5260

RECEIVED
LEGISLATIVE AUDITOR
2000 DEC 29 PM 2:27

START CORPORATION AND SUBSIDIARY

Consolidated Financial Reports

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 2-7-01

Bergeron & Lanaux

— Certified Public Accountants —
Houma, Louisiana

A Professional Corporation

START CORPORATION AND SUBSIDIARY

Consolidated Financial Reports

June 30, 2000

TABLE OF CONTENTS

5779 Hwy 311
P. O. Box 3695
Houma, Louisiana 70361-3695
Telephone (504) 851-0883
Fax (504) 851-3014

Bergeron & Lanaux

— Certified Public Accountants —
A Professional Corporation

Claude E. Bergeron, CPA
Thomas J. Lanaux, CPA
Michael D. Bergeron, CPA
Mark S. Felger, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
START Corporation and Subsidiary
Houma, Louisiana

We have audited the accompanying consolidated statements of financial position of START Corporation and Subsidiary (non-profit organizations) 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 Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of START Corporation and Subsidiary as of June 30, 2000 and 1999, and the results of their operations 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 October 31, 2000 on our consideration of START Corporation and Subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of START Corporation and Subsidiary taken as a whole. The accompanying supplementary consolidated statement of unrestricted functional revenues and expenses presented in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Also, the accompanying schedule of expenditures of federal awards for the year ended June 30, 2000 is 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 is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Bergeron & Lanaux

October 31, 2000

START CORPORATION AND SUBSIDIARY

Consolidated Statements of Financial Position

June 30, 2000 and 1999

ASSETS	2000	1999
Current assets:		
Cash and cash equivalents	$ 8,530	$ 16,818
Grant and contract receivables	51,753	34,793
Other prepaid expenses and deposits	655	15,244
Total current assets	60,938	66,855
Land, buildings, and equipment at cost:		
Land	254,611	24,611
Buildings and renovations	140,693	91,872
Leasehold improvements	21,970	21,970
Furniture, fixtures & equipment	74,391	72,628
Vehicles	43,128	33,088
Construction in progress	16,989	-
Total depreciable assets	551,782	244,169
Less accumulated depreciation	(126,147)	(117,086)
Net land, buildings, and equipment	425,635	127,083
Total assets	$ 486,573	$ 193,938
LIABILITIES AND FUND BALANCES		
Current liabilities:		
Current portion of long-term debt	$ 2,328	$ 107,022
Notes payable	84,317	-
Payroll taxes payable	7,056	2,789
Total current liabilities	93,701	109,811
Long-term debt:		
Long-term debt, less current portion	278,486	-
Total long-term debt	278,486	-
Total liabilities	372,187	109,811
Net assets:		
Unrestricted net assets	81,041	74,227
Temporarily restricted net assets	33,345	9,900
Total net assets	114,386	84,127
Total liabilities and net assets	$ 486,573	$ 193,938

See notes to financial statements.

START CORPORATION AND SUBSIDIARY

Consolidated Statements of Activities

Years Ended June 30, 2000 and 1999

	2000	1999
Changes in unrestricted net assets:		
Revenues and gains:		
Fees, grants, and contracts from governmental agencies	$ 408,960	$ 334,548
Contributions	2,650	5,858
Total public support	411,610	340,406
Other revenues:		
Program service fees	11,945	47,774
Fees and sales to public	59,774	8,061
Miscellaneous	445	484
Total other revenues	72,164	56,319
Total unrestricted revenues and gains	483,774	396,725
Expenses:		
Program Services:		
McKinny Funds	93,466	31,332
Psychosocial Recovery Skills	95,095	125,001
Opportunity Center	15,162	-
Vocational Services	-	27,085
Housing Development	39,896	6,147
Beautiful Beginnings	32,630	-
Transitional Living Center	148,902	109,581
Total program services	425,151	299,146
Supporting Services:		
Management and general	51,809	94,113
Fundraising	-	-
Total supporting services	51,809	94,113
Total Expenses	476,960	393,259
Increase in unrestricted net assets	6,814	3,466
Changes in temporarily restricted net assets:		
Contributions	4,350	4,400
Community Development Block Grant	19,095	-
Increase in temporarily restricted net assets	23,445	4,400
Increase in net assets	30,259	7,866
Net assets at beginning of year	84,127	76,261
Net assets at end of year	$ 114,386	$ 84,127

See notes to financial statements.

START CORPORATION AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years Ended June 30, 2000 and 1999

	2000	1999
Cash flows from operating activities:		
Change in net assets	$ 30,259	$ 7,866
Noncash adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	16,611	9,982
Gain on sale of asset	-	(632)
Changes in:		
Grants & contracts receivable	(16,960)	(6,539)
Prepaid expenses	14,589	3,053
Payroll taxes payable	4,267	2,785
Net cash provided by (used in) operating activities	48,766	16,515
Cash flows from investing activities:		
Purchase of vehicles, building, and land	(304,048)	(19,778)
Construction in progress	(16,989)	820
Net cash provided by (used in) investing activities	(321,037)	(18,958)
Cash flows from financing activities:		
Gross borrowings	356,072	76,855
Payments on notes payable	(92,089)	(71,245)
Net cash provided by (used in) financing activities	263,983	5,610
Net increase (decrease) in cash and cash equivalents	(8,288)	3,167
Cash and cash equivalents at beginning of year	16,818	13,651
Cash and cash equivalents at end of year	$ 8,530	$ 16,818
Supplemental data:		
Interest paid	$ 7,499	$ 7,707
Non cash investing and financing transaction:		
Acquisition of equipment		
Cost of equipment	$ 5,874	$ -
Equipment loan	$ (5,874)	$ -

See notes to financial statements.

1) Organization

START Corporation and Subsidiary (START) operate as a voluntary non-profit organization which provides rehabilitation services, training, placement, and employment for mentally and physically handicapped individuals in Terrebonne, Lafourche, St. John, St. James and St. Charles Parishes.

2) Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies:

a) Principles of Consolidation. The consolidated financial statements of START Corporation include the accounts of START and its wholly-owned subsidiary, Housing Assistance for Defined Disabilities, Inc. (HADD). All significant intercompany transactions have been eliminated in consolidation.

b) Basis of Accounting & Presentation. Funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

START reports three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The financial statements do not include any permanently restricted net assets.

c) Property and Equipment. Property and equipment are recorded at historical cost or, if donated, at the fair market value on the date donated and are depreciated on straight-line and accelerated methods over their estimated useful lives as follows:

Buildings and renovations	39 years
Leasehold improvements	8 years
Vehicles	3-5 years
Furniture, fixtures and equipment	5-7 years

Expenditures for renewals and betterments are capitalized and expenditures for ordinary maintenance and repairs are expensed as incurred. The cost and accumulated depreciation applicable to assets retired or sold, if any, are removed from the respective accounts and gains or losses thereon are included in operations. Depreciation expense for the year ended June 30, 2000 and 1999 totaled $16,611 and $9,982, respectively.

d) Functional Expenses. START allocates its expenses on a functional basis among its various programs and support services. 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 management. Principal programs are as follows:

i) McKinny Funds – Program designed to provide the avenues needed by homeless individuals and families to move out of homelessness and into self-sufficiency and stable, permanent housing. This program is a collaboration of four community-based social service organizations, including START Corporation. START's role in the program is arranging transitional housing.

ii) Psychosocial Recovery Skills – A training program designed to teach a variety of psychosocial recovery skills in the field and community. These skills are essential to the seriously mentally ill adult for a successful recovery process and enhance the individual's ability to negotiate the environment as independently as possible.

iii) Opportunity Center – Program provides opportunities for consumers with serious mental illness to socially interact and recreate with consumers in a safe and relaxed environment. The facility is to serve as a meeting place for consumers groups to meet and become involved politically and socially in their community. The program's intent is to reduce isolation and stigma and provide an opportunity for social empowerment among consumers.

iv) Housing Development – Program is designed to assist in the recovery of individuals with serious mental illness by providing the necessary technical and practical support in locating and providing safe, secure and affordable housing.

v) Beautiful Beginnings – Program provides for the staffing and management of the daily operations of a shelter operated by Terrebonne Parish Consolidated Government

vi) Transitional Living Center – Program provides emergency respite and system respite through residential and telephone crisis services to consumers with serious mental illness. Protecting the health, safety and welfare of consumers with serious mental illness is a primary concern of the program.

e) Advertising Costs. Advertising costs are charged to operations when incurred, except for direct-response advertising. The costs of direct-response advertising are capitalized and amortized over the period which future benefits are expected to be received. There were no direct-response advertising costs incurred during the year. Advertising costs incurred and charged to operations was $374 for the year ended June 30, 1999. There were no advertising costs incurred and charged for the year ended June 30, 2000.

f) Accumulated Vacation and Sick Leave. Vacation and sick leave do not vest to the employee and, accordingly, have not been accrued. Employees accumulate 1 day of vacation per month to a maximum of 12 days. Employees accumulate 1 day of sick leave per month to a maximum of 60 days. Unused sick leave carries over into the next year. Upon termination, any unused vacation or sick leave is forfeited.

g) Income Taxes. START is a non-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986. Accordingly, no provisions for income taxes have been made in the financial statements.

h) Cash and Cash Equivalents. For purposes of the statement of cash flows, START considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

i) 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.

START CORPORATION AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

3) Notes Payable

Short-term debt at June 30, follows:

	2000	1999
11.75% insurance notes payable in monthly installments of principal and interest of $1,745, maturing March, 2000.	$ -	$ 12,813
8.50% note payable to Hibernia National Bank. The note is payable on demand, and if no demand is made, in monthly installments of $913, including interest with an approximate remaining principle balance of $64,000 due March 26, 2004 collateralized by building and land.	80,317	84,260
8.9% note payable to Hibernia National Bank. The note is payable on demand, and if no demand is made, in monthly installments of $608, including interest due March 2, 2000, collateralized by a vehicle.	-	4,704
8.25% note payable to Hibernia National Bank. The note is payable on demand, and if no demand is made, in monthly installments of $457, including interest due June 10, 2000, collateralized by a vehicle.	-	5,245
11% line of credit payable to Hibernia National Bank (10.75% for 1999). START maintains a $35,000 line of credit which is renewed annually.	4,000	-
Total short-term debt	$ 84,317	$ 107,022

3) Notes Payable, continued

Long-term debt at June 30, follows:

	2000	1999
1% note payable to Terrebonne Parish Consolidated Government. The note is payable in monthly installments of $235, including interest due April 1, 2020 collateralized by an additional promissory note and land.	$ 50,814	$ -
0% note payable to Terrebonne Parish Consolidated Government through December 31, 2004, then 1% thereafter. The note is payable in monthly installments of $1,377. The first payment is due February 1, 2005 and continuing until January 1, 2020. Interest will begin begin accruing monthly starting on January 1, 2005.	230,000	-
Total long-term debt	280,814	-
Less current portion	(2,328)	-
	$ 278,486	$ -

Future maturities of long-term debt follow:

2001	$ 2,328
2002	2,352
2003	2,375
2004	2,399
2005	8,357
Thereafter	263,003
	$ 280,814

Total interest incurred on both short-term and long-term debt was $7,499 and $7,707 which was charged to interest expense for the year ended June 30, 2000 and 1999, respectively.

4) Temporarily Restricted Net Assets

START received temporarily restricted contributions to provide facilities for safe and affordable housing for persons with mental illness.

5) Funding

START receives its principal funding through grants and contracts from the following governmental agencies:

	2000	1999
United States Department of Housing and Urban Development:		
McKinny Funds	$ 74,706	$ 30,697
United States Department of Health and Human Services:		
Block Grant for Community Mental Health Services	12,720	-
State of Louisiana Department of Health and Hospitals:		
Psychosocial Recovery Skills	118,963	109,810
Transitional Living Center	158,571	153,524
State of Louisiana Division of Rehabilitation Services:		
Vocational Services	-	40,517
Terrebonne Parish Consolidated Government		
Emergency Shelter Grants Program	44,000	-
	$ 408,960	$ 334,548

6) Operating Leases

START entered into a two year lease agreement with South Louisiana Electric Cooperative Association beginning August 1, 1999 and ending July 31, 2001. This lease is a renewal of its lease on its main office facility located at 420 Magnolia Street, Houma, Louisiana.

START entered into three different one-year residential lease agreements covering the rental of twelve apartments. Monthly rentals range between $300 to $350 per apartment. The leases expire at different dates between April 30, 2001 through August 31, 2001. The apartments are used to provide temporary housing for individuals qualifying for its McKinny Funds and Psychosocial Skills Programs. START anticipates renewing these leases in the normal course of business providing funding for these programs remains in place.

Minimum future rental payments under the non-cancelable operating leases as of June 30, 2000 follow:

Year ending June 30,		
2001	$	45,100
2002		5,520
	$	50,620

Following is a summary of rental expense under all operating leasing:

		2000	1999
Mimimum rentals	$	36,900	$ 33,600
Less sublease rentals		-	(3,600)
Total rent expense	$	36,900	$ 30,000

7) Management, Bookkeeping Revenues and Related Party

START entered into a management and bookkeeping agreement with Taddy Village, Inc., a not-for-profit corporation providing housing to seriously ill individuals in Houma, Louisiana, beginning July 16, 1997. START provides management and bookkeeping services for $400 ($300 for 1999) plus 5% of Taddy Village, Inc.'s total lease revenue per month. The agreement was amended August 1, 1999 to provide an on-site manager for $1,300 per month. The agreement may be terminated by either party at any time with a thirty day notice. Revenues earned under this agreement amounted to $23,436 and $7,248 for the years ended June 30, 2000 and 1999, respectively.

Certain board members of START are also board members of Taddy Village, Inc.

8) Deferred Compensation Plans

Employees of START have the option to participate in a deferred compensation program as defined by Internal Revenue Code Section 403 (b) (tax sheltered annuities). START has the responsibility for withholding and remitting contributions from participants to the plan. An insurance company serves as administrator and has the responsibility for maintaining a deferred account with respect to each participant, investing the participant's account in accordance with the participant's investment specifications and reporting annually to the participant and the Company on the status of the plan.

9) <u>Commitments, Contingencies and Economic Dependency</u>

START receives a substantial portion of its revenues from state grants and contracts which are subject to audit by state government. The ultimate determination of amounts received under these programs generally is based on units of service provided or allowable costs reported to and audited by the applicable state agency. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable cost and service reimbursement. Management is of the opinion that no material liability will result from such audits.

START receives a significant portion of its revenues from state contracts. If these funding sources are significantly reduced, START will not be able to continue operations as it is presently structured.

SUPPLEMENTARY INFORMATION SECTION

START CORPORATION
Consolidated Statement of Functional Revenues and Expenses - Unrestricted Net Assets
Year Ended June 30, 2000 and 1999

Schedule 1

	Program Services							Supporting Services		2000	1999
	McKinny Funds	Psychosocial Recovery Skills	Opportunity Center	Housing Development	Beautifull Beginnings	Transitional Living Center	Total Program Services	Management and General	Fundraising	Total All Services	Total All Services
Revenues:											
Public support:											
Fees, grants and contracts from governmental agencies	$ 74,706	$ 118,963	$ 12,720	$ -	$ 44,000	$ 158,571	$ 408,960	$ -	$ -	$ 408,960	$ 334,548
Contributions	-	-	-	-	-	-	-	2,650	-	2,650	5,858
	74,706	118,963	12,720	-	44,000	158,571	408,960	2,650	-	411,610	340,406
Other revenues:											
Program service fees	-	-	468	-	-	11,477	11,945	-	-	11,945	47,774
Fees and sales to public	7,143	-	-	46,631	-	-	53,774	6,000	-	59,774	8,061
Other	-	-	-	-	-	-	-	445	-	445	484
	7,143	-	468	46,631	-	11,477	65,719	6,445	-	72,164	56,319
Total revenues	81,849	118,963	13,188	46,631	44,000	170,048	474,679	9,095	-	483,774	396,725
Expenses:											
Salaries	29,707	51,860	9,289	7,786	25,085	95,658	219,385	21,404	-	240,789	199,093
Payroll taxes	3,475	3,571	869	674	2,261	8,253	19,103	1,436	-	20,539	18,343
Employee benefits	3,206	5,513	353	-	2,468	4,935	16,475	6,380	-	22,855	15,733
Total salary and related benefits	36,388	60,944	10,511	8,460	29,814	108,846	254,963	29,220	-	284,183	233,169
Advertising	-	-	-	-	-	-	-	-	-	-	374
Bank charges	-	-	-	-	-	-	-	154	-	154	128
Client assistance	49,964	138	1,200	16,400	-	-	67,702	2,400	-	70,102	53,447
Contract services	-	375	-	900	-	-	1,275	-	-	1,275	5,330
Dues and subscriptions	-	-	25	-	-	60	85	595	-	680	776
Insurance	3,427	8,393	546	788	2,091	6,605	21,850	2,444	-	24,294	20,052
Interest	-	-	-	85	-	7,011	7,096	593	-	7,689	7,707
Licenses, taxes and fees	-	9	-	650	-	166	825	124	-	949	1,113
Maintenance and repairs	-	3,372	960	4,098	-	6,292	14,722	4,030	-	18,752	10,825
Postage and delivery	-	-	-	-	-	-	-	-	-	-	232
Printing	-	-	-	-	-	-	-	-	-	-	254
Professional fees	-	3,715	-	-	725	2,541	6,981	1,163	-	8,144	14,038
Supplies and materials	822	63	1,116	4,700	-	7,620	14,321	1,929	-	16,250	9,781
Telephone	459	3,821	326	-	-	2,696	7,302	2,932	-	10,234	9,583
Travel	2,406	2,272	-	-	-	-	4,678	-	-	4,678	7,867
Utilities	-	194	478	2,297	-	4,597	7,566	5,399	-	12,965	9,233
Total expenses before depreciation	93,466	83,296	15,162	38,378	32,630	146,434	409,366	50,983	-	460,349	383,909
Depreciation of buildings & equipent	-	11,799	-	1,518	-	2,468	15,785	826	-	16,611	9,982
Loss on sale of asset	-	-	-	-	-	-	-	-	-	-	(632)
Total expenses	93,466	95,095	15,162	39,896	32,630	148,902	425,151	51,809	-	476,960	393,259
Excess (deficiency) of revenues over expenses	$ (11,617)	$ 23,868	$ (1,974)	$ 6,735	$ 11,370	$ 21,146	$ 49,528	$ (42,714)	$ -	$ 6,814	$ 3,466

See notes to financial statement.

SUPPLEMENTARY FINANCIAL REPORTS

START CORPORATION AND SUBSIDIARY

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2000

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures Including Capital Advance
U.S. Department of Housing and Urban Development			
Direct Payments:			
McKinney Program	14.235		$ 74,706
Community Development Block Grant	14.219		19,095
Pass-Through Programs From:			
Terrebonne Parish Consolidated Government-- HOME Investment Partnership Program	14.239		230,000
Total U.S. Department of Housing and Urban Development			323,801
U.S. Department of Health and Human Services			
Pass-Through Programs From:			
State Department of Health and Hospitals- Block Grant for Community Mental Health Services	93.958	MH00-3S-221	15,162
Total U.S. Department of Health and Human Services			15,162
Total Expenditures of Federal Awards			$ 338,963

The accompanying notes are an integral part of this schedule.

START CORPORATION AND SUBSIDIARY

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2000

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of START Corporation and Subsidiary and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Notes 2. Loans Outstanding

START Corporation and Subsidiary had the following loan balances outstanding at June 30, 2000. This loan balance is also included in federal expenditures presented in this schedule:

Program Title	Federal CFDA Number	Amount Outstanding
HOME Investment Partnership Program	14.239	230,000

START CORPORATION AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2000

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of START Corporation.

2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.

3. No instances on noncompliance material to the financial statements of START Corporation were disclosed during the audit

4. No reportable conditions relating to the audit of the major federal award program are reported in the Independent Auditor's Report.

5. The auditor's report on compliance for the major federal award program for START Corporation expresses an unqualified opinion on the major federal program.

6. Audit findings relative to the major federal award program for START Corporation is reported in this Schedule.

7. The program tested as a major program for START Corporation is reported in this Schedule.

8. The threshold for distinguishing Types A and B programs was $300,000.

9. START Corporation was not determined to be a low-risk auditee.

B. FINDINGS -- FINANCIAL STATEMENTS AUDIT

None

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

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
HOME Investment Partnerships Program - CFDA No. 14.239

Population Size		Items Tested		Items Not in Compliance		
Number	Dollar Amount	Number	Dollar Amount	Number	Dollar Amount	Questioned Costs
1	$ 230,000	1	$ 230,000	0	$ -	$ -

5779 Hwy 311
P. O. Box 3695
Houma, Louisiana 70361-3695
Telephone (504) 851-0883
Fax (504) 851-3014

Bergeron & Lanaux
— Certified Public Accountants —
A Professional Corporation

Claude E. Bergeron, CPA
Thomas J. Lanaux, CPA
Michael D. Bergeron, CPA
Mark S. Felger, 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

To the Board of Directors
START Corporation and Subsidiary
Houma, Louisiana

We have audited the financial statements of START Corporation and Subsidiary (non-profit organization) as of and for the year ended June 30, 2000, and have issued our report thereon dated October 31, 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 START Corporation and Subsidiary'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. However, we noted certain immaterial instance of noncompliance, which we have reported to the management of START Corporation in a separate letter dated October 31, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered START Corporation and Subsidiary'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 operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Directors, management, the Legislative Auditor for the State of Louisiana, and regulatory agencies and is not intended to be and should not be used by anyone other than these specific parties.

Bergeron + Lanaux

October 31, 2000

5779 Hwy 311
P. O. Box 3695
Houma, Louisiana 70361-3695
Telephone (504) 851-0883
Fax (504) 851-3014
email mdbcpa@cajun.net

Bergeron & Lanaux

—— Certified Public Accountants ——
A Professional Corporation

Claude E. Bergeron, CPA
Thomas J. Lanaux, CPA
Michael D. Bergeron, CPA

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

START Corporation
Houma, Louisiana

Compliance

We have audited the compliance of START Corporation and Subsidiary (non-profit organization) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 "Compliance Supplement" that are applicable to its major federal program for the year ended June 30, 2000. START Corporation and Subsidiary's major federal program is identified in the schedule of expenditures of federal awards and in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of START Corporation and Subsidiary's management. Our responsibility is to express an opinion on START Corporation and Subsidiary's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 START Corporation and Subsidiary'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 START Corporation and Subsidiary's compliance with those requirements.

In our opinion, START Corporation complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

The management of START Corporation 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 START Corporation and Subsidiary's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management and the Legislative Auditor of the State, and regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bergeron & Lanaux

Houma, Louisiana
October 31, 2000

5779 HWY 311
P. O. BOX 3695
HOUMA, LOUISIANA 70361-3695
TELEPHONE (504) 851-0883
FAX (504) 851-3014
email mdbcpa@cajun.net

Bergeron & Lanaux

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL CORPORATION

CLAUDE E. BERGERON, CPA
THOMAS J. LANAUX, CPA
MICHAEL D. BERGERON, CPA

MANAGEMENT LETTER

October 31, 2000

Mr. Charlie Vandercook
START Corporation
P.O. Box 165
Houma, LA 70361

Dear Mr. Vandercook:

In planning and performing our audit of the financial statements of START Corporation and Subsidiary (START) for the year ended June 30, 2000, we considered the START's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of the following matter for strengthening controls. This letter does not affect our reports dated October 31, 2000 on the financial statements, supplementary information, compliance and internal control over financial reporting in accordance with Government Auditing Standards, and compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133 of START.

2000-1 AUDIT ENGAGEMENT APPROVAL

RS 24:513 requires the Legislative Auditor to approve the engagement of a CPA performing an audit. Submission of the engagement agreement for approval is a joint responsibility of the client and the CPA. In testing START's compliance with Louisiana audit regulations, we noted that the engagement approval was not submitted to the Louisiana Legislative Auditor's office within the sixty day requirement. The engagement letter was approved by START Corporation on June 12, 2000 and promptly forwarded to Bergeron & Lanaux, CPAs for processing. However, due to clerical oversight at Bergeron & Lanaux, the engagement letter was filed in the audit bin and an engagement fax approval form was not completed and faxed to the Louisiana Legislative Auditor's office for approval.

Procedures have been strengthened at both the CPA's office and the client to ensure timely fax approval is obtained.

We appreciate the courtesy and assistance extended to us during our examination. We have already discussed these comments and suggestions with management, and we will be pleased to discuss with you in further detail, at your convenience, any of the matters referred to in this letter.

Very truly yours,

Thomas Lanaux

Thomas J. Lanaux, CPA

START CORPORATION AND SUBSIDIARY
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2000

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

There were none for year ended June 30, 1999.

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

Not applicable.

SECTION III MANAGEMENT LETTER

No management letter was issued for year ended June 30, 1999.

START CORPORATION AND SUBSIDIARY
MANAGEMENT CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2000

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

No findings were reported which require a response from management.

SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

Not applicable.

SECTION III MANAGEMENT LETTER

We agree with our auditors and have taken action to comply with Louisiana laws and regulations and offer the following comment.

2000-1 AUDIT ENGAGEMENT APPROVAL

Procedures have been strengthened at both the CPA's office and our office to ensure timely engagement approval is obtained via fax from the Louisiana Legislative Auditor's office.