-	-	-	-
Early Intervention	-	-	-	-
Total Program Services	-	293,532	90,081	419,784
Local Fund	3,207	-	-	-
Total Expenses	3,207	293,532	90,081	419,784
<b>EXCESS REVENUES OVER EXPENSES</b>	<b>\$ 10,877</b>	<b>\$ 51,385</b>	<b>\$ 5,781</b>	<b>\$ 25,616</b>

**SCHEDULE 2**

<u>Residential Services</u>			
<u>East Morehouse</u>	<u>Crossett Road</u>	<u>Early Intervention</u>	<u>Total</u>
\$ 230,951	\$ 265,098	\$ 2,500	\$ 1,167,416
29,289	5,680	-	241,891
-	-	6,664	12,155
-	-	-	1,156
-	-	-	3,010
-	-	-	9,612
-	86	-	5,291
<u>260,240</u>	<u>270,864</u>	<u>9,164</u>	<u>1,440,531</u>
-	-	-	293,532
-	-	-	90,081
-	-	-	419,784
230,311	-	-	230,311
-	240,054	-	240,054
-	-	5,614	5,614
<u>230,311</u>	<u>240,054</u>	<u>5,614</u>	<u>1,279,376</u>
-	-	-	3,207
<u>230,311</u>	<u>240,054</u>	<u>5,614</u>	<u>1,282,583</u>
<u>\$ 29,929</u>	<u>\$ 30,810</u>	<u>\$ 3,550</u>	<u>\$ 157,948</u>

**THE ARC OF MOREHOUSE  
SCHEDULE OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 1998**

<u>Grantor Program/Program Title</u>	<u>Grant Assistance I.D. Number</u>	<u>State Award Amount</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>	<u>Total State Revenue to June 30, 1998</u>
Louisiana Department of Health and Hospitals Office for Citizens With Developmental Disabilities Early Intervention Program	000389	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Office for Citizens With Developmental Disabilities Adult Habilitation (Day) Program	000130	<u>172,743</u>	<u>166,002</u>	<u>166,002</u>	<u>166,002</u>
<b>TOTAL STATE AWARDS</b>		<u>\$ 175,243</u>	<u>\$ 168,502</u>	<u>\$ 168,502</u>	<u>\$ 168,502</u>

See Notes to Schedule of State Awards

**THE ARC OF MOREHOUSE  
NOTES TO SCHEDULES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 1998**

***General***

The schedule of State Awards presents all state awards programs of The ARC of Morehouse (the Association).

***Basis of Accounting***

The Schedule of State Awards is prepared on the accrual basis of accounting, which is discussed in Note 1 to the Association's financial statements.

***Relationship to the Association's Financial Statements***

The following table is presented to reconcile the state awards received under various grant programs to the Association's financial statements.

	<u>State Awards</u>	<u>Fees For Services</u>	<u>Total Intergovernmental Revenue</u>
Adult Habilitation (Day) Program	\$ 166,002	\$ 57,465	\$ 223,467
Supported Living	0	445,400	445,400
East Morehouse Community Home	0	230,951	230,951
Crossett Road Community Home	0	265,098	265,098
Early Intervention	2,500	0	2,500
<b>TOTALS</b>	<u>\$ 168,502</u>	<u>\$ 998,914</u>	<u>\$ 1,167,416</u>

**REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***



Luffey  
Huffman  
& Monroe

(A Professional Accounting Corporation)  
CERTIFIED PUBLIC ACCOUNTANTS

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L. Fred Monroe, CPA  
Esther Alloberry, CPA  
Carolyn A. Clarke, CPA

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

**Board of Directors  
The ARC of Morehouse  
Bastrop, Louisiana**

We have audited the financial statements of **The ARC of Morehouse** (the Association) as of and for the year ended June 30, 1998, and have issued our report thereon dated September 16, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be considered material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Board of Directors  
The ARC of Morehouse  
Bastrop, Louisiana**

This report is intended for the information of management of the Association, its oversight agency, 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.

*Ruffey, Huffman & Monroe (APAC)*

**September 16, 1998**