ARC OF IBERIA

FINANCIAL REPORT

JUNE 30, 2000

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 11-22-00

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
ARC of Iberia
New Iberia, Louisiana

We have audited the accompanying statements of financial position of ARC of Iberia (a nonprofit organization) as of June 30, 2000 and 1999 and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and 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 audits provide 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 ARC of Iberia as of June 30, 2000 and 1999, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 15, 2000, on our consideration of ARC of Iberia's internal control over financial reporting and our tests 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 results of our audit.

Broussard, Poche', Lewis + Breaux, L.L.P.

New Iberia, Louisiana
September 15, 2000

ARC OF IBERIA

STATEMENTS OF FINANCIAL POSITION
June 30, 2000 and 1999

ASSETS	2000	1999
CURRENT ASSETS		
Cash	$ 710,822	$ 642,969
Investments	120,365	114,874
Receivables	21,481	28,688
Due from other agencies	307,160	264,338
Inventory	2,773	3,025
Prepaid expenses	12,592	10,196
Other current assets	4,542	8,532
Total current assets	$1,179,735	$1,072,622
FIXED ASSETS		
Property and equipment, net	$1,299,961	$1,124,029
RESTRICTED CASH		
Respite building fund	$ 7,890	$ 6,267
Total assets	$2,487,586	$2,202,918

See Notes to Financial Statements.

LIABILITIES AND NET ASSETS	2000	1999
CURRENT LIABILITIES		
PAYABLE FROM CURRENT ASSETS		
Accounts payable	$ 82,722	$ 62,668
Accrued liabilities	95,754	88,221
Accrued compensated absences	51,639	37,307
Deferred revenue	11,195	-
Current maturities of long-term debt	57,403	6,186
Current portion of capital lease obligations	3,402	5,539
	$ 302,115	$ 199,921
CURRENT LIABILITIES		
PAYABLE FROM RESTRICTED ASSETS		
Current portion of long-term debt	4,372	1,571
Total current liabilities	$ 306,487	$ 201,492
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	$ 306,687	$ 262,062
Capital lease obligations, less current portion	-	3,402
Total long-term liabilities	$ 306,687	$ 265,464
Total liabilities	$ 613,174	$ 466,956
NET ASSETS		
Unrestricted	$1,775,171	$1,617,678
Temporarily restricted	99,241	118,284
Total net assets	$1,874,412	$1,735,962
Total liabilities and net assets	$2,487,586	$2,202,918

ARC OF IBERIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2000

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Contributions	$ 29,842	$ 45,868	$ 75,710
Grant revenue	137,594	-	137,594
Program revenue	3,650,177	-	3,650,177
Interest revenue	12,810	-	12,810
Membership revenue	2,225	-	2,225
Miscellaneous revenue	29,459	-	29,459
Gain on sale of fixed assets	300	-	300
Net assets released from restrictions:			
Satisfaction of program restrictions	39,580	(39,580)	-
Expiration of time restrictions	25,331	(25,331)	-
Total revenues and other support	$ 3,927,318	$ (19,043)	$ 3,908,275
EXPENSES			
Program expenses:			
ARC Unlimited	$ 1,263,830	$ -	$ 1,263,830
Outreach Services	146	-	146
Independent Living	725,411	-	725,411
Residential Services	654,731	-	654,731
Respite Services	716,130	-	716,130
Bright Beginnings	89,629	-	89,629
General and administrative expenses	319,948	-	319,948
Total expenses	$ 3,769,825	$ -0-	$ 3,769,825
Changes in net assets	$ 157,493	$ (19,043)	$ 138,450
Net assets, beginning of year	1,617,678	118,284	1,735,962
Net assets, end of year	$ 1,775,171	$ 99,241	$ 1,874,412

See Notes to Financial Statements.

ARC OF IBERIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 1999

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Contributions	$ 27,867	$ 112,457	$ 140,324
Grant revenue	4,996	-	4,996
Program revenue	3,532,860	-	3,532,860
Interest revenue	10,768	-	10,768
Membership revenue	1,995	-	1,995
Miscellaneous revenue	23,126	-	23,126
Net assets released from restrictions:			
Satisfaction of program restrictions	23,531	(23,531)	-
Expiration of time restrictions	20,445	(20,445)	-
Total revenues and other support	$ 3,645,588	$ 68,481	$ 3,714,069
EXPENSES			
Program expenses:			
ARC Unlimited	$ 1,160,098	$ -	$ 1,160,098
Outreach Services	11,788	-	11,788
Independent Living	554,319	-	554,319
Residential Services	687,264	-	687,264
Respite Services	756,319	-	756,319
Bright Beginnings	13,117	-	13,117
General and administrative expenses	285,858	-	285,858
Total expenses	$ 3,468,763	$ -0-	$ 3,468,763
Changes in net assets	$ 176,825	$ 68,481	$ 245,306
Net assets, beginning of year	1,440,853	49,803	1,490,656
Net assets, end of year	$ 1,617,678	$ 118,284	$ 1,735,962

See Notes to Financial Statements.

ARC OF IBERIA

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2000 and 1999

	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 138,450	$ 245,306
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	116,834	137,632
Gain on sale of fixed assets	(300)	-
Donated fixed assets	(18,857)	(53,109)
(Increase) decrease in receivables	7,207	2,176
(Increase) decrease in due from other agencies	(42,822)	35,905
Increase in inventories and prepaids	(2,144)	(5,545)
(Increase) decrease in other current assets	3,990	14,266
Increase (decrease) in accounts payable	20,054	(13,779)
Increase in accrued liabilities	7,533	1,790
Increase in accrued compensated absences	14,332	37,307
Increase in deferred revenue	11,195	-
Net cash provided by operating activities	$ 255,472	$ 401,949
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	$ (274,123)	$ (38,047)
Proceeds from sales of fixed assets	514	-
Purchase of investments	(5,491)	(4,914)
Net cash used in investing activities	$ (279,100)	$ (42,961)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of debt	$ 165,194	$ -
Principal payments on long-term debt	(66,551)	(26,080)
Principal payments on lease obligations	(5,539)	(5,112)
Net cash provided by (used in) financing activities	$ 93,104	$ (31,192)
Net increase in cash	$ 69,476	$ 327,796
Cash, beginning of year	649,236	321,440
Cash, end of year	$ 718,712	$ 649,236
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS		
Donated fixed assets	$ 18,857	$ 53,109

See Notes to Financial Statements.

ARC OF IBERIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization:

ARC of Iberia (the "Association") is a Louisiana nonprofit corporation chartered in August 1954. Its purpose is to promote the general welfare of mentally retarded, physically handicapped and incapacitated citizens in Iberia Parish and to aid their parents and families. The following is a description of the various programs.

Operating Fund

The operating fund is used to account for all general and administrative expenses of the Association.

ARC Unlimited

ARC Unlimited is a day program for citizens of the community with mental retardation.

Residential Services

Residential Services provides three homes for adults with mental retardation.

Respite Services

Respite Services allows parents and guardians of those with mental retardation to leave them for short periods of time.

Outreach Services

Outreach Services is a program to provide prenatal education for young expecting mothers along with parenting skills with a long-term goal of child abuse prevention.

Independent Living

The Association supervises adults with mental retardation that live in their own home or apartment. These clients require considerably less care than clients living in the residential homes.

Bright Beginnings

The Association is providing day care services for children of the community.

The accompanying financial statements of the Association have been prepared on the accrual basis of accounting.

Significant accounting policies:

Support and expenses:

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities as net assets released from restrictions.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Investments:

Investments which consists of certificates of deposits, are presented in the financial statements at cost which approximates fair market value.

Inventory:

Inventory is stated at the lower of cost or market, with cost determined by the first-in first-out method.

Allowance for doubtful accounts:

The Association considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Restricted cash:

The Association is required to put at least 10% of the monthly payment to FHA under loan provisions for the building acquired for the Respite Services program. These reserved amounts are reflected as restricted cash on the statements of financial position.

Property and equipment:

Purchased property and equipment is recorded at cost at the date of acquisition. Contributed property and equipment is recorded at fair value at the date of donation. In the absence of donor stipulations regarding how long the contributed assets must be used, the Association has adopted a policy of implying a time restriction on contributions of such assets that expires over the assets' useful lives. As a result, all contributions of property and equipment, and of assets contributed to acquire property and equipment, are recorded as restricted support.

Depreciation is computed by the straight-line method at rates based on the following estimated useful lives:

	Years
Furniture and equipment	5 - 25
Building and improvements	10 - 30
Transportation equipment	3 - 5

Compensated absences:

Employees of the Association earn annual leave per month depending on years of service at a minimum of twelve days per fiscal year. Annual leave is cumulative from one year to the next, up to a maximum of 240 hours. Upon resignation or termination of employment for cause, an employee may be paid for the value of any accrued leave up to a maximum of 240 hours.

Donated services:

The Association receives donated services from unpaid volunteers who assist in program services during the year; however, these donated services are not reflected in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

Federal income taxes:

The Association qualifies for an exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Cash and cash equivalents:

For the purposes of the statement of cash flows, the Association considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Use of 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.

NOTES TO FINANCIAL STATEMENTS

Note 2. Due From Other Agencies

Due from other agencies at June 30, 2000 and 1999 consisted of:

	2000	1999
Due from O.C.D.D.	$ 37,665	$ 30,556
Due from Welfare to Work	38,698	-
Due from Louisiana Rehabilitation Services	13,920	14,565
Due from Medicaid	188,207	194,307
Due from other facilities	28,670	24,910
	$ 307,160	$ 264,338

Note 3. Property and Equipment

Property and equipment at June 30, 2000 consisted of:

	Historical Costs	Donated Value	Total
Land	$ 56,585	$ 91,750	$ 148,335
Buildings and improvements	1,282,141	25,000	1,307,141
Furniture and equipment	441,201	3,600	444,801
Vehicles	338,345	182,813	521,158
	$2,118,272	$ 303,163	$ 2,421,435
Less accumulated depreciation	(963,221)	(158,253)	(1,121,474)
	$1,155,051	$ 144,910	$ 1,299,961

Total depreciation expense for the year ended June 30, 2000 was $116,834 of which $24,727 was related to donated assets and $2,085 was related to capital lease assets.

For the year ended June 30, 2000, the Association has capital lease assets of $48,929, included in equipment and land, and related accumulated amortization of $11,807, which is included in accumulated depreciation.

NOTES TO FINANCIAL STATEMENTS

Property and equipment at June 30, 1999 consisted of:

	Historical Costs	Donated Value	Total
Land	$ 56,585	$ 91,750	$ 148,335
Buildings and improvements	1,110,719	25,000	1,135,719
Furniture and equipment	383,344	3,600	386,944
Vehicles	320,887	163,956	484,843
Livestock	850	-	850
	$1,872,385	$ 284,306	$ 2,156,691
Less accumulated depreciation	(899,136)	(133,526)	(1,032,662)
	$ 973,249	$ 150,780	$ 1,124,029

Total depreciation expense for the year ended June 30, 1999 was $137,632 of which $18,478 was related to donated assets and $2,085 was related to capital lease assets.

For the year ended June 30, 1999, the Association has capital lease assets of $48,929, included in equipment and land, and related accumulated amortization of $9,721, which is included in accumulated depreciation.

Note 4. Long-Term Debt

Long-term debt at June 30, 2000 and 1999 consisted of the following:

	2000	1999
ARC Unlimited:		
Mortgage note payable to bank, due in monthly installments of $830, bearing interest at 5.62%, secured by collateral mortgage on Walton Street, maturing April 15, 2001.	$ -	$ 58,382
Residential Services:		
Note payable to bank, due in monthly installments of $388, bearing interest at 9.95%, collateralized by a security interest in a 1995 Chevrolet van, maturing July 13, 1999.	-	375

(continued)

NOTES TO FINANCIAL STATEMENTS

Note 4. Long-Term Debt (Continued)

	2000	1999
Note payable to bank, due in monthly installments of $388, bearing interest at 9.95%, collateralized by a security interest in a 1995 Chevrolet van, maturing July 13, 1999.	$ -	$ 375
Note payable to bank, due in monthly installments of $410, bearing interest at 9.95%, collateralized by a security interest in a 1996 Chevrolet van, maturing July 13, 1999.	-	399
Note payable to bank, due in monthly installments of $543, bearing interest at 7.85%, collateralized by a security interest in a 2000 Ford van, maturing November 5, 2001.	8,686	-
Respite Services:		
Mortgage note payable to FHA, due in monthly installments of $1,028, bearing interest at 5.25%, secured by collateral mortgage on the Respite home, maturing April 11, 2025.	170,345	173,641
Mortgage note payable to FHA, due in monthly installments of $215, bearing interest at 5.125%, secured by collateral mortgage on the Respite home, maturing April 11, 2025.	36,262	36,647
Bright Beginnings:		
Mortgage note payable to bank, due in monthly installments of $920, bearing interest at 8.35%, secured by collateral mortgage on the Kramer home, maturing July 24, 2005	104,000	-
Line of credit with bank, bearing interest at 7.84%, maturing September 30, 2000.	49,169	-
	$ 368,462	$ 269,819
Less current maturities	(61,775)	(7,757)
Long-term debt, less current maturities	$ 306,687	$ 262,062

Aggregate maturities required on long-term debt, including interest of $262,247 are as follows at June 30, 2000:

2001	$ 80,722
2002	28,671
2003	25,956
2004	25,956
2005	25,956
2006-2010	129,780
2011-2015	129,780
2016-2020	114,933
2021-2025	68,955
	$ 630,709

Cash paid for interest during the years ended June 30, 2000 and 1999 was $17,627 and $13,912, respectively.

Note 5. Capital Lease Obligations

The Association has entered into a noncancellable lease agreement for the acquisition of property including building and improvements. The lease provides for monthly payments of $500 through January 2001. This lease has been capitalized in accordance with Financial Accounting Standards Statement No. 13. The following is a schedule by years of the future minimum lease payments under the capital lease together with the value of the net minimum lease payments as of June 30:

	2000	1999
2000	$ -	$ 6,082
2001	3,500	3,500
Total minimum lease payments	$ 3,500	$ 9,582
Less amount representing interest	(98)	(641)
Present value of net minimum lease payments	$ 3,402	$ 8,941
Less obligations under capital lease - current portion	(3,402)	(5,539)
Obligations under capital lease, long-term	$ -0-	$ 3,402

NOTES TO FINANCIAL STATEMENTS

Note 6. Detail of Program Revenue

Program revenue included the following for the years ended June 30, 2000 and 1999:

2000:	Total	Program: ARC Unlimited	Program: Bright Beginnings	Program: Independent Living	Program: Residential Services	Program: Respite Services
Medicaid	$2,496,448	$ 243,012	$ -	$ 725,806	$ 784,778	$ 742,852
Office of Citizens with Developmental Disabilities	410,500	295,198	-	49,844	-	65,458
Louisiana Rehab Services	118,922	118,922	-	-	-	-
Foster & Adoptive Family Resource	450	-	-	-	-	450
Sales	204,066	204,066	-	-	-	-
Client billings	175,490	8,856	11,195	43,876	88,857	22,706
Other residential facilities: Res-Care Health Services	244,301	244,301	-	-	-	-
	$3,650,177	$1,114,355	$ 11,195	$ 819,526	$ 873,635	$ 831,466

1999:	Total	Program: ARC Unlimited	Program: Outreach Services	Program: Independent Living	Program: Residential Services	Program: Respite Services
Medicaid	$2,230,195	$ 156,000	$ -	$ 533,729	$ 777,829	$ 762,637
Office of Citizens with Developmental Disabilities	444,097	319,864	-	49,298	-	74,935
Louisiana Rehab Services	227,366	227,366	-	-	-	-
Foster & Adoptive Family Resource	5,728	-	-	-	-	5,728
Children's Trust Fund	10,000	-	10,000	-	-	-
Sales	185,545	185,545	-	-	-	-
Client billings	192,841	7,800	-	44,543	92,190	48,308
Other residential facilities: Res-Care Health Services	237,088	237,088	-	-	-	-
	$3,532,860	$1,133,663	$ 10,000	$ 627,570	$ 870,019	$ 891,608

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following periods or purposes as of June 30, 2000 and 1999:

	2000	1999
ARC Unlimited program:		
Remaining estimated useful lives of contributed property and equipment	$ 59,194	$ 65,667
Unexpended food bank contributions	40,047	48,053
Unexpended Bright Beginnings contributions	-	4,564
	$ 99,241	$ 118,284

Note 8. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or the expiration of time for the year ended June 30:

	2000	1999
Purpose restrictions accomplished:		
ARC Unlimited program - Contributions	$ 33,626	$ 14,970
Respite Services program - Contributions	390	440
Bright Beginnings program - Contributions	5,564	13,117
	$ 39,580	$ 28,527
Time restriction expired:		
ARC Unlimited program - Expired portion of estimated useful lives of contributed property and equipment	25,331	20,445
Total restrictions released	$ 64,911	$ 48,972

NOTES TO FINANCIAL STATEMENTS

Note 9. Natural Classification of Expenses

Expenses were incurred for the following for the years ended June 30, 2000 and 1999:

2000:	Total	Programs: ARC Unlimited	Programs: Outreach Services	Programs: Independent Living	Programs: Residential Services	Programs: Respite Services	Programs: Bright Beginnings	Support: Management and General
Cost of sales	$ 114,836	$ 114,836	$ -	$ -	$ -	$ -	$ -	$ -
Salaries, wages, benefits and payroll taxes	2,608,538	709,552	39	659,722	350,687	623,422	41,454	223,662
Office and occupancy	458,774	173,458	10	37,666	126,605	44,825	13,736	62,474
Supplies and travel	166,715	62,039	-	4,750	72,657	10,016	14,554	2,699
Services and professional fees	111,793	25,248	97	6,380	51,963	8,624	4,923	14,558
Depreciation	116,834	68,019	-	854	19,500	12,670	5,289	10,502
Repairs and maintenance	174,708	108,790	-	16,039	32,857	5,337	5,755	5,930
Interest	17,627	1,888	-	-	462	11,236	3,918	123
	$3,769,825	$1,263,830	$ 146	$725,411	$654,731	$716,130	$ 89,629	$319,948

1999:	Total	Programs: ARC Unlimited	Programs: Outreach Services	Programs: Independent Living	Programs: Residential Services	Programs: Respite Services	Programs: Bright Beginnings	Support: Management and General
Cost of sales	$ 108,118	$ 108,118	$ -	$ -	$ -	$ -	$ -	$ -
Salaries, wages, benefits and payroll taxes	2,390,079	661,207	7,612	500,167	371,040	650,903	3,228	195,922
Office and occupancy	432,060	164,910	620	29,619	129,259	49,985	3,173	54,494
Supplies and travel	137,666	37,011	2,337	6,150	74,261	12,487	2,263	3,157
Services and professional fees	111,424	25,577	1,020	4,416	46,282	16,268	1,750	16,111
Depreciation	137,632	70,886	-	612	40,581	12,183	2,703	10,667
Repairs and maintenance	137,546	87,879	199	13,355	25,012	5,594	-	5,507
Interest	14,238	4,510	-	-	829	8,899	-	-
	$3,468,763	$1,160,098	$ 11,788	$554,319	$687,264	$756,319	$ 13,117	$285,858

NOTES TO FINANCIAL STATEMENTS

Note 10. Fiduciary Funds

Residential Services acts as a fiduciary agent for its residents. Additionally, there is one client of the Independent Living program for which the Association acts as a fiduciary agent. Checking accounts are maintained for each resident in the homes. Deposits include the resident's social security benefits, their payroll checks if employed and miscellaneous gifts from family members. Disbursements consist of day-to-day living expenses and are based on the individual resident's needs. The balance in these checking accounts at June 30, 2000 and 1999 was $20,944 and $27,222, respectively. These funds are not included in the balance sheet of the ARC of Iberia.

Note 11. Concentration of Credit Risk

The Association maintains cash balances in excess of $100,000 in banks, which are insured by the Federal Deposit Insurance Corporation up to $100,000 for cash balances and $100,000 for time deposits. At June 30, 2000, the Association's uninsured cash balances totaled $334,627.

The Association also receives a considerable amount of its total support and revenues from Medicaid for payments of medical services provided to clients. During the years ended June 30, 2000 and 1999, the Association received $2,496,448 and $2,230,195, respectively, from Medicaid, which was 64% and 60%, respectively, of total revenues.

Note 12. Retirement Plan

During 1998, the Association established a 401(k) retirement plan for all eligible employees. All full-time employees are eligible after one year of service. Eligible employees may elect to contribute up to 20% of their gross salary. The Association has chosen to make contributions to the Plan in an amount equal to 100% of the first 2% deferred by the employee. The amount contributed to the Plan for the years ended June 30, 2000 and 1999 was $10,040 and $10,017, respectively.

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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
ARC of Iberia
New Iberia, Louisiana

We have audited the financial statements of ARC of Iberia (a nonprofit organization) as of and for the year ended June 30, 2000, and have issued our report thereon dated September 15, 2000. 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.

Compliance

As part of obtaining reasonable assurance about whether ARC of Iberia's financial statements are free of material misstatement, we performed test 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 ARC of Iberia'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 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 operations that we consider to be material weaknesses.

This report is intended solely for the information of management, others within the organization, 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.

Broussard, Poché, Lewis + Breaux, L.L.P.

New Iberia, Louisiana
September 15, 2000

ARC OF IBERIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2000

We have audited the financial statements of ARC of Iberia as of and for the year ended June 30, 2000, and have issued our report thereon dated September 15, 2000. 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. Our audit of the financial statements as of June 30, 2000 resulted in an unqualified opinion.

Section I - Summary of Auditors' Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control
Material Weaknesses ___ Yes _X_ No
Reportable Conditions ___ Yes _X_ None reported

Compliance
Compliance Material to Financial Statements ___ Yes _X_ No

Section II - Financial Statement Findings

No matters were reported.

ARC OF IBERIA

SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2000

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

1999 Finding No. 99-1 Cash Disbursements

Recommendation: The procedures in place over cash disbursements need to be adhered to at all times to ensure adequate controls over the cash disbursement process.

Current Status: The procedures in place are being adhered to.

Section II. Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III. Management Letter

The prior year's report did not include a management letter.