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**WINN PARISH ASSOCIATION FOR RETARDED CITIZENS, INC.
Winnfield, Louisiana**

Financial Statements and Auditors Reports

June 30, 2004
and for the Year Then Ended

(With Comparative Figures for June 30, 2003)

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 12-8-04

JERI SUE TOSSPON
Certified Public Accountant

WINN PARISH ASSOCIATION FOR RETARDED CITIZENS, INC.
Winnfield, Louisiana

Financial Statements and Auditor's Reports

June 30, 2004
and for the Year Then Ended

(With Comparative Figures for June 30, 2003)

WINN PARISH ASSOCIATION FOR RETARDED CITIZENS, INC.

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SECTION I
FINANCIAL STATEMENTS
REPORT ON FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Winn Parish Association for Retarded Citizens, Inc.
Winnfield, Louisiana

I have audited the accompanying financial statements of the Winn Parish Association for Retarded Citizens, Inc., (Winn ARC) as of June 30, 2004, and for the year then ended. These financial statements are the responsibility of Winn ARC's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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 statements presentation. I believe that my audit provides a reasonable basis for my opinion.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 18, 2004, on my consideration of Winn ARC's internal control over financial reporting and my 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 the results of my audit.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Winn ARC, as of June 30, 2004, and the results of its operations and the changes in net assets for the year then ended in conformity with generally accepted accounting principles.



Ferriday, Louisiana
November 18, 2004

WINN PARISH ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2004
(With Comparative Totals at June 30, 2003)

			June 30,	
	Adult Habilitation	Sheltered Workshop	2004 Total	2003 Total
ASSETS				
Cash on hand and in banks	\$ 1,395	\$ 769	\$ 2,164	\$ 2,971
Accounts receivable (Note 4)	15,582	6,261	21,843	17,984
Interfund loans	34,510		34,510	39,745
Utility deposits	148		148	148
Fixed assets (Net) (Note 5)	23,533	303	23,836	33,459
Total Assets	\$ 75,168	\$ 7,333	\$ 82,501	\$ 94,307
 LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 9,151		\$ 9,151	\$ 1,173
Accounts payable-OCDD (Note 10)	69,092		69,092	69,092
Accrued payroll taxes	17,153	\$ 3,939	21,092	12,059
Interfund loans		34,510	34,510	39,746
Total Liabilities	\$ 95,396	\$ 38,449	\$ 133,845	\$ 122,070
 Net Assets				
Unrestricted	\$ (51,136)	\$ (31,116)	\$ (82,252)	\$ (64,493)
Temporarily restricted (Note 3)	30,908		30,908	36,730
Total Net Assets	\$ (20,228)	\$ (31,116)	\$ (51,344)	\$ (27,763)
 Total Liabilities and Net Assets	\$ 75,168	\$ 7,333	\$ 82,501	\$ 94,307

See accompanying notes to financial statements.

WINN PARISH ASSOCIATION FOR RETARDED CITIZENS, INC.
STATEMENT OF ACTIVITY AND FUND BALANCES
YEAR ENDED JUNE 30, 2004
(With Comparative Totals for the Year Ended June 30, 2003)

	Adult Habilitation	Sheltered Workshop	Year Ended June 30,	
			2004 Total	2003 Total
SUPPORT AND OTHER REVENUE				
State and other contracts	\$ 109,836		\$ 109,836	\$ 106,336
Contract work		\$ 46,372	46,372	46,812
Contributions and grants	2,282	2,782	5,064	4,408
Other	34		34	2,160
Interest	18		18	900
Total Support and Other Revenue	\$ 112,170	\$ 49,154	\$ 161,324	\$ 160,616
NET ASSETS RELEASED FROM RESTRICTIONS				
Federal Transit Administration Section 16 Depreciation on restricted vans	\$ 5,822		\$ 5,822	\$ 5,822
Total Support, Other Revenue and Release of Net Assets	\$ 117,992	\$ 49,154	\$ 167,146	\$ 166,438
EXPENSES (Note 7)				
Salaries and client wages	\$ 69,544	\$ 28,058	\$ 97,602	\$ 115,158
Payroll taxes	10,155	8,672	18,827	9,034
Telephone	5,038		5,038	4,720
Postage	57		57	108
Insurance	12,602	600	13,202	21,997
Transportation	5,158		5,158	4,379
In-service	140		140	120
Office supply	754	638	1,392	745
Utilities	6,492	120	6,612	6,158
Rent	9,600		9,600	9,600
Maintenance and cleaning	389	1,785	2,174	2,265
Workman's compensation	4,574	665	5,239	6,635
Depreciation	9,777	332	10,109	13,060
Interest				185
Supplies	83	5,293	5,376	6,021
Professional fees	2,700		2,700	2,710
Licenses	13	164	177	254
Travel and seminar	191	385	576	189
DHH grant expenditures	345		345	
Other	112	469	581	409
Total Expenses	\$ 137,724	\$ 47,181	\$ 184,905	\$ 203,747
Increase (Decrease) in Unrestricted Net Assets	\$ (19,732)	\$ 1,973	\$ (17,759)	\$ (37,310)
Gain (Loss) on Sale of Fixed Assets				(3,129)
Temporarily Restricted Net Assets				
Federal Transit Administration Section 16 Current year depreciation	(5,822)		(5,822)	(5,822)
Net Increase (Decrease) in Net Assets	\$ (25,554)	\$ 1,973	\$ (23,581)	\$ (46,260)
Net Assets, Beginning of Year	5,326	(33,089)	(27,763)	18,497
Net Assets, End of Year	\$ (20,228)	\$ (31,116)	\$ (51,344)	\$ (27,763)

See accompanying notes to financial statements.

WINN PARISH ASSOCIATION FOR RETARDED CITIZENS, INC.
COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004
(With Comparative Totals for the Year Ended June 30, 2003)

	Year Ended June 30,	
	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (23,581)	\$ (43,131)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	10,109	13,060
(Increase) decrease in:		
Accounts receivable	(3,859)	4,425
Accounts payable	7,978	(49)
Payroll taxes payable	9,032	4,213
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (321)	\$ (21,482)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of equipment		\$ 2,500
Purchase of equipment	\$ (486)	
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	\$ (486)	\$ 2,500
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings		
Reduction of debt		\$ (15,936)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		\$ (15,936)
NET INCREASE (DECREASE) IN CASH	\$ (807)	\$ (34,918)
CASH AT BEGINNING OF YEAR	2,971	37,889
CASH AT END OF YEAR	\$ 2,164	\$ 2,971
 <u>Supplementary Information:</u>		
Interest paid	\$ 0	\$ 185

See accompanying notes to financial statements.

WINN PARISH ASSOCIATION FOR RETARDED CITIZENS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 1 - WINN PARISH ASSOCIATION FOR RETARDED CITIZENS, INC.

WINN PARISH ASSOCIATION FOR RETARDED CITIZENS, Inc., (WARC) was organized in 1981 to promote the general welfare of the mentally retarded, to encourage research related to mental retardation, to advise and aid parents in the solution of their problems, to develop a better understanding of the problems of mental retardation by the public, to cooperate with all agencies and professional groups in the furtherance of these ends, to associate with and support financially the State and National Associations to promote the common cause, to serve locally as a clearinghouse for gathering and providing information regarding the mentally retarded and to solicit and receive funds for the accomplishment of the stated purposes.

The Association operates two separate divisions. One, the Adult Habilitation Program, receives funding from the State of Louisiana, Department of Health and Hospitals and the Office for Citizens with Developmental Disabilities (OCDD) and Medicaid Title XIX to provide adult day services and employment training for a minimum of 13 clients. The other division is the Winn Parish Sheltered Workshop. The Workshop is totally self-supporting. Income of the Workshop consists of revenues earned through contracts with private individuals and companies for the provision of services performed by clients of the Workshop.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are reported as increases in temporary or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

B. 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 such estimates.

C. Financial Statement Presentation

In 1995, the Association elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under 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. In addition, the Association is required to present a statement of cash flows.

D. Contributions

The Association also elected, in 1995, to adopt SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

E. Income Tax Status

WARC qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes.

NOTE 3 - RESTRICTIONS ON ASSETS

Restrictions on assets at June 30, 2004 relate to three vans obtained by the Association through a Section 16(b)(2) grant through the Urban Mass Transit Act and the Louisiana Department of Transportation (DOTD). This program provides capital grants for the specific purpose of assistance in providing transportation services to meet the special needs of elderly and handicapped persons for whom mass transportation services are unavailable, insufficient or inappropriate. The vans, obtained with these funds, must be used for transportation services to the elderly and handicapped within the Association's service area. The DOTD must be immediately notified if the equipment is not used in the aforementioned manner or if it is withdrawn from service. Disposition of the vehicles must have DOTD approval and must be in conformance with the provisions of OMB Circular A-102, Attachment N. Dispositions must be a current market value and a portion of the funds received must be returned in proportion to the original percentage of Federal funds contributed.

It is the policy of the Association to amortize the asset restriction over its estimated useful life using the straight-line method.

NOTE 4 - RECEIVABLES

The Association entered into a contract on May 13, 2003 with the State of Louisiana, Department of Health and Hospitals, OCDD, to provide habilitation programming to a minimum of 13 clients for the period July 1, 2003 to June

30, 2004. At the end of each month, a payment requisition is forwarded to the Region VI office at Pinecrest State School requesting payment for services provided to clients during the month just ended.

During the current fiscal period, the Association also delivered services to several clients who were classified as Medicaid Title XIX waiver clients and billings for services to them are being billed to that agency. Accounts receivable also included amounts to these entities.

The Association also has entered into several contractual agreements to provide grounds keeping services, janitorial services and other contract labor to various local businesses.

Receivables at June 30, 2004 consist of the following:

State of Louisiana, OCDD	\$ 7,906
Medicaid Title XIX	7,677
Employment Development Services, Inc.	2,620
Work Activity Customers	<u>3,640</u>
Total	<u>\$21,843</u>

NOTE 5 - FIXED ASSETS AND DEPRECIATION

Fixed assets consist of plant and equipment stated at historical cost. Ownership of all fixed assets in the general fund of WARC would revert to the Department of Health and Hospitals, OCDD, if WARC were to cease to function. Depreciation is provided on a straight-line basis over various lives recommended by the OCDD as listed below:

Furniture and fixtures	7 - 10 years
Automobiles	5 years
Machinery and equipment	5 - 7 years
Leasehold improvements	10 years

A summary of fixed assets and the related depreciation is presented below:

	Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004
Adult Habilitation	\$146,849	\$ 486		\$147,335
Sheltered Workshop	9,627			9,627
	<u>\$156,476</u>	<u>\$ 486</u>		<u>\$156,962</u>
Less Accumulated Depreciation	<u>123,017</u>	<u>10,109</u>		<u>133,126</u>
	<u>\$ 33,459</u>	<u>\$ 9,623</u>		<u>\$ 23,836</u>

NOTE 6 - EXPENDITURES

The Winn Parish Association for Retarded Citizens, Inc. entered into a contract with the State of Louisiana, Department of Health and Hospitals, Office for Citizens with Developmental Disabilities to provide adult habilitation services. Expenditures in the general fund were made in accordance with the specifications listed by the Office for Citizens with Developmental Disabilities in their *Guidelines for Allowable Costs - Adult Day Services for Persons with Developmental Disabilities*.

NOTE 7 - PENSION PLAN

WARC does not have a retirement plan for its employees other than that provided by the Social Security System.

NOTE 8- LITIGATION

WARC is not involved in any litigation as of June 30, 2004.

NOTE 9 - DIRECTOR COMPENSATION

No member of the Board of Directors of Winn Parish Association for Retarded Citizens, Inc. received any compensation during this fiscal year.

NOTE 10 - NEGATIVE NET ASSETS

Both the Winn ARC and Winn Sheltered Workshop funds had negative balances in their net asset accounts at June 30, 2004.

SECTION II
REPORT ON INTERNAL CONTROL
AND COMPLIANCE

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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
Winn Parish Association for Retarded Citizens, Inc.
Winnfield, Louisiana

I have audited the financial statements of Winn Parish Association for Retarded Citizens, Inc., as of June 30, 2004, and for the year then ended, and have issued my report thereon dated November 18, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether Winn Parish Association for Retarded Citizens, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contract 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 my audit and, accordingly, I do not express such an opinion. The results of my test disclosed an instance of noncompliance that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2004-1. I also noted an immaterial instance of noncompliance that I have reported to management in a separate letter dated November 18, 2004.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements of the Association, I considered its internal control structure in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial

To the Board of Directors
Winn Parish Association for Retarded Citizens, Inc.
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reporting and its operations that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect the Association's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as item 2004-2.

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that none of the reportable conditions described above is a material weakness.

This report is intended for the information of management and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Ferriday, Louisiana
November 18, 2004

WINN PARISH ASSOCIATION FOR RETARDED CITIZENS, INC.
FINDINGS
JUNE 30, 2004

Finding 2004-1 - Grant Expenditures - Certain items approved by the Department of Health and Hospitals for payment from funds provided by a grant from that department in early 2004 have not yet been paid.

Management Response - *Due to the financial status recently, shortages of available funds for basic agency expenses and operation caused borrowing of designated grant funds, on a temporary basis, to be paid back at a later date. These items will be paid as soon as possible.*

Finding 2004-2 - Attendance Records - It was noted that certain personnel were marking client attendance records with a "P" for "present" for all clients on a certain day tested, whereas some clients were not there. However, there was no incorrect billing for those clients as the bookkeeper is also checking the sign-in sheets, daily work records and using personal observation to calculate attendance for billing purposes. This creates double work and hinders the systems of internal control over attendance.

Management Response - *The Administrator will double check signature sheets as well as daily logs to make sure no one is marked "P"resent if they are not here. Logs will also be checked at the end of the day.*

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To the Board of Directors
Winn Parish Association for Retarded Citizens, Inc.
Winnfield, Louisiana

I have audited the financial statements of the Winn Parish Association for Retarded Citizens, Inc., (Winn ARC), as of June 30, 2004 and for the year then ended, and have issued my reports dated November 18, 2004. As a part of my examination, I made a study and evaluation of the Association's system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purposes of such evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing, and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements and to assist the auditor in planning and performing his examination of the financial statements. My study was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The management of the Association is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purposes described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Association taken in as a whole. However, my study and evaluation disclosed no condition that I believed to be a material weakness.

My comments on specific financial and accounting matters and recommendations developed during my examination, which do not represent material weaknesses, are detailed below.

To the Board of Directors
Winn Parish Association for Retarded Citizens, Inc.
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PRIOR YEAR FINDINGS

DELINQUENT REPORT: The audited financial statements were not completed and submitted to the Legislative Auditor's Office until after the due date.

MANAGEMENT RESPONSE: *Management will be more aware of the due date for submission of the report and will work with their auditor closely to ensure that they are submitted in a timely manner in the future.*

DISPOSITION: Report is completed for submission in November, 2004.

CURRENT YEAR FINDINGS:

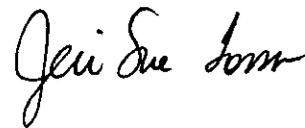
BANK RECONCILIATIONS: The bank reconciliations contain many old items that are being carried as outstanding, which makes it difficult to prepare and hard to trace.

MANAGEMENT RESPONSE: *These items will be deleted or made inactive in the system so that they will not appear on current reconciliations.*

DUPLICATE GENERAL LEDGER ACCOUNTS: There are several duplicate and misclassified general ledger accounts being used to post similar transactions. This leads to confusion and creates financial statements that are not meaningful to the users.

MANAGEMENT RESPONSE: *Some expense, audit accounts have similar titles, which was confusing when making journal entries. The bookkeeper will make every effort to post journal entries and other entries to correct accounts.*

This report is intended for the use of the Association management and others within the organization. I thank all the personnel at the Association for their cooperation during my examination.



Ferriday, Louisiana
November 18, 2004