



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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December 10, 2009

Board of Directors
Community Services of
Starke County, Inc.
311 E. Culver Rd.
Knox, IN 46534

We have reviewed the audit report prepared by Comer, Nowling and Associates, PC, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Community Services of Starke County, Inc., as of December 31, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

**Community Services of
Starke County, Inc.**



**Financial Statements
For The Year Ended
December 31, 2008**



Certified Public Accountants

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MEMBERSHIP LIST
COMMUNITY SERVICES OF STARKE COUNTY, INC.
COMMUNITY SERVICES OF STARKE COUNTY, INC.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Services of Starke County, Inc.
Knox, Indiana

We have audited the accompanying statement of financial position of Community Services of Starke County, Inc. (the "Organization") as of December 31, 2008 and the related statement of activities, and cash flows for the year 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 auditing standards generally accepted in the United States of America. 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 Community Services of Starke County, Inc. as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
July 16, 2009

COMMUNITY SERVICES OF STARKE COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2008

ASSETS

CURRENT ASSETS:

Cash	\$	69,065
Certificates of deposit		146,716
Accounts receivable		50,055
Prepaid insurance		12,670
Prepaid lease expense, net of amortization		8,399
		286,905
Total current assets		286,905

PROPERTY AND EQUIPMENT, net:

		109,242
		109,242
Total assets	\$	396,147

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accrued vacation		10,271
		10,271
Total current liabilities		10,271

NET ASSETS:

Unrestricted		385,876
		385,876
Total liabilities and unrestricted net assets	\$	396,147

See accompanying notes to financial statements.

COMMUNITY SERVICES OF STARKE COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

REVENUE

Federal grant revenue	\$	304,515
State grant revenue		52,489
Contributions		141,368
Investment income		6,352
Donated land and building		29,500
In-kind support		55,621
		55,621
Total revenue		589,845

EXPENSES

Program services		542,593
Management and general		27,847
		27,847
Total expenses		570,440

NET INCREASE IN NET ASSETS		19,405
NET ASSETS, BEGINNING OF YEAR		367,649
PRIOR PERIOD ADJUSTMENTS		(1,178)
NET ASSETS, END OF YEAR	\$	385,876

See accompanying notes to financial statements.

COMMUNITY SERVICES OF STARKE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Services	Management & General	Total
OPERATING EXPENSES:			
Salaries and benefits	\$ 338,387	\$ 17,810	\$ 356,197
Professional services	9,445	1,113	10,558
Rent	477	-	477
Insurance	14,554	1,782	16,336
Building maintenance	521	-	521
Utilities	13,311	700	14,011
Fuel	29,058	-	29,058
Telephone	8,875	416	9,291
Office equipment and repair	11,410	61	11,471
Office supplies	6,179	99	6,278
Computer supplies	1,134	60	1,194
Travel	5,324	-	5,324
Board meetings	-	537	537
Postage	2,186	115	2,301
Dues & registrations	1,057	181	1,238
Subscriptions	340	60	400
Beneficiary expenses	23,807	-	23,807
Depreciation and amortization	25,212	-	25,212
In-kind expense	50,708	4,913	55,621
Miscellaneous	608	-	608
Total expenses reported by function	<u>\$ 542,593</u>	<u>\$ 27,847</u>	<u>\$ 570,440</u>

See accompanying notes to financial statements.

COMMUNITY SERVICES OF STARKE COUNTY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 18,227
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation expense	20,451
Donated land and building	(34,000)
Increase (decrease) in cash from changes in:	
Accounts receivable	(13,413)
Prepaid expenses	7,226
Accrued expenses	10,271
	8,762
Net cash provided by operating activities	8,762

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from certificates of deposit	104,444
Purchases of certificates of deposit	(146,716)
	(42,272)
Net cash used in investing activities	(42,272)

NET INCREASE IN CASH (33,510)

CASH , BEGINNING OF YEAR 102,575

CASH , END OF YEAR \$ 69,065

See accompanying notes to financial statements.

COMMUNITY SERVICES OF STARKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Community Services of Starke County, Inc. (the Organization) is a community based non-profit corporation organized in 1977. The Organization's mission is to identify the problems of the aged and citizens in need in Starke County, Indiana to propose solutions to the problems identified, to work in conjunction with the Indiana commission on the Aging and Aged and residents, agencies and organizations within Starke County to solve these problems and conduct pilot projects when indicated, to develop public awareness of the needs of the aging and other citizens in Starke County, and to assist those who may be sick, disabled or destitute.

BASIS OF ACCOUNTING

The financial statements of Community Services Of Starke County, Inc. have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

TAX STATUS

The Organization has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the internal Revenue Code as a tax-exempt organization. Accordingly, no accounting for federal or state income taxes is required in the accompanying financial statements.

SUPPORT AND REVENUE

The Organization receives grants from pass through agencies that originated with the State of Indiana (State) and the federal government to carry out certain program activities. The grants are received under contracts which require the Organization to submit appropriate records of services provided to eligible individuals. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Additionally, the Organization receives Medicaid funding. The Medicaid revenue is recognized as earned as eligible services are provided.

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.

COMMUNITY SERVICES OF STARKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and disclosures of 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.

FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization 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.

For the year ended December 31, 2008, the Organization did not have temporarily or permanently restricted assets.

IN-KIND CONTRIBUTIONS

The Organization has recorded in-kind contributions for professional services on the Statement of Activities in accordance with Statement of Financial Accounting Standards No. 116 (SFAS 116), *Accounting for Contributions Received and Contributions Made*. SFAS 116 requires that only contributions of services received which create or enhance non-financial assets or that require specialized skills by the individual possessing those skills, and would typically need to be purchased if not provided by donation be recorded. Of the \$55,621 of in-kind support and related expenses recorded in the Organization's Statement of Activities for the year ended December 31, 2008, contributed services meeting the requirement of SFAS 116 are \$414. The remaining \$55,207 recorded was for donated space and mileage. Donated goods and services of \$29,379 that did not meet the requirements of SFAS 116 were not recorded.

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable primarily consist of amounts due from pass through agencies for services provided under contracts. The Organization considers all amounts to be fully collectable. Accounts receivable at December 31, 2008, consisted of:

COMMUNITY SERVICES OF STARKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2 – ACCOUNTS RECEIVABLE (continued)

Kankakee-Iroquois Regional Planning Commission - Federal	\$ 21,010
Kankakee-Iroquois Regional Planning Commission - State	5,316
North Central Community Action Agency	6,396
Northwest Indiana Community Action Agency	16,898
Other	435
	\$ 50,055

NOTE 3 – PROPERTY AND EQUIPMENT

The Organization follows the practice of capitalizing all expenditures in excess of \$500 for property and equipment. Property and equipment are carried at cost and contributed property and equipment is recorded at fair value at the date of donation. The following is a summary of the useful lives for each class of asset:

Buildings and improvements	20 years
Equipment	3-10 years
Vehicles	3-5 years

When property is sold, retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is credited or charged to income. Expenditures for maintenance and repairs are expensed when incurred. Depreciation is recorded by the straight-line method over estimated useful lives of the assets. Depreciation expense for 2008 amounted to \$20,451.

The Organization's property and equipment are as follows at December 31, 2008:

Land	\$ 17,500
Building	16,500
Leasehold improvements	102,519
Furniture and equipment	79,657
Vehicles	11,257
	227,433
Less : Accumulated depreciation	(111,487)
Total	\$ 115,946

Vehicles for transportation services are acquired through the Kankakee-Iroquois Regional Planning Commission (KIRPC). Vehicles are acquired in accordance with the Federal Sec 5311 Rural Public Transit Program (Sec 5311). Sec 5311 requires the Organization to pay 20% of the vehicle cost. KIRPC retains the title to these vehicles for their useful life of 4 years or 100,000 miles. During this period the Organization records the 20% cost as prepaid lease expense amortized over the useful life. At the end of the vehicle's useful life, Sec 5311 obligates KIRPC to transfer title to the Organization. Transferred vehicles are recorded at

COMMUNITY SERVICES OF STARKE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 3 – PROPERTY AND EQUIPMENT (continued)

the fair market value at the time of transfer and depreciated with a useful life of 3 years. Fair market value is determined by the Kelley Blue Book trade-in value and is recorded as income on the statement of activities.

One vehicle was transferred to the Organization on July 15, 2008, at a fair market value of \$4,385.

NOTE 4 - CONCENTRATION OF CREDIT RISK AND MAJOR SOURCES OF REVENUE

Community Services Of Starke County, Inc. maintains cash balances at two financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization did not have any amounts that were over the insured limit at December 31, 2008.

NOTE 5 - STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS (SFAS) - NO. 144

SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*," requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 144 has not materially affected the Organization's net change in unrestricted net assets, statement of financial position or statement of cash flows.

NOTE 6 – PRIOR PERIOD ADJUSTMENTS

During the audit for the year ended December 31, 2008, it was noted that land donated in a prior year was not recorded. The effect of this adjustment is to increase beginning net assets and property and equipment by \$4,500.

In addition, it was noted that accrued vacation reported at December 31, 2007 was understated by \$5,678. The effect of this adjustment is to decrease beginning net assets and increase beginning accrued vacation by \$5,678.



July 16, 2009

Management and the Board of Directors
of Community Services of Starke County, Inc.
311 E. Culver Road
Knox, IN 46534

Ladies and Gentlemen:

We have completed our audit of the financial statements for the year ended December 31, 2008. Professional standards require that we advise you of the following matters relating to our recently concluded audit. The matters discussed herein are those that we have noted as of July 16, 2009, and we have not updated our procedures regarding these matters since that date to the current date.

Responsibilities under generally accepted auditing standards

As stated in our engagement letter dated April 2, 2009, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America ("US GAAS") established by the Auditing Standards Board of the American Institute of Certified Public Accounts. Our responsibility, as prescribed by US GAAS, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Accordingly, there is some risk that a material misstatement of the financial statements would remain undetected. Although not absolute assurance, reasonable assurance is, nevertheless, a high level of assurance. However, an audit is not designed to detect error or fraud that is immaterial to the financial statements.

In accordance with US GAAS, we are required to communicate to you fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements. We are also required to ensure that you are adequately informed about potential illegal acts that come to our attention, unless the matter is clearly inconsequential. We are not aware of any fraud or potential illegal acts that would cause a material misstatement of the financial statements.

US GAAS also requires that we obtain a sufficient understanding of the Organization's internal control over financial reporting. However, such understanding is required for the purpose of planning the audit and determining our audit procedures and not to provide any assurance concerning such internal control or to identify internal control deficiencies.

Significant accounting policies

The significant accounting policies used by the Organization are described in Note 1 to the financial statements. During the year, the Organization did not adopt or change any significant accounting policies or principles. Also, we noted no significant unusual transactions, or other significant transactions in controversial or emerging areas for which there is a lack of authoritative accounting guidance or consensus.

Particularly sensitive accounting estimates

Accounting estimates, based upon management's judgments, are an integral part of an entity's financial statements. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of the significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. During our audit we noted no calculations that we would consider to be particularly sensitive.

Significant audit adjustments

For purposes of this letter, US GAAS define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The definition includes adjustments that were not recorded by the Organization because they are not material to the current financial statements but might be potentially material to future financial statements.

We proposed no corrections to the financial statements that could, in our judgment, either individually or in the aggregate, have a significant effect on the Organization's financial statements.

Disagreements with management

For purposes of this letter, US GAAS define a disagreement with management as a disagreement, whether or not satisfactorily resolved, concerning a financial accounting, reporting, or auditing matter that could be significant to the Organization's financial statements or the auditors' report thereon. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation by management with other accountants

We are not aware of any consultations by management with other accountants during the year about auditing or accounting matters.

Major issues discussed with management prior to our retention

No major issues were discussed with management prior to our being retained as auditors for the current fiscal year, including the application of generally accepted accounting principles or US GAAS.

Difficulties encountered in performing the audit

We encountered no significant difficulties in performing our audit.

Should you desire further information concerning these or other matters relating to our audit, we will be happy to meet with you at your convenience.

This letter is intended solely for the information and use of the Board of Directors and management of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Comer, Nowling And Associates, P. C.

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To the Board of Directors and Management
Community Services of Starke County, Inc.
Knox, IN

In planning and performing our audit of the financial statements of Southeast Community Services, Inc. as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Community Services of Starke County, Inc.'s internal control over financial reporting (internal control) 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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined below.

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 deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

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.

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.

* * * * *

We wish to thank your Executive Director and her staff for their full support and assistance during our audit.

This communication is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Comer, Nowling And Associates, P.C.

Indianapolis, Indiana

July 16, 2009