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**THE ARC OF ST. MARTIN, INC**

St. Martinville, Louisiana

**FINANCIAL REPORT**

Years Ended June 30, 2008 and 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/14/09

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# MARAIST & MARAIST

CERTIFIED PUBLIC ACCOUNTANTS

(A PARTNERSHIP OF PROFESSIONAL ACCOUNTING CORPORATIONS)

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
The Arc of St. Martin, Inc.  
St. Martinville, Louisiana

We have audited the accompanying statements of financial position of The ARC of St. Martin, Inc. (a not for profit organization) as of June 30, 2008 and 2007, and the related statements of activities, cash flows, and functional expenses 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 audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The ARC of St. Martin, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years 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 December 2, 2008 on our consideration of The ARC of St. Martin's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants 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 read in conjunction with this report in considering the results of our audit.



Maraist & Maraist, CPA's

December 2, 2008

**THE ARC OF ST. MARTIN, INC.**  
 St. Martinville, Louisiana  
**STATEMENT OF FINANCIAL POSITION**  
 June 30, 2008 and 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 349,207	\$ 453,100
Accounts receivable	212,603	177,822
Accrued interest receivable	1,464	1,969
Total current assets	\$ 563,274	\$ 632,891
<b>Fixed Assets:</b>		
Land	\$ 88,838	\$ 49,014
Buildings and improvements	599,473	437,473
Furniture and equipment	53,101	54,099
Vehicles	359,418	402,396
	\$ 1,100,830	\$ 942,982
Less: accumulated depreciation	(527,528)	(513,809)
Total fixed assets	\$ 573,302	\$ 429,173
<b>Other Assets:</b>		
Investment in St. Martin Villa	\$ 20,176	\$ -
TOTAL ASSETS	\$ 1,156,752	\$ 1,062,064
<u>LIABILITIES AND NET ASSETS</u>		
<b>Current Liabilities:</b>		
Cash overdraft	\$ --	\$ --
Accounts payable and accrued expenses	13,932	64,643
Accrued salaries	68,203	62,244
Current portion of notes payable	29,470	--
Total current liabilities	\$ 111,605	\$ 126,887
Notes payable, less current portion	116,946	--
Total liabilities	\$ 228,551	\$ 126,887
<b>Net Assets:</b>		
Unrestricted:		
Operations	\$ 481,139	\$ 506,004
Fixed assets	447,062	429,173
Total net assets	\$ 928,201	\$ 935,177
TOTAL LIABILITIES AND NET ASSETS	\$ 1,156,752	\$ 1,062,064

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

**THE ARC OF ST. MARTIN, INC.**  
 St. Martinville, Louisiana  
**STATEMENT OF ACTIVITIES**  
 Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>Unrestricted</u> <u>2007</u>
<b><u>REVENUES AND OTHER SUPPORT:</u></b>		
<b>Public Support:</b>		
Contributions	\$ 102,175	\$ 24,886
Program revenues	2,322,220	2,183,073
Grants revenues	22,222	69,125
<b>Other Revenue:</b>		
Client fees	74,996	72,909
Membership dues	1,730	1,390
Work contracts	38,868	42,565
Thrift store sales	82,631	45,180
Interest/dividend income	9,049	10,382
Other revenue	11,006	2,453
	<hr/>	<hr/>
<b>TOTAL REVENUE AND OTHER SUPPORT</b>	<b>\$ 2,664,897</b>	<b>\$ 2,451,963</b>
<b><u>EXPENSES:</u></b>		
<b>Program services:</b>		
Adult habilitation	\$ 1,579,364	\$ 1,441,153
Residential services	696,291	615,368
Total program services	\$ 2,275,655	\$ 2,056,521
<b>Support services:</b>		
General and administrative	396,218	346,599
	<hr/>	<hr/>
<b>TOTAL EXPENSES</b>	<b>\$ 2,671,873</b>	<b>\$ 2,403,120</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (6,976)</b>	<b>\$ 48,843</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>935,177</b>	<b>886,334</b>
	<hr/>	<hr/>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 928,201</b>	<b>\$ 935,177</b>

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

**THE ARC OF ST. MARTIN, INC.**  
 St. Martinville, Louisiana  
**STATEMENT OF CASH FLOWS**  
 Years Ended June 30, 2008 and 2007

<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>	<u>2008</u>	<u>2007</u>
Change in net assets	\$ (6,976)	\$ 48,843
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	67,194	67,002
(Increase)/decrease in accounts receivable	(34,781)	(39,872)
Increase/(decrease) in accounts payable and accrued expenses	(50,711)	60,266
(Increase)/decrease in accrued interest receivable	505	(632)
Increase/(decrease) in accrued salaries	5,959	15,915
Net cash provided by operating activities	<u>\$ (18,810)</u>	<u>\$ 151,522</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investment in St. Martin Villa	\$ (20,176)	
Purchase of fixed assets(net)	<u>(211,322)</u>	<u>\$ (88,915)</u>
Net cash used for investing activities	<u>\$ (231,498)</u>	<u>\$ (88,915)</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds from issuance of debt	\$ 148,000	
Debt principal payments	<u>(1,585)</u>	<u>\$ (6,381)</u>
Net cash from financing activities	<u>\$ 146,415</u>	<u>\$ (6,381)</u>
 NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	 <u>\$ (103,893)</u>	 <u>\$ 56,226</u>
CASH AND CASH EQUIVALENTS-Beginning of Year	<u>453,100</u>	<u>396,874</u>
CASH AND CASH EQUIVALENTS-End of Year	<u>\$ 349,207</u>	<u>\$ 453,100</u>
 <u>SUPPLEMENTAL DATA:</u>		
Interest Paid	<u>\$ 2,632</u>	<u>\$ 97</u>

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

**THE ARC OF ST. MARTIN, INC.**  
 St. Martinville, Louisiana  
**STATEMENT OF FUNCTIONAL EXPENSES**  
 Year Ended June 30, 2008  
 (with comparative totals for the Year Ended June 30, 2007)

	<u>Adult Habilitation</u>	<u>Residential Homes</u>	<u>Total Program Services</u>
<b>FUNCTIONAL EXPENSES:</b>			
Salaries and wages	\$ 1,183,173	\$ 361,487	\$ 1,544,660
Employee benefits	35,319	35,156	70,475
Payroll taxes	95,082	29,007	124,089
	<hr/>	<hr/>	<hr/>
Total salaries and related expenses	\$ 1,313,574	\$ 425,650	\$ 1,739,224
Rental of Property	12,412	-	12,412
Maintenance & Repairs	7,443	7,269	14,712
Professional Fees	2,980	144	3,124
Supplies	20,538	6,952	27,490
Insurance	66,161	39,751	105,912
Interest	2,632	-	2,632
Utilities & telephone	8,577	16,664	25,241
Dues & publications	109	71	180
Automotive	67,452	9,111	76,563
Provider fees & licenses	23	65,738	65,761
Office expenses	1,232	1,143	2,375
Personal client needs	613	7,462	8,075
Travel, seminars, etc.	5,394	669	6,063
Consultant fees	5,800	10,540	16,340
Educational	-	6,105	6,105
Dietary	5,656	38,015	43,671
Medical & nursing	3,419	14,452	17,871
Training	-	26,551	26,551
Association responsibility	9,578	8,733	18,311
Housekeeping	2,078	3,206	5,284
Other	-	208	208
	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	\$ 1,535,671	\$ 688,434	\$ 2,224,105
Depreciation	43,693	7,857	51,550
	<hr/>	<hr/>	<hr/>
Total expenses	\$ 1,579,364	\$ 696,291	\$ 2,275,655

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

<u>Management and General</u>	<u>Year End Totals</u>	
	<u>6/30/08</u>	<u>6/30/07</u>
\$ 207,548	\$ 1,752,208	\$ 1,594,797
19,243	89,718	83,125
16,854	140,943	130,133
<hr/>	<hr/>	<hr/>
\$ 243,645	\$ 1,982,869	\$ 1,808,055
-	12,412	7,145
20,433	35,145	23,680
17,380	20,504	33,469
14,147	41,637	15,851
26,786	132,698	177,950
-	2,632	97
25,091	50,332	42,617
820	1,000	1,553
-	76,563	50,250
6,291	72,052	60,587
19,549	21,924	14,365
-	8,075	2,268
2,116	8,179	10,112
-	16,340	15,896
-	6,105	2,875
-	43,671	36,118
-	17,871	10,473
3,751	30,302	2,294
-	18,311	8,359
-	5,284	2,683
565	773	9,421
<hr/>	<hr/>	<hr/>
\$ 380,574	\$ 2,604,679	\$ 2,336,118
15,644	67,194	67,002
<hr/>	<hr/>	<hr/>
\$ 396,218	\$ 2,671,873	\$ 2,403,120



**THE ARC OF ST. MARTIN, INC.**  
St. Martinville, Louisiana  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2008

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

Nature of Activities

The ARC of St. Martin, Inc. is a not-for-profit community organization governed by a volunteer board of directors, which operates an adult habilitation center and two residential community homes serving the needs of the mentally retarded and developmentally disabled citizens of St. Martin Parish, Louisiana. The Association provides day care services, work training services, respite and personal care services, and residential housing for qualifying individuals.

Basis of Accounting

The accompanying financial statements of the Association have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables and liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards(SFAS) No. 116, "*Accounting for Contributions Received and Contributions Made*", and Statement of Financial Accounting Standards (SFAS) No. 117, "*Financial Statements of Not-for-Profit Organizations*". Under SFAS No. 116 and SFAS No. 117, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets depending on the existence and/or nature of any donor restrictions.

Total Columns

Total columns are presented to facilitate financial analysis. Data in these columns do not present financial position, results of operations and changes in net assets in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The ARC of St. Martin had no temporarily or permanently restricted net assets for the year ended June 30, 2008 or 2007.

The Association records noncash donations as contributions at their estimated fair value at the date of the donation. Many volunteers have donated significant amounts of time to the ARC of St. Martin's special events. The value of this contributed time is not reflected in the accompanying financial statements because the criteria for recognition under SFAS No. 116 have not been satisfied.

**THE ARC OF ST. MARTIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2008

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

Cash Equivalents

The ARC of St. Martin considers all cash accounts and certificates of deposit with a maturity of three months or less when purchased to be cash and cash equivalents. Fair values approximate carrying values for all cash equivalents, due to the initial maturities of the instruments being three months or less.

Income Taxes

The ARC of St. Martin, Inc. qualifies as a tax-exempt organization under Section 501 (c) (3) of the Internal Revenue Code and R.S. 12:201 of Louisiana statutes and, therefore, no provision for federal income taxes has been made in the accompanying financial statements. The Association is not classified as a private foundation, and there was no unrelated business income for the fiscal years ended June 30, 2008 or 2007.

Third Party Revenues

A substantial share of the Association's contract revenues for services to clients is derived under federal and state third-party reimbursement programs. These revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party providers. Retroactive adjustments, if any, would not be material to the financial position or results of operations of the Association. There were no retroactive adjustments paid to third party payers for the years ended June 30, 2008 or 2007.

Fixed Assets

The Association follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$5,000. Acquisitions of property and equipment are made with unrestricted assets. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets generally as follows:

Buildings	40 years
Improvements	10 years
Furniture and Equipment	7 years
Vehicles	5 years

Expenses for maintenance, repairs and renewals of minor items are charged to earnings as incurred. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations for the period. The net fixed asset balance has been recorded as a separate component in unrestricted net assets.

**THE ARC OF ST. MARTIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2008

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

Functional Allocation of Expenses

Functional expenses are allocated among the various program services, general and administrative, and fundraising categories based on actual use or management's best estimate.

Estimates

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

(2) ACCOUNTS RECEIVABLE

Accounts receivable primarily represent amounts due from various Federal/State agencies and are deemed to be fully collectible by management, and therefore, no allowance has been provided for bad debts. As of June 30, 2008 and 2007, accounts receivable was composed of the following:

	<u>2008</u>	<u>2007</u>
Louisiana Department of Health and Hospitals-Office for Citizens with Developmental Disabilities	\$ 131,577	\$ 151,946
United Way	5,000	5,000
Work contracts receivable	7,537	7,651
Grants receivable	22,222	-
Due from affiliates	36,452	-
Due from clients	9,815	13,225
	<u>\$ 212,603</u>	<u>\$ 177,822</u>

(3) FIXED ASSETS AND DEPRECIATION

Depreciation of fixed assets is calculated on the straight-line basis over the estimated useful lives of the assets. The cost of such assets at June 30, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Land and buildings	\$ 708,487	\$ 486,487
Furniture, fixtures, & equipment	53,101	54,099
Vehicles	359,418	402,396
	<u>\$ 1,121,006</u>	<u>\$ 942,982</u>
Less: Accumulated Depreciation	<u>(527,528)</u>	<u>(513,809)</u>
Total	<u>\$ 593,478</u>	<u>\$ 429,173</u>

**THE ARC OF ST. MARTIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2008

(4) **NOTES PAYABLE**

The notes payable balance consists of a real estate mortgage note dated January 24, 2008, in the original amount of \$148,150, bearing interest at 6.5% per annum, payable in monthly installments of \$1299.94, with a carrying value of \$146,416, payable to St. Martin Bank and Trust, and secured by a mortgage on the Association's thrift store building and property, located on North Main Street in St. Martinville, LA. Interest expense on the note for the year ended June 30, 2008 was \$2,632.

The annual requirements to amortize this note at June 30, 2008, including interest of \$52,166, and a planned prepayment of \$22,222 to be applied to the note on October 1, 2008, are as follows:

Year Ending:	
June 30, 2009	\$37,821
June 30, 2010	15,599
June 30, 2011	15,599
June 20, 2012	15,599
June 30, 2013	15,599
After June 30, 2013	<u>98,365</u>
Total Notes Payable	<u>\$198,582</u>

(5) **RETIREMENT PLANS**

Employees of the ARC of St. Martin, Inc. are members of the Social Security System. The organization and its employees contribute a percentage of each employee's salary to the System (7.65 percent each). The organization's contribution was \$133,209 and \$119,403 during the years ended June 30, 2008 and 2007, respectively.

(6) **COMPENSATED ABSENCES**

Employees of The ARC of St. Martin, Inc. are entitled to paid vacation, paid sick leave, and personal days off, depending on job classification, length of service, and other factors. There is no material accumulated leave at June 30, 2008 and 2007 and accordingly, no liability has been recorded in the accompanying financial statements for compensated absences.

(7) **FIDUCIARY FUNDS**

The Association acts as a fiduciary agent for the residents of its Community Homes Program. Checking accounts are maintained for each resident, as applicable. Deposits include the resident's social security benefits, their payroll checks, and miscellaneous gifts from family members. Disbursements consist of daily living expenses, based upon the residents' individual needs. The balances in these checking accounts at June 30, 2008 and 2007 was \$15,080 and \$16,327. These funds are not included in the statement of financial position of the ARC of St. Martin.

**THE ARC OF ST. MARTIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2008

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

The Association receives federal and state funding on a per diem per client/unit basis. Federal and state matching funds from the Department of Health and Human Services, passed through the Louisiana State Department of Health and Hospitals Office of Family Security, Medical Assistance Program – Medicaid/ Title XIX are on a per diem basis. These payments, reported as residential and habilitation services, are considered a payment for a service as opposed to a grant award. In addition, the Association receives state grants from the Department of Health and Hospitals Office for Citizens with Developmental Disabilities on a per diem basis.

If significant budget cuts are made at the federal, state and/or local levels the amount of the funds the Association receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Association will receive in the next fiscal year. Should such a reduction in funding occur, however, management believes that changes can be incorporated into the continuing operations without a catastrophic result.

The Association maintains substantially all of its cash deposit accounts at St. Martin Bank and Trust, Teche Bank and Trust, and First Louisiana National Bank. Cash accounts at banks are insured by the FDIC for up to \$100,000. Cash and certificate of deposit balances at these institutions exceeded federally insured limits by \$178,105 and \$176,692 as of June 30, 2008 and 2007, respectively.

(9) **COMMITMENTS AND CONTINGENCIES**

At June 30, 2008, the ARC of St. Martin has been named as a defendant in a class action lawsuit involving the applicability of federal overtime labor provisions to domestic and household employees (homeworkers). Management is of the opinion that any adverse decision in this pending legal matter will have an immaterial effect on future financial operations of the Association.

(10) **RISK MANAGEMENT**

The Organization is exposed to risks of loss in the areas of general and auto liability and workers' compensation. Those risks are handled by purchasing commercial insurance. There have been no significant reductions in insurance coverage during the current or prior fiscal years. Also, there were no settled claims that exceeded this commercial coverage during the years ended June 30, 2008 and 2007.

(11) **SUBSEQUENT EVENTS**

At June 30, 2008, the ARC of St. Martin is in the process of constructing a HUD approved Section 811 apartment complex. The Association has formed a separate affiliated non-profit corporation to handle the construction and operations of this project. This affiliated corporate entity is sponsored by the ARC of St. Martin, Inc., and the amounts reflected on the statement of financial position as "Investment in St. Martin Villa" as of June 30, 2008 (\$20,176) represents the initial capital contribution made by the Association to fund this project.

(12) **RELATED PARTY TRANSACTIONS**

The Association maintains a portion of its cash and investments in one bank at which one of the Association's board members also serves as an officer and director. Additionally, the Association maintains a portion of its insurance coverage through an agent of record who also serves as a board member for the ARC of St. Martin.

**THE ARC OF ST. MARTIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2008

(13) **BOARD OF DIRECTORS**

Members of the Board of Directors participate on a voluntary basis and receive no compensation for their services.

# MARAIST & MARAIST

CERTIFIED PUBLIC ACCOUNTANTS

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## REPORT 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

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

We have audited the financial statements of The ARC of St. Martin, Inc. (a not for profit organization), as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated December 2, 2008. 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 ARC of St. Martin's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ARC of St. Martin's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ARC of St. Martin's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in

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

the accompanying schedule of audit findings and questioned costs to be a significant deficiency in internal control over financial reporting. The finding we describe in the accompanying current year findings is referenced as item 08-1.

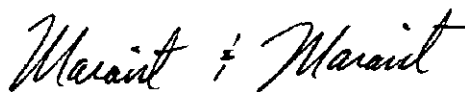
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies identified above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether The ARC of St. Martin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of management, others within the organization, Board Members, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

  
Maraist & Maraist, CPA's

December 2, 2008



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

**Schedule of Audit Findings and Questioned Costs**

Year Ended June 30, 2008

**Part I: Summary of Audit Results:**

1. The auditor's report expressed an unqualified opinion on the financial statements of the ARC of St. Martin, Inc.
2. One significant deficiency relating to internal control over financial reporting of the ARC of St. Martin, Inc. was reported in the "*Report 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*", (Item 08-1), however, it was not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the ARC of St. Martin, Inc. were reported in the "*Report 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*".
4. There was no single audit requirement under OMB Circular A-133.

**Part II: 2008 Findings – Financial Statement Audit:**

**INTERNAL CONTROL-Significant Deficiencies**

08-1 Segregation of Duties

Condition: Due to the small number of employees, the Association did not have adequate segregation of functions within the accounting system.

Criteria: Segregation of duties should be adequate to provide effective internal control.

Effect: The segregation of duties is inadequate to provide effective internal control.

Recommendation: No action is recommended. It would not be cost effective to increase the size of the staff to achieve effective segregation of duties.

Management's Response: We concur with the finding.

**Part III: Management Letter:**

No findings for the year ended June 30, 2008.

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

**Schedule of Prior Audit Findings and Questioned Costs**

Year Ended June 30, 2008

**Part I: Financial Statement Audit Significant Deficiencies**

07-1 Segregation of Duties

Condition: Due to the small number of employees, the Association did not have adequate segregation of functions within the accounting system.

Current Status: A similar finding was noted in the current year.

**Part II: Management Letter**

No reported findings for the year ended June 30, 2007.