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June 26, 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 Ondrovich & Associates, PC, 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 Community Services of Starke County, 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 seven comments.

STATE BOARD OF ACCOUNTS

Community Services of Starke County, Inc.  
Auditor's Report and Financial Statements  
December 31, 2007 and December 31, 2006

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Ondrovich  
&  
Associates, P.C.  
Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

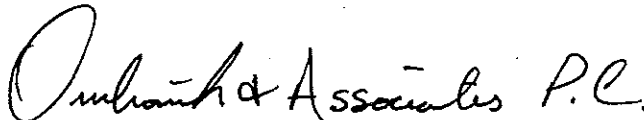
To: Board of Directors  
Community Services of Starke County, Inc  
Knox, Indiana

I have audited the accompanying statement of financial position of Community Services of Starke County, Inc as of December 31, 2007 and December 31, 2006 and the related statements of changes in financial position and cash flows for the years 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 Community Services of Starke County, 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 generally accepted accounting principles.

June 18, 2008



Ondrovich & Associates, P.C.  
Certified Public Accountants

**Community Services of Starke County, 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	\$ 207,018	\$ 239,491
Accounts receivable	36,641	56,559
Prepaid expense	<u>28,295</u>	<u>29,560</u>
<b>Total Current Assets</b>	<u>271,954</u>	<u>325,610</u>
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	97,050	97,050
Furniture & equipment	86,619	73,609
Vehicles	6,872	10,892
Less: Accumulated Depreciation	<u>(94,847)</u>	<u>(76,968)</u>
<b>Net Plant Property and Equipment</b>	<u>95,695</u>	<u>104,583</u>
<b>TOTAL ASSETS</b>	<u>\$ 367,649</u>	<u>\$ 430,194</u>

The accompanying notes are an integral part of this statement

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

**LIABILITIES AND NET ASSETS**

	<u>2007</u>	<u>2006</u>
<b>CURRENT LIABILITIES</b>		
Total Current Liabilities	0	0
<b>LONG-TERM LIABILITIES</b>		
Total Long-Term Liabilities	0	0
Total Liabilities	0	0
<b>NET ASSETS</b>		
Net Assets - Unrestricted	367,649	430,194
Net Assets - Temporarily restricted	0	0
Net Assets - Permanently restricted	0	0
Total Net Assets	367,649	430,194
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 367,649	\$ 430,194

The accompanying notes are an integral part of this statement

**Community Services of Starke County, Inc**  
**Statement of Activities**  
**As of December 31, 2007 and 2006**

	<u>2007</u>	%	<u>2006</u>	%
<b><u>Support &amp; Revenue</u></b>				
Federal grant revenue	\$ 267,450	50.84	\$ 275,592	48.15
State grant revenue	42,010	7.99	42,730	7.47
Public support	141,473	26.89	151,080	26.40
Interest	2,362	0.45	3,638	0.64
Donated vehicles	0	0.00	6,872	1.20
In-kind support	72,813	13.84	92,461	16.15
<b>Total support &amp; revenue</b>	<u>526,108</u>	<u>100.00</u>	<u>572,374</u>	<u>100.00</u>
<b>Expenses</b>				
Salaries & wages	274,544	52.18	269,100	47.01
Payroll expense	24,704	4.70	21,739	3.80
Employee benefits	55,492	10.55	34,533	6.03
Employee recruitment & development	2,188	0.42	3,174	0.55
Vehicle operating expenses	4,522	0.86	7,702	1.35
Vehicle expense - fuel	22,815	4.34	22,047	3.85
Depreciation	21,675	4.12	21,408	3.74
Dues & subscriptions	731	0.14	1,962	0.34
Equipment rental & maintenance	6,340	1.21	1,958	0.34
Vehicle lease	4,761	0.90	2,186	0.38
Insurance	18,704	3.56	18,783	3.28
Professional & Technical fees	8,773	1.67	7,615	1.33
Meetings	1,913	0.36	666	0.12
Facility costs	3,192	0.61	4,191	0.73
Office expense	6,183	1.18	5,314	0.93
Supplies	9,084	1.73	4,051	0.71
Postage & service charges	2,423	0.46	2,356	0.41
Printing & publications	1,841	0.35	987	0.17
Telephone	8,684	1.65	9,330	1.63
Staff travel	3,323	0.63	2,890	0.50
Utilities	12,549	2.39	13,320	2.33
Beneficiary food, medical, utilities & lifeline	24,175	4.60	24,356	4.26
Inkind expense	72,813	13.84	92,461	16.15
<b>Total Expenses</b>	<u>591,428</u>	<u>112.42</u>	<u>572,131</u>	<u>99.96</u>
<b>Ordinary Excess of support over expenses</b>	<u>(65,321)</u>	<u>12.42</u>	<u>243</u>	<u>(0.04)</u>
<b>Other Income/(Expense)</b>				
Gain/(Loss) on disposal of asset	2,776	(0.53)	(776)	0.14
<b>Total Other Income/(Expenses)</b>	<u>2,776</u>	<u>(0.53)</u>	<u>(776)</u>	<u>0.14</u>
<b>Excess of support &amp; revenue over expenses</b>	<u>(62,545)</u>	<u>(11.89)</u>	<u>(533)</u>	<u>(0.09)</u>
Net Assets, beginning	\$ 430,194		\$ 430,727	
Net Assets, ending	<u>\$ 367,649</u>		<u>\$ 430,194</u>	

The accompanying notes are an integral part of this statement

**Community Services of Starke County, Inc**  
**Statement of Cash Flows**  
**For the 12 months Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Net Income (loss)	\$ (62,545)	\$ (533)
Depreciation and Amortization	21,675	21,408
Losses (gains) on sales of fixed assets	(2,776)	776
Decrease (Increase) in Operating assets:		
Accounts Receivable	19,918	(5,727)
Prepaid expenses	1,266	(4,757)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	-	-
Accrued Liabilities	-	-
Total Adjustments	<u>40,083</u>	<u>11,699</u>
<b>Net Cash Provided By (Used in)</b> <b>Operating Activities</b>	<b>(22,462)</b>	<b>11,166</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital Expenditures	(13,010)	(6,872)
Proceeds from the sale of fixed assets	<u>3,000</u>	<u>-</u>
<b>Net Cash Provided By (Used in)</b> <b>Investing Activities</b>	<b>(10,010)</b>	<b>(6,872)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Net Cash Provided By (Used in)</b> <b>Financing Activities</b>	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH</b> <b>AND CASH EQUIVALENTS</b>	<b>(32,472)</b>	<b>4,294</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>239,491</u>	<u>235,197</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 207,018</u>	<u>\$ 239,491</u>

The accompanying notes are an integral part of this statement

**Community Services of Starke County, Inc**  
**Notes to Financial Statements**  
**December 31, 2007 and December 31, 2006**

**1. Organization**

Community Services of Starke County, Inc., is a community based non-profit corporation organized in 1977. Their mission is to identify the problems of the aged and citizens in need in Starke County, 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.

**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 Community Services of Starke County, Inc'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.

**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.

**Cash & Cash Equivalent**

Cash and cash equivalents of the organization consist of deposit accounts and certificates of deposit at local financial institutions.

**Community Services of Starke County, Inc**  
**Notes to Financial Statements**  
**December 31, 2007 and December 31, 2006**

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. Property and Equipment**

Property and Equipment at December 31, 2007 and December 31, 2006 consist of:

	<u>2007</u>	<u>2006</u>
Leasehold improvements	\$ 97,050.37	\$ 97,050.37
Furniture & equipment	86,619.27	73,609.00
Vehicles	6,872.00	10,892.00
	190,541.64	181,551.37
Less: Accumulated Depreciation	(94,847.00)	(76,968.00)
	\$ 95,694.64	\$ 104,583.37

Depreciation of Property and Equipment for the years ended December 31, 2007 and December 31, 2006 were 21,675.00 and 21,408.00

**4. 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, 2007 and 2006 are not materially different than the carrying values shown in the Statement of Financial Position.

**Community Services of Starke County, Inc**  
**Notes to Financial Statements**  
**December 31, 2007 and December 31, 2006**

**5. Vehicles**

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 Starke County Council on Aging, Inc. 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, Sec 5311 obligates KIRPC to transfer title to the Organization. Transferred vehicles are recorded at 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 April 13, 2006

<u>Year</u>	<u>Make</u>	<u>Model</u>	<u>VIN</u>	<u>FMV at 04/13/06</u>
1999	Dodge	Ram Van	2B6LB31Z9XK580092	\$6,872

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Certified Public Accountants

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

June 19, 2008

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

In planning and performing our audit of the financial statements of Community Services of Starke County, Inc., for the year ended 12/31/07, we considered the internal control structure in order to determine the necessary auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that might be of interest.

The following comments will have no bearing on our future audit work and are not suggestions that must be adopted by the Community Services of Starke County, Inc. They are for informational purposes only.

#### ASSETS

Maintaining the master list of assets belonging to Community Services of Starke County, Inc. is an important task. It is our opinion that all donated or purchased assets valued at less than \$500.00 should be recorded as an expense. All donated or purchased assets with a value exceeding \$500.00 should be capitalized. All donated assets with nominal value (under \$100.00) should not be recorded in the general ledger.

The Asset List is updated regularly by your staff with additions and deletions.

#### ACCOUNTS RECEIVABLE

Accounts Receivable should be recorded when billed. Any subsequent adjustments by your funding sources should be recorded by issuing a credit or debit memo or by an adjusting journal entry. Receipt of payment should result in a credit to the receivable.

#### INTERNAL CONTROL

During the course of an audit, an auditor evaluates the internal control structure of an organization. The auditor must inform management and the audit committee of any significant deficiency(ies) or material weakness(es) identified during the audit. The purpose of the audit, however, is to report on the financial statements and not to provide assurance on internal control. Therefore, no assurance is given of the internal control structure and the presence or lack of any such communication regarding significant

deficiencies and material weaknesses should not be interpreted as such. Internal control is the responsibility of management and the board of directors.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting, that is less severe than a material weakness yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

#### SEGREGATION OF DUTIES

This is a difficult area for non-profits because of their size. Continual monitoring of the system is important and aids in maintaining awareness by staff that improvements can be made. An active Treasurer and Finance Committee strengthen dramatically the internal control function in organizations with staffing limitations.

#### PAYROLL

Forms 941 are in agreement with Forms W-3 & W-2 and the general ledger.

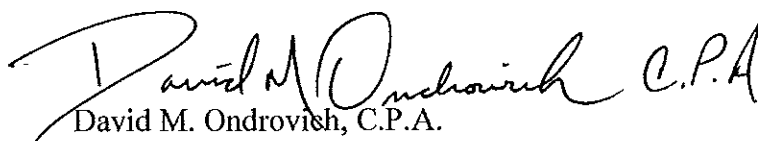
#### AUDIT ADJUSTMENTS

There were a total of 14 adjustments for the period under audit. It is not unusual with non-profits to have 15-20 adjusting journal entries.

#### COMPUTER PROGRAMS

Your current accounting software is sufficient for your needs. I will continue reviewing software for my non-profit clients with the hope that we can find programs suitable for your needs at an affordable price. Quick Books is being upgraded on a regular basis and I believe that future enhancements will improve the software to an acceptable level.

This letter is intended solely for the information and use of the Board of Directors and management. We found the staff to be most cooperative in assisting us in the audit and look forward to working with you in the future.



David M. Ondrovich, C.P.A.  
Ondrovich & Associates, P.C.  
Certified Public Accountants