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October 17, 2013

Board of Directors
Cass County Council on Aging, Inc.
115 South 6th Street
Logansport, IN 46947

We have reviewed the audit report prepared by Rea Logan & Associates, Independent Public Accountants, for the period January 1, 2009 to December 31, 2009. 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 Cass County Council on Aging, Inc., as of December 31, 2009, 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.

We call your attention to the findings in the report. The Schedule of Findings and Questioned Costs includes two findings concerning internal control and compliance for Federal program entitled Formula Grants for Other Than Urbanized Areas (CFDA 20.509). These two findings concern the chart of accounts not adequately separating operating administrative and capital costs for this Federal program. The Summary Schedule of Prior Findings still lists the following findings as not being fully corrected: 2006-1, 2006-2, 2007-1, 2007-2, 2008-1, and 2008-2

STATE BOARD OF ACCOUNTS

**CASS COUNTY COUNCIL ON AGING, INC.
LOGANSPOUR, INDIANA**

FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

**CASS COUNTY COUNCIL ON AGING INC.
LOGANSPOUR, INDIANA**

FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

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INDEPENDENT AUDITOR'S REPORT

**TO THE BOARD OF DIRECTORS
CASS COUNTY COUNCIL ON AGING, INC.
Logansport, Indiana**

We have audited the accompanying statements of financial position of Cass County Council on Aging, Inc. as of December 31, 2009 and 2008, and the related statements of activities, functional expenses, 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 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 the 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 Cass County Council on Aging, Inc. as of December 31, 2009 and 2008, 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 17, 2010, on our consideration of Cass County Council on Aging, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Cass County Council on Aging, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the 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 financial statements taken as a whole.

Rea Logan & Co., LLC

Certified Public Accountants

Peru, Indiana

December 17, 2010

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CASS COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

	<u>ASSETS</u>	
	<u>2009</u>	<u>2008</u>
CURRENT ASSETS:		
Cash	\$ 1,093	\$ 4,324
Accounts receivable	204,585	252,217
Investments	2,251	2,235
Prepaid insurance	12,138	12,998
	<hr/>	<hr/>
Total Current Assets	220,067	271,774
	<hr/>	<hr/>
FIXED ASSETS:		
Building	252,756	252,756
Land	150,000	150,000
Office equipment	23,512	18,800
Vehicles	272,247	78,400
	<hr/>	<hr/>
Less accumulated depreciation	698,515	499,956
	112,455	65,600
	<hr/>	<hr/>
Total Fixed Assets	586,060	434,356
	<hr/>	<hr/>
TOTAL ASSETS	\$ 806,127	\$ 706,130
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Line of credit	75,000	50,000
Note payable	30,573	10,302
Accounts payable	88,539	40,933
Accrued vacation	24,381	30,418
Payroll taxes and other withholdings	31,368	6,673
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	249,861	138,326
	<hr/>	<hr/>
NET ASSETS:		
Unrestricted	556,266	567,804
	<hr/>	<hr/>
Total Net Assets	556,266	567,804
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 806,127	\$ 706,130
	<hr/> <hr/>	<hr/> <hr/>

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

CASS COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
REVENUES AND OTHER SUPPORT:		
Federal - Section 5311	\$ 461,897	\$ 483,775
Federal - Section 5311 - Vehicle Grant	152,000	-
State - public mass transit	270,381	273,525
Title III-B	25,434	25,431
Medicaid	81,912	75,117
Cass County Commissioners	10,860	10,860
United Way of Cass County	41,000	38,519
Service fees	172,327	168,474
Project income	98,726	113,854
Special events	25,315	31,803
Donations	5,929	11,332
Rent	3,522	3,955
Interest	291	358
Other income	8,519	15,650
Nutrition	30,779	11,499
	<u>1,388,892</u>	<u>1,264,152</u>
TOTAL REVENUES AND OTHER SUPPORT		
	<u>1,388,892</u>	<u>1,264,152</u>
EXPENSES:		
Transportation	1,198,362	1,100,433
Recreation	106,915	67,539
Nutrition	95,153	48,243
	<u>1,400,430</u>	<u>1,216,215</u>
TOTAL EXPENSES		
	<u>1,400,430</u>	<u>1,216,215</u>
INCREASE (DECREASE) IN NET ASSETS	(11,538)	47,937
NET ASSETS - beginning of year	<u>567,804</u>	<u>519,867</u>
NET ASSETS - end of year	<u>\$ 556,266</u>	<u>\$ 567,804</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

CASS COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

2009

	<u>Transportation</u>	<u>Recreation</u>	<u>Nutrition</u>	<u>Totals</u>
Salaries and wages	\$ 671,605	\$ 65,328	\$ 50,756	\$ 787,689
Payroll taxes and fringes	58,167	5,690	4,102	67,959
Advertising	6,844	294	221	7,359
Building maintenance	13,510	647	1,644	15,801
Conferences and training	409	300	-	709
Depreciation	41,570	2,980	2,305	46,855
Dues and subscriptions	567	-	-	567
Equipment	-	-	-	-
Insurance	126,750	672	504	127,926
Interest	5,814	-	-	5,814
Nutrition	-	-	32,916	32,916
Other costs	26,787	3,124	1,507	31,418
Professional fees	29,818	120	-	29,938
Recreational trips	-	26,164	-	26,164
Supplies and materials	9,803	403	302	10,508
Taxes	-	-	-	-
Telephone and postage	5,943	238	179	6,360
Utilities	25,058	955	717	26,730
Vehicle maintenance	174,245	-	-	174,245
Vehicle supplies	1,472	-	-	1,472
Total Expenses	<u>\$ 1,198,362</u>	<u>\$ 106,915</u>	<u>\$ 95,153</u>	<u>\$ 1,400,430</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

2008

	<u>Transportation</u>	<u>Recreation</u>	<u>Nutrition</u>	<u>Totals</u>
Salaries and wages	\$ 639,937	\$ 27,524	\$ 20,644	\$ 688,105
Payroll taxes and fringes	59,987	2,580	1,935	64,502
Advertising	3,785	-	-	3,785
Building maintenance	15,396	-	-	15,396
Conferences and training	62	-	-	62
Depreciation	16,568	1,671	-	18,239
Dues and subscriptions	440	-	-	440
Equipment	6,521	-	115	6,636
Insurance	75,471	-	-	75,471
Interest	4,668	-	-	4,668
Nutrition	-	-	25,060	25,060
Other costs	20,079	7,016	-	27,095
Professional fees	15,134	651	489	16,274
Recreational trips	-	28,097	-	28,097
Supplies and materials	9,834	-	-	9,834
Taxes	-	-	-	-
Telephone and postage	5,304	-	-	5,304
Utilities	19,524	-	-	19,524
Vehicle maintenance	45,361	-	-	45,361
Vehicle supplies	162,362	-	-	162,362
Total Expenses	\$ 1,100,433	\$ 67,539	\$ 48,243	\$ 1,216,215

CASS COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from contributions, grants, programs and miscellaneous	\$ 1,338,601	\$ 1,294,661
Cash paid to suppliers and employees	(1,183,005)	(1,243,608)
Interest paid	(5,814)	(4,668)
Interest income	291	358
	<u>150,073</u>	<u>46,743</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(198,559)	(34,800)
Purchases of investments	(16.00)	(94)
	<u>(198,575)</u>	<u>(34,894)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable and line of credit	70,000	6,449
Principal payments on note payable	(24,729)	(28,708)
	<u>45,271</u>	<u>(22,259)</u>
DECREASE IN CASH	(3,231)	(10,410)
CASH AT BEGINNING OF YEAR	<u>4,324</u>	<u>14,734</u>
CASH AT END OF YEAR	<u>\$ 1,093</u>	<u>\$ 4,324</u>
RECONCILIATION OF CHANGE IN NET ASSETS PROVIDED BY BY OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (11,538)	\$ 47,937
Adjustments to reconciled change in net cash provided by operating activities:		
Depreciation	46,855	18,239
Decrease (increase) in accounts receivable	47,632	30,867
Decrease (increase) prepaid expenses	860	(1,086)
Increase (decrease) in accounts payable	47,606	(48,744)
Increase (decrease) in accrued payroll and payroll taxes	18,658	(470)
	<u>161,611</u>	<u>(1,194)</u>
Net Cash Provided by Operating Activities	<u>\$ 150,073</u>	<u>\$ 46,743</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

CASS COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization - Cass County Council on Aging, Inc. exists to assist, encourage, monitor, and develop comprehensive and coordinated services for older individuals, within Cass County.

The significant accounting policies followed by Cass County Council on Aging, Inc. are:

Basis of Accounting - The financial statements of Cass County Council on Aging, Inc. have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation - 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.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect the reported amounts 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.

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

Accounts Receivable - Accounts receivable are reported at the amount management expects to collect on balances outstanding at year end. A provision for doubtful accounts has not been established, as management considers all accounts to be collectible based on a favorable history over a substantial period of time.

In-kind Contributions - In-kind contributions are recorded at fair market value and recognized in the accounting period when they are received.

Donated Services - Donated audit fees of \$3,296 have been reflected in the financial statements at December 31, 2009. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. The value of this contributed time is not reflected in the accompanying financial statements since the volunteer's time does not meet the criteria for recognition.

Restricted and Unrestricted Revenue and Support - Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. At December 31, 2009 and 2008 there were no temporary or permanently restricted net assets.

See Independent Auditor's Report.

CASS COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1 - Accounting Policies (continued):

Fixed Assets - Purchases of property and equipment in excess of \$1,000 are recorded at cost. Gifts or contributions of property and equipment are recorded at the asset's fair market value at the time received. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets: 5 years for office equipment, and 100,000 miles which approximates 5 years for vehicles. When items are disposed of, the cost and accumulated depreciation are eliminated from the records of account, and a gain or loss is reported in the change in net assets. Repair and maintenance charges that do not increase the useful lives of the assets are charged to the change in net assets as incurred.

Income Taxes - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, a Form 990, Return of Organization Exempt from Income Tax, is required to be filed each year. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization complies with other Internal Revenue reporting requirements regarding contributions received, payroll, and payments to independent contractors.

The Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Advertising Costs - The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expense for the years ended December 31, 2009 and 2008 was \$7,359 and \$3,785, respectively.

NOTE 2 - Operating Lease:

The Organization has a five year noncancellable operating lease for a copier that began August 1, 2008. The Organization is required to pay all executory costs such as maintenance and insurance. Lease expenses for the years 2009 and 2008, were \$1,944 and \$810, respectively.

Total lease payments required in the next five years are: \$1,944, 2010; \$1,944, 2011; \$1,944, 2012; \$1,134, 2013; and none, 2014.

NOTE 3 - Contingencies:

The Organization is the defendant in a suit brought against them in 2010 by a former director. At the date of these financial statements the results of an arbitration hearing have not been settled.

NOTE 4 - Line of Credit:

The Organization had a \$75,000 and \$50,000 line of credit with a bank in Logansport at December 31, 2009 and 2008, respectively. The balance at December 31, 2009 and 2008 was \$75,000 and \$50,000, respectively. All business assets are pledged as collateral. The interest rate was 2% over the Wall Street Journal prime rate.

See Independent Auditor's Report.

CASS COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 5 – Note Payable:

The Organization has a note payable that originated May 14, 2009 for \$45,000. All business assets are pledged as collateral. The note carries a fixed rate of interest of 6.9% for eighteen months ending December 1, 2010. Monthly payments are \$2,640 including interest.

Principal payments are all due in the next year and are as follows: 2010, \$30,573.

NOTE 6 - Subsequent Events:

Subsequent events were evaluated through December 17, 2010, which is the date the financial statements were available to be issued. Subsequent events as of the date of these financial statements are as follows:

Under a 5311 Capital Grant Agreement through the American Recovery and Reinvestment Act (AARA) of 2009, the Organization is to receive funds of \$852,214 from AARA from the State of Indiana, acting through its Department of Transportation, Office of Transit, for construction of a new transit facility in Cass County, City of Logansport, Indiana. The term of the agreement is to run April 1, 2010 through April 1, 2013. The Organization has been given authorization to begin spending on the project.

NOTE 7 - Investments:

Investments are reported at fair market value on the statements of financial position. The Organization holds one certificate of deposit with an eighteen month maturity, earning one-percent interest. The fair market value of the investment was \$2,251 and \$2,235 at December 31, 2009 and 2008, respectively.

NOTE 8 - Concentrations of Support and Revenue:

Transportation income is concentrated at ninety-four percent of the Organization's total revenue and other support. Federal and state transit funding and other support from Medicaid, project fees and indirect income are sustaining the entire operation of the Organization, which includes its senior activities and nutrition programs.

CASS COUNTY COUNCIL ON AGING, INC.
SUMMARY SCHEDULE OF PRIOR FINDINGS
YEARS ENDED DECEMBER 31, 2009 AND 2008

2006-1 All grant programs for year ended December 31, 2006.

Condition: The Council's chart of accounts does not adequately separate operating, administrative and capital costs for the transit system program. Personal activity reports or equivalent documentation are not being maintained for employees that work on multiple activities. An effective indirect cost allocation plan does not exist.

Recommendation: The Council needs to take immediate steps to redesign their chart of accounts, create an indirect allocation plan and properly document personal activity records.

Current Status: The chart of accounts was somewhat redesigned but not completely implemented. The indirect allocation plan was submitted to the State but approval has not been sent back. The personal activity records now adequately document the time spent on programs.

2006-2 Section 5311 Grant Reporting.

Condition: Reports filed with the Indiana Department of Transportation do not have adequate documentation supporting the calculations needed to complete the reports.

Recommendation: The reports need to have adequate documentation supporting the calculations needed to complete the reports. A second individual needs to approve the report.

Current Status: The Grantee has made some progress in preparing adequate reports but the expense side is still not accurately documented. No one is approving or reviewing the reports before submission.

2007-1 All grant programs for year ended December 31, 2007.

Condition: The Council's chart of accounts does not adequately separate operating, administrative and capital costs for the transit system program. Personal activity reports or equivalent documentation are not being maintained for employees that work on multiple activities. An effective indirect cost allocation plan does not exist.

Recommendation: The Council needs to take immediate steps to redesign their chart of accounts, create an indirect allocation plan and properly document personal activity records.

Current Status: The chart of accounts was somewhat redesigned but not completely implemented. The indirect allocation plan was submitted to the State but notification of approval has not been received.

CASS COUNTY COUNCIL ON AGING, INC.
SUMMARY SCHEDULE OF PRIOR FINDINGS (CONT.)
YEARS ENDED DECEMBER 31, 2009 AND 2008

2007-2 Section 5311 Grant Reporting.

Condition: Reports filed with the Indiana Department of Transportation do not have adequate documentation supporting the calculations needed to complete the reports.

Recommendation: The reports need to have adequate documentation supporting the calculations needed to complete the reports. A second individual needs to approve the report.

Current Status: The Grantee has made some progress in preparing adequate reports but the expense side is still not accurately documented. No one is approving or reviewing the reports before submission.

2008-1 All grant programs for year December 31, 2008.

Condition: The Council's chart of accounts does not adequately separate operating, administrative and capital cost for the transit system program.

Recommendations: The Council needs to take immediate steps to redesign their chart of accounts, create an indirect allocation plan and properly document personal activity records.

Current Status: The chart of accounts and accounting processing functions are being redesigned by a new business office director. The new director is coordinating with INDOT officials to ascertain approval dates for the 2007 submission of the indirect cost allocation plan.

2008-2 Grant EDS # A249-8-320312 – Year ended December 31, 2008

Condition and Criteria: The Council's chart of accounts does not adequately separate operating, administrative and capital costs for the transit system program. Personal activity reports or equivalent documentation are not being maintained for employees that work on multiple activities. An effective indirect cost allocation does not exist. Grant documents require a chart of accounts that allow the separation of operating, administrative and capital costs; support for employee cost allocation and an indirect cost allocation plan that is approved by the Indiana Department of Transportation (INDOT).

Recommendation: The quarterly reports need to have adequate documentation supporting the calculations needed to complete the reports. A second individual needs to approve the report.

Current Status: The Grantee, under the leadership of a new director, is in the process of correcting its chart of accounts, getting an indirect cost allocation plan approved by INDOT and documenting the personal activity for employees that work on multiple activities.



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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
CASS COUNTY COUNCIL ON AGING, INC.
Logansport, Indiana**

We have audited the financial statements of Cass County Council on Aging, Inc. (a non-profit organization) as of and for the year ended December 31, 2009 and have issued our report thereon dated December 17, 2010. 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 Cass County Council on Aging, Inc.'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 Cass County Council on Aging, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material deficiency* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness at item 2009-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cass County Council on Aging, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

**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 (CONTD')**

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2009-2.

We noted certain other matters that we reported to management of Cass County Council on Aging, Inc. in a separate letter dated December 17, 2010.

Cass County Council on Aging, Inc.'s responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Cass County Council on Aging, Inc.'s responses and, accordingly, express no opinion on them.

This report is intended solely for the information and use of the management, the board of directors, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rea Logan & Co., LLC

Peru, Indiana
December 17, 2010



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

**TO THE BOARD OF DIRECTORS
CASS COUNTY COUNCIL ON AGING, INC.
Logansport, Indiana**

Compliance

We have audited the compliance of Cass County Council on Aging, Inc. (a nonprofit 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 each of its major federal programs for the year ended December 31, 2009. Cass County Council on Aging, Inc.'s major federal programs are identified 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 each of its major federal programs is the responsibility of Cass County Council on Aging, Inc.'s management. Our responsibility is to express an opinion on Cass County Council on Aging, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining on a test basis, evidence about Cass County Council on Aging, Inc.'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 of Cass County Council on Aging, Inc.'s compliance with those requirements.

As described in item 2009-2 in the accompanying schedule of findings and questioned costs, Cass County Council on Aging, Inc. did not comply with requirements regarding maintaining a chart of accounts that adequately separate operating, administrative and capital costs; personal activity reports or equivalent documentation for employees that work on multiple activities that are applicable to its Section 5311 program. Compliance with such requirements is necessary, in our opinion, for Cass County Council on Aging, Inc. to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Cass County Council on Aging, Inc. complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of Cass County Council on Aging, Inc. is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered Cass County Council on Aging, Inc.'s internal control over compliance with the requirements that

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONT'D)**

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, but not for the purpose of expressing an opinion on the compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of Cass County Council on Aging, Inc.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses in internal control over compliance and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs at items 2009-1 and 2009-2 to be material weaknesses.

Cass County Council on Aging, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Cass County Council on Aging, Inc.'s response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rea Logan & Co., LLC

Peru, Indiana

December 17, 2010

CASS COUNTY COUNCIL ON AGING, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTER/PROGRAM CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
Passed through from Indiana Department of Transportation: Section 5311	20.509	\$613,897
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed through from Area Five Agency on Aging & Community Services, Inc. Title II of the Older Americans Act	93.044	<u>25,434</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$639,331</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

CASS COUNTY COUNCIL ON AGING, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Cass County Council on Aging, Inc. and is presented on the accrual basis of accounting. The information in the 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.

CASS COUNTY COUNCIL ON AGING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? Yes

Reportable conditions identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over major programs:

Material Weaknesses identified? Yes

Reportable conditions identified that are not considered to be material weaknesses? No

Type of auditor's report issued on compliance for major programs:

<u>CFDA Number</u>	<u>Name of Program</u>	<u>Type of Report</u>
20.509	Section 5311	Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Major programs:

<u>CFDA Number</u>	<u>Name of Program</u>
20.509	Section 5311

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? No

CASS COUNTY COUNCIL ON AGING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING

2009-1 All grant programs for year December 31, 2009.

Condition: The Council's chart of accounts does not adequately separate operating, administrative and capital costs for the transit system program. Personal activity reports or equivalent documentation are now being maintained for employees that work on multiple activities but not adequately separated in the general ledger. An effective indirect cost allocation plan does not exist.

Criteria: Grant documents require a chart of accounts that allow the separation of operating, administrative and capital costs; support for employee cost allocation and an indirect cost allocation plan that is approved by the Indiana Department of Transportation (INDOT).

Effect: Grantee could lose their funding due to noncompliance.

Cause: Grantee is aware that their chart of accounts is consistently out of compliance, and has insisted the executive director bring about corrective actions. No corrective actions were taken by the executive director.

Recommendation: The Council needs to take immediate steps to implement the redesign of their chart of accounts, implement the indirect allocation plan and allocate expenses based on the personal activity records.

Response: A new director replaced the former director who was terminated by board vote on July 19, 2010. The cost allocation plan was submitted to INDOT in October 2007 but has not received notification of being approved. The new director is making steady progress in upgrading the accounting system and is maintaining coordinating efforts with the INDOT for approval of an indirect cost allocation plan. The new director will have completed an overhaul of the deficient chart of accounts and cost allocation plan by September 1, 2011.

FINDINGS – COMPLIANCE AND OTHER MATTERS

U.S. DEPARTMENT OF TRANSPORTATION, Section 5311- CFDA No. 20.509

2009-2 Grant No. 18027210 – Year ended December 31, 2009

Condition and Criteria: The Council's chart of accounts does not adequately separate operating, administrative and capital costs for the transit system program. Personal activity reports or equivalent documentation are not being maintained for employees that work on multiple activities. An effective indirect cost allocation plan does not exist. Grant documents require a chart of accounts that allow the separation of operating, administrative and capital costs; support for employee cost allocation and an indirect cost allocation plan that is approved by the Indiana Department of Transportation (INDOT).

Effect: Grantee could lose their funding due to noncompliance.

CASS COUNTY COUNCIL ON AGING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2009

Cause: Grantee was aware that their chart of accounts was not compliant, and that that the indirect cost allocation had to be approved by INDOT. The indirect cost allocation plan was submitted to INDOT in October of 2007 and has yet to be approved.

Population and Items Tested: All quarterly reports totaling \$613,897 were selected for audit. Report totals were without support for quarterly totals submitted to INDOT.

Auditor's Recommendation: The annual report needs to have adequate documentation supporting the calculations needed to complete the report. A second individual needs to approve the report.

Grantee Response: Under a new director as of July 19, 2010, the Grantee is still in the process of correcting its chart of accounts, getting an indirect cost allocation plan approved by INDOT, and allocating the expenses for the employees that work on multiple activities.