



STATE OF INDIANA
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June 4, 2009

Board of Directors
Fulton County Council on Aging, Inc.
625 Pontiac St.
Rochester, IN 46975

We have reviewed the audit report prepared by Rea Logan & Co., Inc., Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. 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 Fulton County Council on Aging, Inc., as of December 31, 2007, 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 management letter contains five comments.

STATE BOARD OF ACCOUNTS

FULTON COUNTY COUNCIL ON AGING, INC.
ROCHESTER, INDIANA

REPORT ON AUDIT
OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2007

FULTON COUNTY COUNCIL ON AGING, INC.
ROCHESTER, INDIANA

REPORT ON AUDIT
OF FINANCIAL STATEMENTS

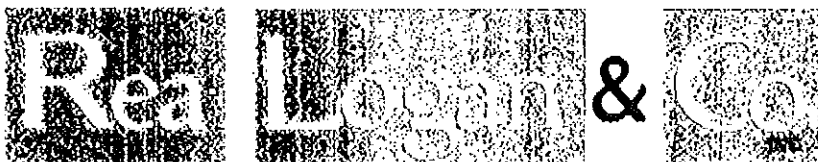
FOR THE YEAR ENDED
DECEMBER 31, 2007

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CERTIFIED PUBLIC ACCOUNTANTS

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Member of American Institute and Indiana CPA Society

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS
FULTON COUNTY COUNCIL ON AGING, INC.
Rochester, Indiana

We have audited the accompanying statement of assets, liabilities and net assets – cash basis of Fulton County Council on Aging, Inc. (a nonprofit organization) as of December 31, 2007, and the related statement of revenue and expenses – cash basis, and functional expenses – cash basis for the year then ended. These financial statements are the responsibility of Fulton County Council on Aging, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2006 financial statements and, in our report dated August 8, 2007 we expressed an unqualified opinion on those financial statements.

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 our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Fulton County Council on Aging, Inc. as of December 31, 2007, and its revenue and expenses for the year then ended, on the basis of accounting described in Note 1.

Rea Logan & Co., Inc.
Certified Public Accountants

Peru, Indiana
December 3, 2008

FULTON COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
DECEMBER 31, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
CURRENT ASSETS:		
Cash in bank -business checking	\$ 71,716	\$ 52,528
Cash in bank -senior volunteer checking	3,866	2,784
Cash in money market	34,754	32,932
Petty cash	100	-
Total Cash	<u>110,436</u>	<u>88,244</u>
Certificates of deposit	<u>19,181</u>	<u>17,984</u>
Total Current Assets	<u>129,617</u>	<u>106,228</u>
PROPERTY AND EQUIPMENT:		
Office equipment	3,015	-
Vehicles	<u>23,303</u>	<u>10,363</u>
	26,318	10,363
Less accumulated depreciation	<u>7,867</u>	<u>4,145</u>
Total Property and Equipment	<u>18,451</u>	<u>6,218</u>
TOTAL ASSETS	<u>\$ 148,068</u>	<u>\$ 112,446</u>

LIABILITIES AND NET ASSETS

NET ASSETS:		
Unrestricted	\$ 144,303	\$ 112,446
Temporarily restricted	<u>3,765</u>	<u>-</u>
TOTAL NET ASSETS - Exhibit B	<u>\$ 148,068</u>	<u>\$ 112,446</u>

FULTON COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF REVENUES, EXPENSES AND NET ASSETS - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
REVENUES:		
City	\$ 7,000	\$ 7,000
County	7,000	7,000
Donations	6,084	635
Fare income	58,330	40,631
Foundation	4,265	-
Fund raising	8,954	8,675
Interest	3,071	1,650
Medicaid	65,713	48,794
Other income	11,252	3,458
PMTF	75,194	52,790
Section 5311	100,402	95,622
Special events and activities	1,318	934
Title IIIB	23,474	16,765
United Way	8,500	8,500
Retired seniors volunteer program	69,264	48,768
Total Revenues	<u>449,821</u>	<u>341,222</u>
EXPENSES:		
Advertising	2,755	1,456
Depreciation	3,721	2,073
Dues and subscriptions	315	160
Equipment	-	22
Fundraising expense	3,775	2,040
Insurance	21,856	19,627
Miscellaneous	1,503	308
Payroll taxes and benefits	16,262	16,461
Postage	1,206	1,155
Printing and reproduction	245	-
Professional fees	11,643	1,665
Rent	7,410	5,575
Repairs	1,410	984
Salaries and wages	212,581	173,324
Special events and activities	-	1,326
Supplies	5,802	4,824
Telephone	3,777	3,967
Travel	2,595	804
Vehicle operations	50,611	35,595
Retired seniors volunteer program	66,732	53,818
Total Expenses	<u>414,199</u>	<u>325,184</u>
EXCESS OF REVENUES OVER EXPENSES	35,622	16,038
NET ASSETS BEGINNING OF YEAR	112,446	96,408
NET ASSETS AT END OF YEAR - Exhibit A	<u>\$ 148,068</u>	<u>\$ 112,446</u>

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Exhibit C

FULTON COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF FUNCTIONAL EXPENSES - CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>Transportation</u>	<u>RSVP</u>	<u>Senior Activity</u>	<u>2007 Total</u>	<u>2006 Total</u>
Advertising	\$ 2,479	\$ -	\$ 276	\$ 2,755	\$ 1,456
Conference	-	1,055	-	1,055	-
Depreciation	3,349	-	372	3,721	2,072
Dues and subscriptions	284	-	31	315	160
Equipment	-	-	-	-	22
Fundraising	-	-	3,775	3,775	2,040
Insurance	19,670	588	2,186	22,444	20,216
Miscellaneous	1,351	-	150	1,501	8,574
Payroll taxes and benefits	14,636	2,650	1,626	18,912	19,382
Postage	1,086	473	121	1,680	1,368
Printing	221	-	25	246	-
Professional fees	10,477	-	1,164	11,641	1,665
Rent	6,669	1,690	741	9,100	7,226
Recognition	-	1,550	-	1,550	3,118
Repairs	1,269	-	141	1,410	984
Salaries and wages	191,323	34,637	21,258	247,218	207,276
Special events	-	16,914	-	16,914	1,326
Supplies	5,222	3,686	580	9,488	5,772
Telephone	3,399	1,426	380	5,205	5,174
Travel	2,335	2,063	260	4,658	1,758
Vehicle operations	50,611	-	-	50,611	35,595
Total Expenses	\$ 314,381	\$ 66,732	\$ 33,086	\$ 414,199	\$ 325,184

FULTON COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

The Fulton County Council on Aging, Inc. was formed to provide services to senior citizens of Fulton County, Indiana. The Organization's programs are Transportation, Senior Activities, and the Retired Senior Volunteer Program.

NOTE 1 -- Accounting Policies:

The significant accounting policies followed by the Fulton County Council on Aging, Inc. are as follows:

- (a) **Basis of Accounting** – The Organization's policy is to prepare its financial statements on the cash basis of accounting. Under that basis, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when incurred. Depreciation of property and equipment, accruals for payroll taxes and related liabilities, and accrued interest on certificates of deposit are reported on the financial statements.
- (b) **Fixed Assets** – The Organization has adopted the policy of depreciating fixed assets on the straight-line method over estimated useful lives. Fixed assets are recorded at cost. Maintenance and repairs are expensed as incurred. Depreciation expenses for the years ended December 31, 2007 and 2006 were \$3,721 and \$2,072, respectively.
- (c) **Income Taxes** – The Organization is a not-for-profit organization exempt from federal and state income taxes under Code Section 501 (c) (3) of the Internal Revenue Code.
- (d) **Investments** – The Organization carries investments at market value.
- (e) **Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (f) **Basis of Presentation** – Financial statement presentation follows 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.
- (g) **Cash and Cash Equivalents** – For purposes of the statements of changes in cash, the Organization considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. Cash equivalents at December 31, 2007 and 2006 were \$34,754 and \$32,932, respectively, invested through a local brokerage firm in money market shares.
- (h) **Advertising** – The Organization's policy is to expense advertising costs as the costs are incurred. For the years ended December 31, 2007 and 2006 the Organization incurred advertising expenses of \$2,755 and \$1,456, respectively.

See Independent Auditor's Report.

FULTON COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

- (i) **Donated Services** – The Organization pays for most services requiring specific expertise. However, individuals and businesses volunteer their time and services to perform a variety of tasks that assist the Organization with specific programs, solicitations, and various committee assignments. In-Kind auditing services of \$4,765 and the value of volunteer contributed time are not reflected in the accompanying financial statements.

NOTE 2 – Disclosure about the Fair Value of Investments:

Unrestricted:	<u>Carrying Amount</u>	<u>Fair Value</u>
2007 Certificates of Deposit	\$19,181	\$19,181
2006 Certificates of Deposit	\$17,984	\$17,984

NOTE 3 – Rent:

The Organization leases its facilities from the City of Rochester, Indiana. The lease was entered into on November 15, 1993 and is renewable each year for the sum of \$550 per month. In September of 2007 the Organization entered an agreement with the City to lease additional space for an increase of \$150 per month, making lease payments to the City \$700 per month. Lease expense for the years ending December 31, 2007 and 2006 were \$7,050 and \$6,600, respectively.

NOTE 4 – Net Assets:

At December 31, 2007 net assets of the Organization were unrestricted and temporarily restricted. The Organization had no permanently restricted net assets at December 31, 2007 and 2006.

Temporarily restricted net assets of \$3,765 are in reserve at December 31, 2007. The Organization received a grant of \$4,265 from the Fulton County Community Foundation. These funds are for the purchase of a new copier. The Organization disbursed \$500 of those funds as down payment against a copier purchase for \$7,995. The copier is to be delivered in 2008, at which time the restriction will be lifted from the remaining funds and applied to the final copier payment. There were no temporarily restricted net assets at December 31, 2006.

CERTIFIED PUBLIC ACCOUNTANTS



Member of American Institute and Indiana CPA Society

December 3, 2008

To the Board of Directors
Fulton County Council on Aging, Inc.
625 Pontiac Street
Rochester, IN 46975

In planning and performing our audit of the financial statements of the Fulton County Council on Aging, Inc. for the year ended December 31, 2007, we considered the Organization's internal control to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Organization's ability to initiate, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A **material weakness** is a reportable 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 errors or fraud 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.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not disclose all reportable conditions that are also considered to be material weaknesses as

Fulton County Council on Aging, Inc.

December 3, 2008

defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

Accounting Deficiencies

We discovered numerous accounting errors during the preplanning stage of the audit and while performing procedures on revenues, expenses, and net asset accounts. Also noted is the increased time required to perform the audit due to the required corrections that we posted while performing our audit procedures. Following is a list of accounting deficiencies, some of which are duplicated from past points to management:

Audit Adjustments: Adjustments derived from prior audits were not posted to the various accounts in the QuickBooks software. This meant that beginning account totals starting in the initial year of audit, which was January 1, 2007, were not in balance and required adjustment before we could begin the audit. Management should always insist upon receiving and then posting the audit adjustments from their auditors.

Incomplete Records: We discovered that your QuickBooks accounting did not include all monthly postings from January through July. A posting to unrestricted net assets and various asset accounts did not include monthly revenue and expenses for the months indicated. The adjustment was made in conjunction with setting up your new software and did not offer a cumulative record for audit purposes. Reliance on monthly report print outs from the old software enabled us to complete our procedures, yet the time requirement was lengthy and cumbersome. *Due to this deficiency your 2007 audit fees include an additional twenty (20) audit hours that exceed the standard audit time for an organization of your size.*

Capitalization Policy: A policy should be put in place by management and the board of directors that recognizes material purchases of assets with useful lives that exceed one year. These assets should be posted as fixed assets and depreciated over their estimated useful lives. Assets valued at over \$15,000 were directly expensed and not capitalized. A capitalization policy should be a

Fulton County Council on Aging, Inc.

December 3, 2008

vital part of your Accounting Policies and Procedures Manual.

Accounting Policies and Procedures Manual: The board of directors and management should create and accounting policies and procedures manual. The written manual is necessary to ensure that transactions are treated in a standardized manner and that proper internal control exists in the accounting system. We recommend that operating guidelines for fiscal activities be prepared including a description of each fiscal procedure, such as invoice preparation, receiving cash, paying vendor invoices, payroll procedures, opening mail, banking deposits, and other necessary procedures. In a small organization the design of controls cannot be optimum due to a shortage in staffing, so mitigating controls must be put in place to decrease the risk of material errors and/or fraud in your financial statements.

Interest Income: We noted that you are posting interest from the interest bearing checking accounts, however, certificates of deposit interest and earnings from your Edward Jones brokerage statements are never recorded until an audit is completed. Organizations issue year end 1099-INT and 1099-DIV statements to report interest and dividends exceeding \$10 per year. Your Organization should maintain these issued forms in your records and utilize them to proof your posted balances at year end.

This report is intended solely for the information and use of the board of directors, finance committee, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Rea Logan & Co., Inc.