



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B34632

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

June 24, 2009

Board of Directors  
Newton County Council on Aging  
and Community Services, Inc.  
4117 S. 240 W. Ste. 100  
P.O. Box 140  
Morocco, IN 46303

We have reviewed the audit report prepared by Ondrovich & Associates, P.C., 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 Newton County Council on Aging and Community Services, 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.

STATE BOARD OF ACCOUNTS

Newton County Council on Aging and Community Services, Inc.  
Auditor's Report and Financial Statements  
December 31, 2007 & December 31, 2006

**TABLE OF CONTENTS**

<u>AUDITOR'S REPORT</u>	<u>1</u>
<u>STATEMENT OF FINANCIAL POSITION</u>	<u>2</u>
<u>STATEMENT OF ACTIVITIES</u>	<u>3</u>
<u>STATEMENT OF CASH FLOWS</u>	<u>4</u>
<u>NOTES TO FINANCIAL STATEMENTS</u>	<u>5 - 7</u>

Ondrovich  
&  
Associates, P.C.  
Certified Public Accountants

Richard A. Ondrovich, C.P.A.  
David M. Ondrovich, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To: Board of Directors  
Newton County Council on Aging and Community Services, Inc.  
Morocco IN

I have audited the accompanying statement of financial position of Newton County Council on Aging and Community Services, Inc. as of December 31, 2007 and December 31, 2006 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. 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 statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Newton County Council on Aging and Community Services, Inc., as of December 31, 2007 and December 31, 2006 and the results of its operations and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

October 28, 2008



Ondrovich & Associates, P.C.  
Certified Public Accountants

**Newton County Community Services, Inc.**  
**Statement of Financial Position**  
**For the Years Ended December 31, 2007 and December 31, 2006**

**ASSETS**

	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 17,410	\$ 37,343
Accounts receivable	154,493	114,111
Prepaid insurance	0	3,697
Prepaid lease	<u>3,836</u>	<u>5,423</u>
<b>Total Current Assets</b>	<u>175,739</u>	<u>160,574</u>
<b>PROPERTY AND EQUIPMENT</b>		
<b>TOTAL ASSETS</b>	<u>\$ 175,739</u>	<u>\$ 160,574</u>

**LIABILITIES AND NET ASSETS**

	<u>2007</u>	<u>2006</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 10,698	\$ 10,018
Payroll liabilities	<u>0</u>	<u>425</u>
<b>Total Current Liabilities</b>	<u>10,698</u>	<u>10,442</u>
<b>LONG-TERM LIABILITIES</b>		
<b>Total Long-Term Liabilities</b>	<u>0</u>	<u>0</u>
<b>Total Liabilities</b>	<u>10,698</u>	<u>10,442</u>
<b>Net Assets</b>		
Permanently Restricted	0	0
Temporarily Restricted	0	0
Unrestricted	<u>165,040</u>	<u>150,131</u>
<b>Total Net Assets</b>	<u>165,040</u>	<u>150,131</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 175,739</u>	<u>\$ 160,574</u>

See Independent Auditor's Report  
The accompanying notes are an integral part of this statement

**Newton County Community Services, Inc.**  
**Statement of Activities**

	December 31, 2007	%	December 31, 2006	%
<b>Support &amp; Revenue</b>				
Federal & state grant revenue	336,699	60.54	331,966	59.25
Program revenues	59,240	10.65	112,392	20.06
Direct public support	123,500	22.21	158,000	28.20
Interest	10	0.00	6	0.00
Local donations	21,565	3.88	11,227	2.00
Other revenues	15,111	2.72	648	0.12
	<hr/>		<hr/>	
<b>Total Support &amp; Revenue</b>	<b>556,125</b>	<b>100.00</b>	<b>614,239</b>	<b>109.64</b>
<b>Expenses</b>				
Salaries & wages	266,697	47.96	266,837	47.63
Payroll expense	494	0.09	3,403	0.61
Employee benefits	56,075	10.08	44,400	7.93
Employee recruitment & developme	2,032	0.37	583	0.10
Advertising	835	0.15	166	0.03
Vehicle operating expenses	0	0.00	834	0.15
Vehicle expense - fuel	42,234	7.59	42,644	7.61
Vehicle expense - maintenance	12,082	2.17	19,149	3.42
Bank fees & charges	0	0.00	573	0.10
Dues & subscriptions	0	0.00	40	0.01
Equipment rental & maintenance	741	0.13	324	0.06
Vehicle lease	1,591	0.29	926	0.17
Insurance	19,901	3.58	18,193	3.25
Professional & Technical fees	16,111	2.90	3,962	0.71
Meetings	0	0.00	556	0.10
Facility costs	22,921	4.12	10,759	1.92
Office expense	15,543	2.79	11,586	2.07
Telephone	9,672	1.74	12,831	2.29
Staff travel	10,504	1.89	9,551	1.70
Utilities	47,056	8.46	55,171	9.85
Program expenses	16,728	3.01	15,832	2.83
	<hr/>		<hr/>	
<b>Total Expenses</b>	<b>541,216</b>	<b>97.32</b>	<b>518,319</b>	<b>92.52</b>
<b>Other Expenses</b>				
Fraud losses	0	0.00	12,040	2.15
	<hr/>		<hr/>	
<b>Excess of Support &amp; Revenue over Expenses</b>	<b>\$ 14,909</b>	<b>2.68</b>	<b>\$ 83,879</b>	<b>14.97</b>
	<hr/>		<hr/>	
<b>Fund balance, beginning</b>	<b>\$ 150,131</b>		<b>\$ 66,252</b>	
<b>Fund balance, ending</b>	<b>\$ 165,040</b>		<b>\$ 150,131</b>	

See Independent Auditor's Report  
The accompanying notes are an integral part of this statement

**Newton County Community Services, Inc.**  
**Statement of Cash Flows**  
**For the Periods Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Net Income (loss)	\$ 14,909	\$ 83,879
Decrease (Increase) in Operating assets:		
Accounts Receivable	(40,382)	(65,916)
Prepaid expenses	5,284	2,042
Increase (Decrease) in Operating Liabilities		
Accounts Payable	680	(6,338)
Accrued Liabilities	(425)	-
Total Adjustments	<u>(34,843)</u>	<u>(70,212)</u>
Net Cash Provided By (Used in) Operating Activities	(19,934)	13,667
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net Cash Provided By (Used In) Investing Activities	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Cash Provided By (Used In) Financing Activities	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(19,934)	13,667
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>37,343</u>	<u>23,676</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 17,410</u>	<u>\$ 37,343</u>

See Independent Auditor's Report  
The accompanying notes are an integral part of this statement

**Newton County Council on Aging and Community Services, Inc.**  
**Notes to Financial Statements**  
**December 31, 2006**

**1. Organization:**

Newton County Council on Aging and Community Services, Inc. is a community based non-profit corporation organized in 1974. Their mission is to identify the problems of the aged and citizens in need in Newton County Indiana, to propose solutions to the problems identified, to work in conjunction with the state of Indiana and residents, agencies, and organizations within Newton 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 Newton County, and to assist those who may be sick, disabled or destitute.

**2. Accounting Policies**

These Financial Statements have been prepared in accordance with the Generally Accepted Accounting Principles in the United States of America. A summary of [client name]'s accounting policies are as follows:

Inventories:

Inventories are stated at the lower of cost or market, determined by the first-in first-out method.

Net Assets:

Net assets are reported separately for three classifications of net assets, if applicable, as follows: Unrestricted net assets represent net assets that are not restricted by donor-imposed stipulations. Temporarily restricted net assets represent the part of the net assets of the Organization resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) from other asset enhancements. Permanently restricted net assets represent the part of the net assets of the Organization resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

Use of Estimates:

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Areas where estimates are used in the accompanying financial statements include depreciable lives of fixed assets. Actual results could differ from those estimates.

**Newton County Council on Aging and Community Services, Inc.**  
**Notes to Financial Statements**  
**December 31, 2006**

Property, Plant and Equipment:

Property, Plant and equipment are carried at cost. Donated assets are recorded at their fair market values at the date of donation. Depreciation is calculated on the straight-line method over the useful lives of the assets. The organization's PP&E consists solely of office furniture with minimal to no value. These items are deemed to be immaterial to the organizations financial position and operations and are therefore not carried on the books.

Cash & Cash Equivalents

Cash and cash equivalents of the organization consist of deposit accounts held at FDIC insured financial institutions.

Income Taxes:

The Organization is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The agency is not classified as a private foundation.

Donated Materials and Services:

Donated materials and services, when received, are reflected as in-kind contributions with an identical amount included in the appropriate functional expense. Donated services are recorded as in-kind contributions and related expense at the time the service is rendered. The value of these services is determined based on the comparable compensation which would be paid to an individual if they were to occupy these positions. Volunteers generously donate time in capacities not requiring specialized skills and, as such, are not recognized in the financial statements.

**3. Fair Value of Financial Instruments**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and pledges receivable: Fair value approximates carrying value since initial maturities of the instruments are three months or less.

Investments: Fair values of investments are based on quoted market prices.

Mortgages payable: Fair value approximates carrying value since stated rates are similar to rates currently available to the Organization for debt with similar terms.

The estimated fair values of the Organization's financial instruments at December 31, 2006 are not materially different than the carrying values shown in the Statement of Financial Position.

**Newton County Council on Aging and Community Services, Inc.**  
**Notes to Financial Statements**  
**December 31, 2006**

**4. Vehicles**

Vehicles for transportation services 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 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, vehicles are transferred to the Newton County Commissioners and remain available to the Organization until the vehicle is deemed unfit for service.

**5. Risks**

The Organization receives a substantial amount of its revenues from two sources. For the fiscal years ended 12/31/2007 and 12/31/2006 the organization received 22.21% (\$123,500) and 28.2% (\$158,000) of revenues from the Newton County Commissioners and 32.5% (\$180,526) and 28.2% (\$172,997) of revenues through the section 5311 program for transportation services provided to the community respectively. Changes in funding from either may materially affect the operations and financial position of the organization.

**6. Significant Event**

During fiscal year 2006, it was learned that the former Executive Director (ED) misappropriated funds and assets of the organization. The former ED used the company's credit card and vehicles for personal use not approved by the board of directors and outside of the functions and purpose of the organization. The board of directors requested and received the former ED's resignation and is currently pursuing recovery of the misappropriated amounts. The organization additionally suffered from mismanagement by the former ED in 2005. The former ED failed to file the organization's tax returns and remit employment taxes resulting in penalties and cash shortfalls. To correct these errors, the organization's board of director's hired a new Executive Director, obtained additional funding from the Newton County Commissioners, and instituted new internal control measures.

**7. Related Party Transactions**

The organization is contracted with Geminus Corporation to provide eligibility and placement processing services for the Child Care and Development Fund (CCDF). This program, authorized by the Child Care and Development Block Grant Act, and Section 418 of the Social Security Act, assists low-income families, families receiving temporary public assistance, and those transitioning from public assistance in obtaining child care so they can work or attend training/education. During the period under audit and as of the financial statement date, a member of the organization's board of directors owned and operated a licensed child care facility accepting children from this program.