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ST. MARY COMMUNITY ACTION COMMITTEE ASSOCIATION, INC.

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORT**

and

**INDEPENDENT AUDITORS' REPORTS ON INTERNAL ACCOUNTING CONTROL
AND COMPLIANCE**

For the Year Ended March 31, 2005

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 10/26/05

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
St. Mary Community Action Committee
Association, Inc.
Franklin, Louisiana

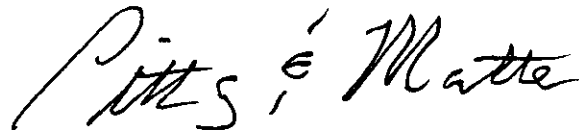
We have audited the accompanying statement of financial position of St. Mary Community Action Committee Association, Inc. (a nonprofit organization) as of March 31, 2005, and the related statements of activity and changes in net assets and cash flows for the year then ended. These financial statements 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 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 the 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 St. Mary Community Action Committee Association, Inc. as of March 31, 2005, 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 September 27, 2005, on our consideration of St. Mary Community Action Committee Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of St. Mary Community Action Committee Association, Inc. taken as a whole. The statements of activity by program are presented for additional analysis and are not a required part of the basic financial statements of the St. Mary Community Action Committee Association, Inc. The accompanying schedule of expenditures of federal awards and related notes are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and are also not a required part of the basic financial statements of St. Mary Community Action Committee Association, Inc. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Pitts & Matte". The signature is written in black ink and is positioned above the firm's name.

CERTIFIED PUBLIC ACCOUNTANTS

September 27, 2005

ST. MARY COMMUNITY ACTION COMMITTEE ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2005

ASSETS

Current assets	
Cash	\$39,893
Grants receivable	173,392
Notes receivable - current portion	11,674
	<hr/>
Total current assets	224,959
Notes receivable - less current portion (less allowance for uncollectibles of \$22,000)	14,581
Inventory - Subdivision development	36,819
Fixed assets - less accumulated depreciation	1,517,234
	<hr/>
Total assets	\$1,793,593
	<hr/> <hr/>

LIABILITIES AND NET ASSETS

Current liabilities	
Checks issued in excess of bank balances	\$121,647
Accounts payable and accrued expenses	479,433
Notes payable - current portion	184,084
	<hr/>
Total current liabilities	785,164
Long term liabilities	
Notes payable - less current portion	42,874
Total liabilities	828,038
	<hr/>
Net assets (deficit)	
Unrestricted	(45,887)
Temporarily restricted for:	
Fixed assets with explicit restrictions on use	\$1,188,124
Housing programs	(163,028)
Emergency assistance programs	1,041
Youth programs	740
Substance abuse program	(9,691)
Job assistance programs	(4,709)
Administration	(1,035)
	<hr/>
Total net assets	1,011,442
	<hr/>
Total net assets	965,555
	<hr/>
Total liabilities and net assets	\$1,793,593
	<hr/> <hr/>

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

ST. MARY COMMUNITY ACTION COMMITTEE ASSOCIATION, INC.
STATEMENT OF ACTIVITY AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2005

Changes in unrestricted net assets:	
Revenues	
Sales proceeds	\$217,700
Cost of revenues	(225,084)
	<hr/>
Net loss on sale of homes	(7,384)
Increase in value of homes	5,000
	<hr/>
Net loss on sale of homes and increase in value of homes	(2,384)
Support	
Grants	
Federal	1,126,626
State	210,370
Local	82,099
Foundation	74,800
Contributions	302,567
Other	8,879
Net assets released from restrictions:	
Satisfaction of program restrictions	4,534,571
	<hr/>
Total unrestricted support	6,339,912
	<hr/>
Total revenue and unrestricted support	6,337,528
	<hr/>
Expenses	
Head Start programs	4,836,580
Welfare to Work program	39,582
Housing assistance programs	293,856
Transportation programs	414,500
Childcare programs	71,505
Emergency assistance programs	21,775
Other general assistance	702,184
Management and general	305,999
	<hr/>
Total unrestricted expenses	6,685,981
	<hr/>
Changes in unrestricted net assets	(348,453)
	<hr/>
Changes in temporarily restricted net assets:	
Support	
Grants	
Federal	4,520,968
State	4,410
Net assets released from restrictions:	
Satisfaction of program restrictions	(4,534,571)
	<hr/>
Increase (decrease) in temporarily restricted net assets	(9,193)
	<hr/>
Increase (decrease) in net assets	(357,646)
	<hr/>
Net assets at March 31, 2004	1,323,201
	<hr/>
Net assets at March 31, 2005	\$965,555
	<hr/> <hr/>

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

ST. MARY COMMUNITY ACTION COMMITTEE ASSOCIATION, INC.

STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2005

Cash flows from operating activities:	
Received from Federal grantors	\$5,714,902
Received from state grants	214,780
Received from local grants	82,099
Received from foundations	83,679
Paid to employees	(4,518,877)
Paid to vendors	(1,661,500)
Proceeds from sale of houses	217,700
Paid for Faith Place construction	45,088
	<hr/>
Net cash provided by operating activities	177,871
	<hr/>
Cash flows from investing activities:	
Purchase of fixed assets	(75,105)
Loans made	(19,000)
Payments received on loans	8,180
	<hr/>
Net cash used in investing activities	(85,925)
	<hr/>
Cash flows from financing activities	
Repayments on long-term debt	(124,800)
	<hr/>
	(124,800)
	<hr/>
Net increase (decrease) in cash and cash equivalents	(32,854)
	<hr/>
Cash and cash equivalents at beginning of year	(48,900)
	<hr/>
Cash and cash equivalents at end of year	(\$81,754)
	<hr/>
Cash and cash equivalents at end of year consists of the following:	
Cash	\$39,893
Checks issued in excess of bank balances	(121,647)
	<hr/>
	(\$81,754)
	<hr/> <hr/>

Reconciliation of change in net assets to net cash provided by operating activities:

Change in net assets:		(\$357,646)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	\$233,924	
Decrease in grants receivable	67,308	
Decrease in inventory	207,608	
Increase in accounts payable	26,677	
	<u>535,517</u>	
Net cash provided by operating activities		<u>\$177,871</u>

NOTES:

The Association received noncash contributions of food commodities, building usage, and professional services totaling \$302,567 during the year.

The Association increased the carrying value of its housing inventory of house units for sale by \$5,000 during the year.

ST. MARY COMMUNITY ACTION COMMITTEE ASSOCIATION, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 March 31, 2005

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A summary of the Association's significant accounting policies applied in the preparation of the accompanying financial statements follows:

The Association is a not-for-profit corporation designated as St. Mary Parish's official agency for the enactment and oversight of many social, education, and welfare programs for the citizens of St. Mary Parish, Louisiana; including the operation of the local Head Start program. In addition, the Association also operates the Head Start program for Vermillion Parish and certain other programs for Iberia Parish, St. Martin Parish, and Vermillion Parish. The Association receives Federal, state, and local funding to operate its various programs.

The following is a summary of the programs and their primary functions applicable to the Association during the year ended March 31, 2005:

<u>Program</u>	<u>Funding Source</u>	<u>Functions</u>
General	Various	General operations.
Head Start #22	U.S. Dept. of Health and Human Services	To provide comprehensive health, educational, nutritional, social, and other services to economically disadvantaged preschool children and to provide parents with training and education to foster their understanding of and involvement in the development of their children.
Child and Adult Care Food Program	U.S. Dept. of Agriculture	To supply supplemental nutritious foods and nutrition education to low-income families.
Community Services Block Grant	U.S. Dept. of Health and Human Services	To provide administrative assistance to non-profit community service organizations.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Program</u>	<u>Funding Source</u>	<u>Functions</u>
Welfare to Work	U.S. Dept. of Labor	To provide case management-based, transitional program which emphasizes the Welfare to Work themes of work first, job readiness, support and retention.
Revolving Loan Program	U.S. Dept. Of Agriculture	To provide loans to small businesses located in rural areas.
Parish Council	St. Mary Parish Council, U.S. Dept. of Health and Human Services, U.S. Dept. of Transportation and State of Louisiana Dept. Of Transportation	To supplement transportation services.
LIHEAP Utility Payments	U.S. Dept. of Health and Human Services	To assist eligible households to meet home energy costs.
Medicaid	State of Louisiana Dept. Of Treasury	To provide assistance to eligible individuals to qualify them to receive Medicaid benefits.
Weatherization	U.S. Dept. of Energy	To weatherize dwellings of low-income individuals.
Housing Counseling	U.S. Dept. Of Housing And Urban Development	To provide a full range of services, advice, and assistance to housing consumers in improving their housing conditions and meeting the responsibilities of homeownership and tenancy.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Program</u>	<u>Funding Source</u>	<u>Functions</u>
FEMA Emergency Assistance	Federal Emergency Management Agency	To assist eligible clients with utility, rent, emergency shelter, and food assistance.
Summer Feeding	U.S. Dept. of Agriculture	To supply nutritious foods to children during summer months.
Emergency Shelter	U.S. Dept. of Health and Human Services	To provide emergency housing for victims of fire, floods, storms and other natural disasters.
Housing Department	Earned fees and other	To provide housing assistance, counseling, etc. regarding home ownership
Mid South Grant	Foundation for the Mid South	To provide comprehensive youth development services to the youth of St. Mary Parish.
Affordable Housing (Faith Place)	Federal Home Loan Bank of Dallas and Louisiana Housing Finance Agency	To provide affordable housing through development and construction.
Jobs for American Graduates (JAG)	U.S. Dept. Of Labor and State of Louisiana Dept. of Education	To provide a comprehensive out-of-school program that targets young people who have left the education system. Goals of the program include: attaining a GED, a marketable skill and a quality job with good career potential.
OCS Wrap Around	U.S. Dept. Of Health and Human Services	To provide a full-day, full-year program for children to receive a quality education and early childhood development.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Program</u>	<u>Funding Source</u>	<u>Functions</u>
Free to Grow	The Robert Wood Johnson Foundation Doris Duke Foundation	To implement a substance abuse prevention program in two isolated communities in St. Mary Parish.
Philip Morris	Philip Morris USA	To provide financial support for activities as part of Philip Morris USA's efforts to reduce youth smoking.
LaPIP Prevention Services	U.S. Dept. of Health and Human Services	To work with youth and their families towards the prevention of addictive disorders and other risky behaviors.
Transitional Housing	U.S. Dept. of Housing and Urban Development	To help eligible clients obtain and remain in permanent housing and increase their skills and/or income.
Cars for a Cause	U.S. Dept. of Health and Human Services	To address the transportation barriers that prevent citizens of St. Mary, St. Martin, Iberia, and Vermillion Parishes from accessing needed services.
Credit Repair and Recovery	U.S. Dept. of Health and Human Services	To assist families in identifying self-specific barriers such as poor credit or repayment history, excessive debts and financial illiteracy.
Isaiah's House	Rent Revenue	To provide safe and affordable housing in the form of rental property to residents of St. Mary Parish.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The accrual basis of accounting is generally used by the Association.

Use of Estimates

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

The value of inventory of homes in the Affordable Housing (Faith Place) program is valued at the lower of costs incurred or estimated fair value. Estimated fair value is determined by subtracting projected costs to complete construction and selling costs from the estimated market value of the dwellings.

The ultimate costs to complete the unfinished units could be different from the estimated costs to complete depending upon availability of materials and labor and weather conditions.

In addition, the ultimate selling price might vary from the estimated fair value at year end due to changes in the local economy, interest rate changes, and the availability of qualified buyers.

Support and Revenues

A significant portion of the Association's support and revenue is in the form of grants from governmental agencies. These grants are generally recognized as revenue to the extent that expenses have been incurred for purposes specified by the grantor.

The Association also receives revenue from home building activities. Revenues from these activities are recognized at the closing of the sale using the deposit method. During construction, all direct material and labor costs are capitalized. Capitalized costs are charged to earnings upon closing. At every stage of the contract, an architect inspects the construction and assists management in estimating the percentage complete.

Expenses

Assets or expenses and their related liabilities are recorded when the related goods or services are received by the Association. Costs incurred in connection with completed homes and selling, general, and administrative costs are charged to expenses as incurred.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Utilization of Contributed Goods, Services or Facilities

In general contributed goods and facilities that meet the proper criteria are recorded as items of support or revenue with a like amount recorded as expense upon receipt at fair market value.

In accordance with *Financial Accounting Standards No. 116*, contributions of services shall be recognized only if the services received a) create or enhance nonfinancial assets or b) require specialized skills and the person providing the service possesses the specialized skill.

Fixed Assets

Purchased furniture, fixtures, and other equipment are valued at their actual cost or estimated cost. Contributed items are valued at their estimated fair market value at the date of the contribution. Fixed assets are depreciated over their estimated useful lives on the straight-line basis. Fixed assets purchased with federal dollars may need to be returned to the grantor, sold or retained by the organization in accordance with the respective grant agreements upon program completion.

Compensated Absences

Compensation is paid to employees absent from work due to illness or vacation. An accrual is made for the amount of compensation the employees will receive in the future based upon services performed through March 31, 2005. The amount accrued at March 31, 2005 is approximately \$57,000.

Net assets

In accordance with the Statement of Financial Accounting Standards #117, the Association must report net assets in each of the following three classes:

- a. permanently restricted - net assets in this category are restricted by donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization.
- b. temporarily restricted - net assets in this category are restricted by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization.
- c. unrestricted - net assets in this category are not restricted by donor-imposed restrictions.

The Association has unrestricted and temporarily restricted net assets.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

The temporary restrictions result from grants received with restrictions that expire when those donor-imposed stipulations have been met. Once the stipulation related to the restriction has been met these temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and cash equivalents

For purposes of the Statement of Cash Flows, the Association considers all cash in non-interest bearing checking accounts and cash on hand to be cash and cash equivalent accounts.

Income Tax Status

The Association operates as a not-for-profit organization. It is accorded tax exempt status under Section 501 (c) (3) of the Internal Revenue Code.

NOTE 2 - COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable program. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Association expects such amounts, if any, to be immaterial.

NOTE 3 - NOTE RECEIVABLE

The Association received approval for a grant from the U.S. Department of Agriculture Rural Development Office to be used for a revolving loan program. Loans to small businesses in rural areas are made through this program. The amount of the grant for the year ended March 31, 2005, is approximately \$19,000. The Association receives funds from the grantor and recognizes revenue from the grant as loans are made to borrowers. Amounts due from the borrowers are recorded as notes receivable.

During the year, three small business loans were made totaling \$28,500 bearing interest of 5% annually. There are also five loans outstanding from prior years also bearing 5% annual interest. Total monthly payments for the eight loans total \$1,472. At March 31, 2005, the total balance due was \$48,255. All of these loans are secured by collateral. It is the policy of the Association to foreclose on the property pledged as collateral in case of nonpayment of the loan.

NOTE 4 - INVENTORY - SUBDIVISION DEVELOPMENT

The Association is in the process of developing Faith Place, a single family residential subdivision. The Association has acquired developed lots in a subdivision in Patterson, Louisiana and is in the process of building single family dwellings on a speculative basis. In a prior year, the Association received a grant from the Federal Home Loan Bank of Dallas. This grant was used to purchase the land for the subdivision. In a prior year, the Association entered into an agreement with the Louisiana Housing Finance Agency for a \$200,000 revolving loan for the purpose of constructing fifteen homes. The construction is scheduled to take place over a period of three phases to be completed in the year ended March 31, 2006. It is the intent of the Association that the sales price of the homes recover the costs of construction of the homes only, not the value of the originally acquired land. Eleven homes were sold in prior years at prices ranging from \$47,000 to \$71,500. During the year ended March 31, 2005, three homes were sold at sales prices of \$74,000, \$68,500, and \$75,000. At March 31, 2005, the Association estimates that construction on the remaining house is approximately 70% complete.

In prior years, it was determined that the costs incurred and estimated costs to complete and sell the remaining homes could be significantly more than the estimated fair value of the homes. Therefore, the basis of the homes is being reduced to reflect the estimated fair value at year end. Based upon recent selling prices of homes, the estimated fair value is more than was previously estimated. Accordingly, an increase in value of the homes of approximately \$5,000 is recognized in 2005. The total allowance at March 31, 2005 is \$21,000.

Inventory at March 31, 2005 consists of the following:

Faith Place	
Speculative Construction	
Homes for which construction is partially complete	\$57,819
Less: reserve	(21,000)
	<u>\$36,819</u>

NOTE 5 - FIXED ASSETS

The following is a summary of fixed assets by major category with their related estimated useful lives:

<u>Category</u>	<u>Cost</u>	<u>Estimated Useful Life</u>
Buildings	\$1,369,685	35 years
Vehicles	1,103,210	3 years
Furniture and fixtures	82,349	5 years
Machinery and equipment	619,190	5 years
Leasehold improvements	<u>96,471</u>	5 years
Total	3,270,905	
Less: accumulated depreciation	<u>1,753,671</u>	
	<u>\$ 1,517,234</u>	

Depreciation for the year ended March 31, 2005 totaled approximately \$234,000.

Certain grant requirements restrict the use of certain fixed assets. Substantially all fixed assets acquired with donated funds would revert back to the grantor if those fixed assets would cease to be used in that program.

NOTE 6 - LONG TERM NOTES PAYABLE

Notes payable at March 31, 2005 are comprised of the following:

Description

\$200,000 non-interest bearing revolving loan to Louisiana Housing Finance Agency to be used for Construction of Faith Place Subdivision; Outstanding balance due March 31, 2006	\$184,000
\$43,000 promissory note payable to individuals for purchase of Isaiah's house; payable in monthly installments of \$350, with interest at a rate of 9.8%	<u>42,958</u>
	\$226,958
Less current portion	<u>184,084</u>
	<u>\$ 42,874</u>

NOTE 6 - LONG TERM NOTES PAYABLE (continued)

The following is a schedule of future debt requirements for debt outstanding at March 31, 2005:

<u>Year</u>	
2006	\$184,084
2007	108
2008	110
2009	111
2010	134
Thereafter	<u>42,411</u>
	<u>\$226,958</u>

NOTE 7- LEASES

At March 31, 2005, the Association had eight significant operating leases in effect. The leases cover the buildings in various locations used to serve recipients of the Association's services. Total rent expense for the year ended March 31, 2005 totaled approximately \$42,000.

The aggregate future minimum lease payments for the eight leases is approximately:

Year ended March 31, 2006	<u>\$12,500</u>
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NOTE 8 - UTILIZATION OF CONTRIBUTIONS

The following contributions were received and recognized by the Association during the year ended March 31, 2005:

<u>Program</u>	<u>Contribution</u>	<u>Amount</u>
General Operations	Food Commodities	\$39,564
Head Start	Rental Space	33,000
Head Start	Professional Services	<u>230,003</u>
Total recognized contributions received		\$ <u>302,567</u>

In addition to the recognized contributions, the Association receives other donations primarily from parent volunteers in the Head Start Program. These contributed services and certain other items were not recognized because they do not meet the criteria set forth in FASB 116, however, these contributions do meet the matching requirements set forth in the Head Start grant. The sum of recognized and unrecognized "in-kind" contributions and other matching contributions for the Head Start Program total approximately \$1,047,000.

NOTE 9 - EMPLOYEE BENEFIT PLAN

The Association provides a 401(k) savings plan for its eligible employees. All employees with one year of service and an attained age of 20 ½ may participate. Participating employees may elect to contribute up to ten percent of their earnings. The Association may contribute an amount equal to a percent of the participants' contributions. The Association contributed approximately \$77,000 to the plan for the year ended March 31, 2005.

NOTE 10 - RELATED ENTITIES

The Association is a participant in a Limited Partnership as a General Partner sharing .5% in profits and losses and .5% in ownership capital. Because of the Association's small amount of ownership and because of certain provisions of the partnership agreement that restrict the Association's activities, the Association does not account for their investment in the partnership under the equity method. Rather, the Association records its share of income or loss when reported by the partnership. The partnership was formed for the purpose of constructing and maintaining a 30 unit low to moderate income townhouse community, "Sparrow Gardens Townhouses", located in Centerville, Louisiana. The total cost of the project was approximately \$1,376,000. This project was completed in January of 1996.

The Association acting in the capacity of a Community Housing Development Organization (CHDO) is the administrative manager of the complex. The accounting and financial management of the complex is handled by another partner.

In addition to its share of profits or losses, the Association receives \$15 per occupied unit per month as a management fee. Total fees for the year ended March 31, 2005, totaled approximately \$5,000 which are reported when earned.

The Partnership's year end is December 31, 2004. Total net assets of the partnership total \$31,000 at December 31, 2004. The partnership incurred a net loss of \$64,000 at December 31, 2004. The amount of this loss attributable to the Agency is \$300.

NOTE 11 - CONCENTRATIONS

Ninety-one percent of the Association's funding is obtained from federal grants. The two largest federal grants administered by the Association are the Head Start program and the Child and Adult Care Food program. Head Start and the Child and Adult Care Food funding composed seventy-seven percent and seven percent, respectively, of the Association's total funding for the year ended March 31, 2005.

NOTE 12 - RISK MANAGEMENT AND CONTINGENCIES

The Agency is exposed to various risks of loss related to torts, theft or damage to assets, errors and omissions, injuries to employees and natural disasters. In addition, the Agency provides certain medical and health benefits to its employees. The Agency has purchased commercial insurance to protect against loss from most of these perils and to provide for most of the medical benefits. However, it is the policy of the Agency to retain the risk of loss related to the costs of health care benefits for its employees up to \$20,000 in covered benefits per employee per year.

The Agency uses a combination of past history and specific claim analysis to estimate its liability for unfunded employee healthcare claims. The Agency does not discount the amount of claims to present value, nor has the Agency purchased any annuity contracts to settle estimated liabilities.

Changes in the Agency's estimated claims liabilities for years ended March 31, 2005 (the plan's initial year) were:

Liability balance, November 1, 2004 (plan inception)	--
Claims during the year	\$65,000
Claims paid	<u>(37,000)</u>
Estimated liability at March 31, 2005	<u>\$28,000</u>

The total expenses reported by the Agency for claims related to retained risk for the year ended March 31, 2005 totaled \$65,000.

NOTE 13 - SUBSEQUENT EVENT

In August and September of 2005 the Louisiana coastal area was struck by hurricanes Katrina and Rita. The Agency operates several Head Start centers in Vermillion Parish that were damaged by Hurricane Rita. The Agency's management has assessed the damage and believes all significant repair and replacement costs will be covered by insurance and FEMA payments.

SUPPLEMENTARY INFORMATION

ST. MARY COMMUNITY ACTION COMMITTEE ASSOCIATION, INC.
STATEMENT OF ACTIVITY BY PROGRAM
FOR THE YEAR ENDED MARCH 31, 2005

	General Fund	Head Start #22	Child and Adult Care Food Program	CSBG	Revolving Loan Fund	Parish Council	OCS Wrap Around	LIHEAP	Medicaid
Changes in unrestricted net assets:									
Revenue									
Sales proceeds									
Cost of revenues									
Net loss on sale of houses									
Increase in value of houses									
Net loss on sale of houses and increase in value of houses									
Support									
Grants									
Federal	\$ 109,148		\$ 399,491		\$ 19,000	\$ 67,954	\$ 135,417		
State						165,572			
Local	6,423					11,563			
Foundation									
Other support	39,564								
Utilization of contributed food		\$ 230,003							
Utilization of contributed professional services		33,000			2,074				
Utilization of contributed facilities									
Other									
Net assets released from restrictions:									
Satisfaction of program restrictions		4,008,431		\$ 304,167				\$ 31,687	\$ 4,410
Total unrestricted support (deficiency)	155,135	4,271,434	399,491	304,167	21,074	245,089	135,417	31,687	4,410
Expenses									
Salaries	91,811	3,297,144	194,128	255,037		210,649	94,339	25,717	5,251
Utilization of contributed food	39,564								
Utilization of contributed professional services		230,003							
Professional services	3,468	34,044	2,500	3,870	4,468	1,748	2,184	500	
Contractual									
Maintenance - facilities	2,484	73,581		2,417		6,305			
Rent	3,500	32,609		8,844					
Services		52,618	15,009						
Utilization of contributed facilities		33,000							
Supplies	18,429	126,303	9,114	6,416	1,505	2,123	1,382	580	241
Travel and van costs	1,569	42,908	2,339	268		24,440	3,310	142	
Insurance		112,150	2,800	11,150		22,216	2,175	2,627	100
Services provided to community:									
Emergency assistance	11,053			2,963					
Food	436	27,733	207,367	1,855			3,140		
Medical		5,291							
Utility payments									
Vehicles provided									
Other	14,184	3,702	4,519	741	3,273	4,551	1,186	723	
Depreciation	4,416	166,341			1,240	10,478	580	1,312	
Utilities	8,894	160,621	756	12,438			10,854	1,534	222
Total unrestricted expenses	199,608	4,396,048	438,532	305,999	10,486	282,510	119,150	33,135	5,814

Changes in unrestricted net assets	(44,673)	(126,614)	(39,041)	(1,832)	10,588	(37,421)	16,267	(1,448)	(1,404)
Other changes in unrestricted net assets:									
Transfer in	50,664				6,000	80,737	270	3,216	
Transfer out	(19,411)				(8,208)	(3,000)	(18,009)		
Increase (decrease) in unrestricted net assets	(13,420)	(126,614)	(39,041)	(1,832)	8,380	40,316	(1,472)	1,768	(1,404)
Changes in temporarily restricted net assets									
Support									
Grants									
Federal		3,991,743		304,167				31,687	4,410
State									
Net assets released from restrictions:									
Satisfaction of program restrictions		(4,008,431)		(304,167)				(31,687)	(4,410)
Increase (decrease) in temporarily restricted net assets	-	(16,688)	-	-	-	-	-	-	-
Increase (decrease) in net assets	(13,420)	(143,302)	(39,041)	(1,832)	8,380	40,316	(1,472)	1,768	(1,404)
Net assets at March 31, 2004	10,205	1,344,342	(44,573)	797	32,958	(52,505)	745	(6,925)	1,663
Net assets at March 31, 2005	\$ (3,215)	\$ 1,201,040	\$ (83,614)	\$ (1,035)	\$ 41,338	\$ (12,189)	\$ (727)	\$ (5,157)	\$ 259

ST MARY COMMUNITY ACTION COMMITTEE ASSOCIATION, INC.
STATEMENT OF ACTIVITY BY PROGRAM
FOR THE YEAR ENDED MARCH 31, 2005

	Weatherization	Housing Counseling	FEMA Emergency Assistance	Summer Feeding Program	Emergency Shelter	Housing Department	Midsouth Foundation	Affordable Housing (Faith Place)	Welfare to Work	JAG
Changes in unrestricted net assets.										
Revenue										
Sales proceeds								\$ 217,700		
Cost of revenues								(225,084)		
Net loss on sale of houses								(7,384)		
Increase in value of houses								5,000		
Net loss on sale of houses and increase in value of houses								(2,384)		
Support										
Grants										
Federal					\$ 10,914					\$ 14,471
State										44,798
Local						\$ 38,613	25,500			
Foundation										
Other support										
Utilization of contributed food										
Utilization of contributed professional services										
Utilization of contributed facilities										
Other										
Net assets released from restrictions:										
Satisfaction of program restrictions	\$ 105,308		\$ 9,063	\$ 71,505						
Total unrestricted support (deficiency)	105,308	-	9,063	71,505	10,914	38,613	25,500	(2,384)	-	59,269
Expenses										
Salaries	30,772			31,452	600	29,474	17,145	5,000		68,233
Utilization of contributed food										
Utilization of contributed professional services					1,697	1,220		2,572		1,100
Professional services	4,748									
Contractual										
Maintenance - facilities						366				15
Rent						2,490				
Services										
Utilization of contributed facilities				4,732	1,536	797	5,359	22		163
Supplies	966			279		3,440				3,022
Travel and van costs	5,192			650		10,407	512	1,680		5,150
Insurance	5,944									
Services provided to community:										
Emergency assistance	54,206		11,483	34,355	4,390					
Food							2,484			
Medical										
Utility payments										
Vehicles provided					172	7,166		7,929		111
Other	1,946					433			\$ 39,582	6,722
Depreciation	555					3,833	1,164	129		1,063
Utilities	979		20	37	1,877					
Total unrestricted expenses	105,308	-	11,503	71,505	10,272	59,626	26,664	17,332	39,582	85,579

ST. MARY COMMUNITY ACTION COMMITTEE ASSOCIATION, INC.
STATEMENT OF ACTIVITY BY PROGRAM
FOR THE YEAR ENDED MARCH 31, 2005

	Philip Morris Foundation	Free to Grow	LaPIP Prevention Services	Transitional Housing	Cars for a Cause	Credit Repair and Recovery	Isiah's House	Total All Programs
Changes in unrestricted net assets:								
Revenue								\$ 217,700
Sales proceeds								(225,084)
Cost of revenues								(7,384)
Net loss on sale of houses								5,000
Increase in value of houses								(2,384)
Net loss on sale of houses and increase in value of houses								(2,384)
Support								
Grants								
Federal			\$ 117,265	\$ 61,265	\$ 96,785	\$ 94,916		1,126,626
State								210,370
Local								82,099
Foundation		\$ 74,800						74,800
Other support								39,564
Utilization of contributed food								230,003
Utilization of contributed professional services							\$ 6,805	33,000
Utilization of contributed facilities								8,879
Other								4,534,571
Net assets released from restrictions:								
Satisfaction of program restrictions		74,800	117,265	61,265	96,785	94,916	6,805	6,337,528
Total unrestricted support (deficiency)		74,800	117,265	61,265	96,785	94,916	6,805	6,337,528
Expenses								
Salaries		54,862	49,797	27,588	10,294	19,424	160	4,518,877
Utilization of contributed food								39,564
Utilization of contributed professional services			10,468			1,500		230,003
Professional services								76,087
Contractual								
Maintenance - facilities		6,132	675	137	567	507	510	93,696
Rent		600						48,043
Services								67,627
Utilization of contributed facilities								33,000
Supplies		1,497	40,879		314	1,348	795	224,501
Travel and van costs		14,974	4,822			1,494		108,199
Insurance		3,350	85	175	7,861	5,500	718	195,250
Services provided to community:								
Emergency assistance				44,710				128,805
Food		1,563	140					279,073
Medical								5,291
Utility payments					110,000			
Vehicles provided		150	1,468	1,452	2,954	9,849	1,410	110,000
Other		5,481	227	327		910		62,935
Depreciation		5,082	2,667	476		9,229		233,841
Utilities								231,189
Total unrestricted expenses		93,691	111,228	74,865	131,990	49,761	3,593	6,685,981

Changes in unrestricted net assets	-	(18,891)	6,037	(13,600)	(35,206)	45,155	3,212	(348,453)
Other changes in unrestricted net assets:								
Transfer in		145			(23,012)	(53,299)	(3,608)	179,411
Transfer out	(36)							(179,411)
Increase (decrease) in unrestricted net assets	(36)	(18,746)	6,037	(13,600)	(58,217)	(8,144)	(396)	(348,453)
Changes in temporarily restricted net assets								
Support								
Grants								
Federal								4,520,968
State								4,410
Net assets released from restrictions:								
Satisfaction of program restrictions								(4,534,571)
Increase (decrease) in temporarily restricted net assets	-	-	-	-	-	-	-	(9,193)
Increase (decrease) in net assets	(36)	(18,746)	6,037	(13,600)	(58,217)	(8,144)	(396)	(357,646)
Net assets at March 31, 2004	36	9,655	980	15,810	58,217	8,144		1,323,201
Net assets at March 31, 2005	\$ -	\$ (9,691)	\$ 7,017	\$ 2,210	\$ -	\$ -	\$ (396)	\$ 965,555

ST. MARY COMMUNITY ACTION COMMITTEE ASSOCIATION, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2005

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR NAME/ PROGRAM TITLE	FEDERAL CFDA NUMBER	REVENUE RECOGNIZED	EXPENSES INCURRED
<u>U.S. Department of Agriculture</u>			
Passed through Louisiana Department of Education			
Child and Adult Care Food Program	10.558	\$399,491	\$399,491
Summer Food Service Program for Children (Summer Feeding Program)	10.559	71,555	71,505
Rural Business Enterprise Grants	10.769	19,000	29,486 see Note 3
Passed through Second Harvester Food Bank			
Food Donation(Food Commodities)	10.550	39,564	39,564
Total U.S. Department of Agriculture		<u>529,610</u>	<u>540,046</u>
<u>U. S. Department of Housing and Urban Development</u>			
Passed through Louisiana Department of Social Services Office of Community Services			
Passed through the St. Mary Parish Council			
Emergency Shelter Grants Program	14.231	10,914	10,272
Supportive Housing Program	14.235	170,413	170,413
Total U. S. Department of Housing and Urban Development		<u>181,327</u>	<u>180,685</u>
<u>U.S. Department of Energy</u>			
Passed through Louisiana Department of Social Services Office of Community Services			
Weatherization Assistance for Low-Income Persons	81.042	112,753	105,308
Total U.S. Department of Energy		<u>112,753</u>	<u>105,308</u>
<u>U.S. Department of Transportation</u>			
Passed through Louisiana Department of Transportation and Development			
Job Access Reverse Commute	20.516	20,946	20,946
Total U.S. Department of Transportation		<u>20,946</u>	<u>20,946</u>

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR NAME/ PROGRAM TITLE	FEDERAL CFDA NUMBER	REVENUE RECOGNIZED	EXPENSES INCURRED
<u>Federal Emergency Management Agency</u> Emergency Food and Shelter National Board Program	83.523	\$9,063	\$9,063
Total Federal Emergency Management Agency		<u>9,063</u>	<u>9,063</u>
<u>U.S. Department of Health and Human Services</u> Administration for Children and Families Head Start	93.600	4,011,357	4,008,431 see Note 2
Passed through Louisiana Department of Social Services Office of Community Services Low income Home Energy Assistance	93.568	31,687	31,687
Passed through Louisiana Department of Social Services Office of Family Support Temporary Assistance for Needy Families	93.558	374,126	321,602
Passed through Louisiana Department of Labor Community Services Block Grant	93.569	304,167	304,167
Passed through Louisiana Department of Health and Hospitals Office for Addictive Disorders Consolidated Knowledge Development and Application Program	93.230	117,265	96,813
Total U.S. Department of Health and Human Services		<u>4,838,602</u>	<u>4,762,700</u>
<u>U.S. Department of Labor</u> Passed through Evangeline Economic and Planning District Passed through the St. Landry Parish Police Jury Passed through the Workforce Investment Act Board Workforce Investment Act	17.259	14,471	14,471
Total U.S. Department of Labor		<u>14,471</u>	<u>14,471</u>
Total Federal Financial Assistance		<u>\$5,706,772</u>	<u>\$5,633,219</u>

The accompanying notes are an integral part of this schedule.

ST. MARY COMMUNITY ACTION COMMITTEE ASSOCIATION, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended March 31, 2005

NOTE 1 - REPORTING METHOD

Except for Head Start, Welfare-to-Work, and Revolving Loan expenses, all revenues and expenses on this schedule are reported on the basis of generally accepted accounting principles.

NOTE 2 - HEAD START

Reconciliation of revenues received and expenses incurred on the financial statements to expenses incurred on the Schedule of Expenditures of Federal Awards is as follows:

Total revenues per financial statement	\$3,991,743
Add: unobligated balance from program year 02	<u>19,614</u>
Total revenues per Schedule of Expenditures of Federal Awards	<u>\$4,011,357</u>
Total unrestricted expenses per financial statement	\$4,398,048
Add: Fixed asset additions	58,727
Less: Depreciation expense	(166,341)
Contributions	(263,003)
Employee medical benefit liability (self-insured)	<u>(19,000)</u>
Total expenses incurred per Schedule of Expenditures Of Federal Awards	<u>\$4,008,431</u>

NOTE 3 - REVOLVING LOAN FUND EXPENSES

When loans are made to borrowers, the amount of the loan is not expensed for financial statement reporting, rather it is recorded as notes receivable. Reconciliation of the expenses incurred on the financial statements to expenses incurred on the Schedule of Expenditures of Federal Awards is as follows:

Total expenses per financial statement	\$10,486
Add: Loan disbursements	<u>19,000</u>
Total expenses incurred per Schedule of Expenditures of Federal Awards	<u>\$29,486</u>

NOTE 4 - WELFARE TO WORK EXPENSES

The welfare to work program received no funding during the year; however, the program continues to own vehicles, which the grantor has allowed St. Mary Community Action Agency to transport participants to and from work.

Reconciliation of the expenses incurred on the financial statements to expenses incurred on the Schedule of Expenditures of Federal Awards is as follows:

Total expenses per financial statement	\$39,582
Less: Depreciation	(<u>39,582</u>)
Total expenses incurred per Schedule of Expenditures of Federal Awards	\$ <u> </u>

INTERNAL ACCOUNTING CONTROL AND COMPLIANCE



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

Board of Directors
St. Mary Community Action Committee Association, Inc.
Franklin, Louisiana

We have audited the financial statements of the St. Mary Community Action Committee Association, Inc. (a nonprofit organization) as of and for the year ended March 31, 2005, and have issued our report thereon dated September 27, 2005. 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.

Internal Control Over Financial Reporting

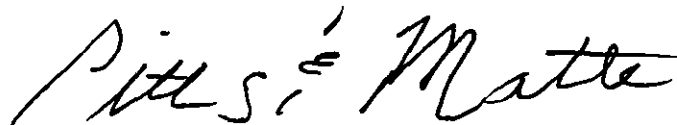
In planning and performing our audit, we considered the St. Mary Community Action Committee Association, Inc.'s internal control over financial reporting in order to *determine our auditing procedures for the purpose of expressing our opinion on the financial statements* and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect St. Mary Community Action Committee Association, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-1 and 2005-2.

A material weakness is a reportable 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 caused by error or fraud 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 consider items 2005-1 and 2005-2 to be material weaknesses.*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the St. Mary Community Action Committee Association, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information of management, awarding agencies, and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is considered a public record and may be distributed by the Legislative Auditor.



CERTIFIED PUBLIC ACCOUNTANTS

September 27, 2005



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
St. Mary Community Action Committee Association, Inc.
Franklin, Louisiana

Compliance

We have audited the compliance of the St. Mary Community Action Committee Association, Inc. (a nonprofit 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 each of its major federal programs for the year ended March 31, 2005. The St. Mary Community Action Committee Association, Inc.'s major federal programs are 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 each of its major federal programs is the responsibility of the St. Mary Community Action Committee Association Inc.'s management. Our responsibility is to express an opinion on the St. Mary Community Action Committee Association, Inc.'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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about St. Mary Community Action Committee Association, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the St. Mary Community Action Committee Association, Inc.'s compliance with those requirements.

In our opinion, St. Mary Community Action Committee Association, Inc., complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2005.

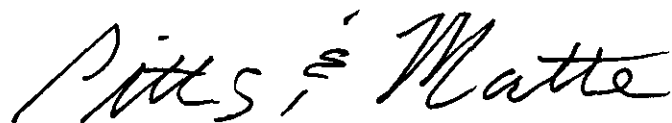
Internal Control Over Compliance

The management of St. Mary Community Action Committee Association, 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 St. Mary Community Action Committee Association, Inc.'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 the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect St. Mary Community Action Committee Association, Inc.'s ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-1 and 2005-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants, caused by error or fraud that would be material in relation to a major federal program 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 compliance 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 consider items 2005-1 and 2005-2 to be material weaknesses.

This report is intended for the information of management, awarding agencies, and the Legislative Auditor of the State of Louisiana, and it not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is considered a public record and may be distributed by the Legislative Auditor.



CERTIFIED PUBLIC ACCOUNTANTS

September 27, 2005

ST. MARY COMMUNITY ACTION COMMITTEE ASSOCIATION, INC.
SCHEDULE OF FINDINGS, AND QUESTIONED COSTS
For the Year Ended March 31, 2005

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the St. Mary Community Action Committee Association, Inc.
2. Two reportable conditions were disclosed during the audit of the financial statements. Both are reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of the St. Mary Community Action Committee Association, Inc. were disclosed during the audit.
4. Two reportable conditions, both of which are material weaknesses, were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the St. Mary Community Action Committee Association, Inc. expresses an unqualified opinion on all major federal programs.
6. Two audit findings relative to major federal award programs for the St. Mary Community Action Committee Association, Inc., are reported in Part C of this Schedule.
7. The four programs tested as major programs are:
 - A. Head Start (CFDA No. 93.600)
 - B. Child and Adult Care Food Program (CFDA No. 10.558)
 - C. Temporary Assistance for Needy Families (CFDA No. 93.558)
 - D. Community Services Block Grant (CFDA No. 93.569)
8. The threshold for distinguishing types A and B programs was \$300,000.
9. St. Mary Community Action Committee Association, Inc. was not determined to be a low risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT AND
C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM
AUDIT

Type of Finding: Material Weakness Related to Financial Reporting Overall and
Material Weakness Related to Internal Control Over Compliance

U.S. Department of Health and Human Services
Head Start
CFDA No. 93.600

Questioned
Costs

ITEM NO. 2005-1 CASH DISBURSEMENT ACCOUNT DISTRIBUTIONS

Auditors' Comments:

Condition: During the audit, we reviewed forty cash disbursements. While all were charged to the proper grant, we noted that eight of the disbursements were not properly recorded in the correct expenditure account in the general ledger.

No
Monetary
Effect

Criteria: All cash disbursements should be recorded in the proper account in the general ledger.

Effect: Disbursements that are not recorded in the proper general ledger account could cause the financial statements to be misleading. This could also cause grant reporting to be incorrect and misstatements in budgeting for future grant periods.

Cause: During the year, the finance department changed the way in which cash disbursements are recorded in the general ledger. This change resulted in items being charged to the wrong accounts in the general ledger.

Recommendation: All disbursements should be coded to the proper expenditure account in the general ledger. Subsequent to year-end, the finance director changed the system whereby computer generated reports which summarize the disbursement activity for each run are used to record the information in the general ledger. In addition, the finance director recalculated the disbursement runs for the year under audit and a reclassification entry was made to correct account codings for the year.

Management's Comments: We have changed the system whereby computer generated reports which summarizes the disbursement activity for each run are used to record the information in the general ledger.

Type of Finding: Material Weakness Related to Financial Reporting Overall and
Material Weakness Related to Internal Control Over Compliance

U.S. Department of Health and Human Services
Head Start
CFDA No. 93.600

Temporary Assistance For Needy Families
CFDA No. 93.558

Community Services Block Grant
CFDA No. 93.569

U.S. Department of Agriculture
Child and Adult Care Food Program
CFDA No. 10.558

Questioned
Costs

ITEM NO. 2005-2 TRANSFERS IN AND TRANSFERS OUT

Auditor's Comments:

Condition: During the year under audit, we noted that in addition to regular transfer in and transfer out transactions, The transfer in and transfer out accounts in each fund are Being used to record due to and due from amounts between funds throughout the year.

No
Monetary
Effect

Criteria: Only valid transfers in and transfers out should be recorded as such. Other amounts expected to be paid back should be properly recorded as due to and due from amounts.

Effect: Erroneously recording due to and due from amounts through the transfers in and transfers out accounts causes the transfers in and out to be inflated and appear too high for the year. Most programs have restrictions on the funds granted and may not allow transfers between funds. Improperly using the transfers in and transfers out accounts makes it appear that funds are being transferred between funds, which could be disallowed by grantors.

Cause: Nearly all transactions involving funds being disbursed and received between funds are being recorded in the transfers in and transfers out accounts, even if the intent is that the money is to be paid back. Management should segregate these types of transactions into two distinct categories: money that is being sent to a fund with the intent that it is expected to be paid back and money that is being sent to a fund where the intent is to give the money and there is no expectation of the funds ever being repaid to the fund distributing the money.

Recommendation: Only amounts being transferred between funds where the intent is not to pay the money back should be recorded as transfers out in the fund sending the money and as transfers in in the fund receiving the money. All other amounts that are expected to be repaid should be properly recorded as due to and due from amounts. During the year under audit, management reviewed all of these transactions and amounts were properly reclassified as needed.

Management's Comments: We have implemented a system whereby only amounts being transferred between funds where the intent is not to pay the money back will be recorded as transfer out in the fund sending the money and as transfers in in the fund receiving the money. All other amounts that are expected to be repaid will be properly recorded as due to and due from amounts.

D.SUMMARY OF PRIOR YEAR FINDINGS AND RELATED CORRECTIVE ACTION
PREPARED BY ST. MARY COMMUNITY ACTION COMMITTEE ASSOCIATION,
INC.

ITEM NO. 2004 -1 TIMELINESS OF AUDIT

Our auditors reported that our annual audit for the year ended March 31, 2004 was not completed within the time limits specified under Louisiana Law.

Corrective Action: This would have been corrected had it not been for Hurricane Rita. We do not anticipate this to be a problem in the future.

ITEM NO. 2004-2 EXPENDITURES IN EXCESS OF AUTHORIZED GRANT AMOUNT

Our auditor's noted that actual expenditures in the Head Start program exceeded the authorized grant amount.

Corrective Action: This has been corrected.



ST. MARY COMMUNITY ACTION

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FAX 337 - 828-5754
FRANKLIN, LOUISIANA 70538

ALMETRA J. FRANKLIN
CHIEF EXECUTIVE OFFICER

September 27, 2005

Mr. Steve Theriot, CPA
Legislative Auditor, State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot,

We respectfully submit the following corrective action plan for the year ended March 31, 2005.

Responsible person: Eugene Foulcard, Finance Director

Time of Completion: March 31, 2006

B. Finding – Financial Statement Audit

Material Weakness

ITEM NO. 2005-1 CASH DISBURSEMENT ACCOUNT DISTRIBUTIONS

Corrective Action: We have changed the system whereby computer generated reports which summarizes the disbursement activity for each run are used to record the information in the general ledger.

ITEM NO. 2005-2 TRANSFER IN AND TRANSFER OUT

Corrective Action: We have implemented a system whereby only amounts being transferred between funds where the intent is not to pay the money back will be recorded as transfer out in the fund sending the money, and as transfers in-in the fund receiving the money. All other amounts that are expected to be repaid, will be properly recorded as due to and due from amounts.

Sincerely, *Eugene Foulcard*

St. Mary Community Action
Committee Association, Inc.

Eugene Foulcard, Director of Finance