B35190

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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November 24, 2009

Board of Directors
Cass County Council on Aging, Inc.
115 South 6th Street
Logansport, IN 46847

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 Cass 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. Page 9 contains the status of two prior audit findings. Pages 12 and 13 contain two current audit findings. The management letter contains five comments.

STATE BOARD OF ACCOUNTS

CASS COUNTY COUNCIL ON AGING, INC.
LOGANSPORT, INDIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

CASS COUNTY COUNCIL ON AGING INC.
LOGANSPORT, INDIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

CONTENTS

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, 2007 and 2006, 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, 2007 and 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2008, 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.

Rea Logan & Co., Inc.

Certified Public Accountants

Marion, Indiana
September 25, 2008

CASS COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

ASSETS

	2007	2006
CURRENT ASSETS:		
Cash	$ 14,734	$ 42,913
Accounts receivable	283,084	60,267
Investments	2,141	2,059
Prepaid insurance	11,912	11,912
Total Current Assets	311,871	117,151
FIXED ASSETS:		
Building	252,756	250,095
Land	150,000	150,000
Office equipment	5,000	5,000
Vehicles	57,400	38,576
	465,156	443,671
Less accumulated depreciation	47,361	31,190
Total Fixed Assets	417,795	412,481
TOTAL ASSETS	$ 729,666	$ 529,632

LIABILITIES AND NET ASSETS

	2007	2006
CURRENT LIABILITIES:		
Current maturity of long-term debt	$ 28,738	$ 26,559
Line of credit	43,551	-
Accounts payable	89,677	27,686
Accrued vacation	24,614	-
Payroll taxes and other withholdings	12,947	10,654
Total Current Liabilities	199,527	64,899
LONG-TERM LIABILITIES:		
Note payable	10,272	36,655
TOTAL LIABILITIES	209,799	101,554
NET ASSETS:		
Unrestricted	519,867	428,078
Total Net Assets	519,867	428,078
TOTAL LIABILITIES AND NET ASSETS	$ 729,666	$ 529,633

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, 2007 AND 2006

	2007		
	Unrestricted	**Temporarily Restricted**	**Total**
REVENUES AND OTHER SUPPORT:			
Federal - Section 5311	$ 425,856	$ -	$ 425,856
State - public mass transit	292,129	-	292,129
State - choice	60	-	60
Local - Veterans transport	895	-	895
Medicaid	89,483	-	89,483
Cass County Commissioners	10,860	-	10,860
United Way of Cass County	31,060	-	31,060
Service fees	252,825	-	252,825
Project income	106,715	-	106,715
Special events	20,307	-	20,307
Donations	13,536	-	13,536
Rent	4,283	-	4,283
Interest	261	-	261
Other income	11,734	-	11,734
Nutrition	9,593	-	9,593
TOTAL REVENUES AND OTHER SUPPORT	1,269,597	-	1,269,597
EXPENSES:			
Transportation	1,069,758	-	1,069,758
Recreation	60,265	-	60,265
Nutrition	47,785	-	47,785
			-
TOTAL EXPENSES	1,177,808	-	1,177,808
INCREASE IN NET ASSETS	91,789	-	91,789
RELEASE OF NET ASSETS TO SATISFY GRANT	-	-	-
NET ASSETS - beginning of year	428,078	-	428,078
NET ASSETS - end of year	$ 519,867	$ -	$ 519,867

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

	2006		
	Unrestricted	Temporarily Restricted	Totals
REVENUES AND OTHER SUPPORT:			
Federal - Section 5311	$ 351,761	$ -	$ 351,761
State - public mass transit	248,411	-	248,411
State - choice	298	-	298
Local - Veterans transport	1,160	-	1,160
Medicaid	80,700	-	80,700
Cass County Commissioners	10,860	-	10,860
United Way of Cass County	31,094	-	31,094
Service fees	127,870	-	127,870
Project income	110,480	-	110,480
Special events	19,164	-	19,164
Donations	18,823	-	18,823
Rent	4,736	-	4,736
Interest	685	-	685
Other income	15,080	-	15,080
Nutrition	9,108	-	9,108
TOTAL REVENUES AND OTHER SUPPORT	1,030,230	-	1,030,230
EXPENSES:			
Transportation	969,184	-	969,184
Recreation	41,507	-	41,507
Nutrition	32,389	-	32,389
TOTAL EXPENSES	1,043,080	-	1,043,080
INCREASE (DECREASE) IN NET ASSETS	(12,850)	-	(12,850)
RELEASE OF NET ASSETS TO SATISFY GRANT	360,000	(360,000)	-
NET ASSETS - beginning of year	80,928	360,000	440,928
NET ASSETS - end of year	$ 428,078	$ -	$ 428,078

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

	2007			
	Transportation	Recreation	Nutrition	Totals
Salaries and wages	$ 601,509	$ 25,871	$ 19,404	$ 646,784
Payroll taxes and fringes	81,199	3,455	1,728	86,382
Advertising	5,455	-	-	5,455
Building maintenance	7,930	-	-	7,930
Conferences and training	352	-	-	352
Depreciation	15,170	-	1,000	16,170
Dues and subscriptions	264	-	-	264
Equipment	215	-	-	215
Insurance	75,122	-	-	75,122
Interest	5,889	-	-	5,889
Nutrition	-	-	25,207	25,207
Other costs	28,575	-	-	28,575
Professional fees	20,948	891	446	22,285
Recreational trips	-	30,047	-	30,047
Supplies and materials	6,672	-	-	6,672
Taxes	246	-	-	246
Telephone and postage	7,495	-	-	7,495
Utilities	17,648	-	-	17,648
Vehicle maintenance	44,170	-	-	44,170
Vehicle supplies	150,899	-	-	150,899
Total Expenses	$ 1,069,758	$ 60,265	$ 47,785	$ 1,177,808

	2006			
	Transporation	Recreation	Nutrition	Totals
Salaries and wages	$ 548,053	$ 25,375	$ 15,197	$ 588,625
Payroll taxes and fringes	50,301	1,941	1,163	53,405
Advertising	5,530	-	-	5,530
Building maintenance	6,847	68	-	6,915
Conferences and training	1,349	-	-	1,349
Depreciation	19,947	-	1,000	20,947
Dues and subscriptions	335	-	-	335
Equipment	727	-	-	727
Insurance	78,927	-	-	78,927
Interest	7,674	-	-	7,674
Nutrition	-	-	13,326	13,326
Other costs	15,526	1,758	1,155	18,439
Professional fees	40,775	-	548	41,323
Recreational trips	-	12,336	-	12,336
Supplies and materials	6,900	29	-	6,929
Taxes	8,113	-	-	8,113
Telephone and postage	5,608	-	-	5,608
Utilities	15,799	-	-	15,799
Vehicle maintenance	45,186	-	-	45,186
Vehicle supplies	111,587	-	-	111,587
Total Expenses	$ 969,184	$ 41,507	$ 32,389	$ 1,043,080

CASS COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from contributions, grants, programs and miscellaneous	$ 986,513	$ 969,929
Cash paid to suppliers and employees	(1,007,093)	(956,940)
Interest paid	(5,889)	(7,674)
Interest income	261	685
Net Cash provided by Operating Activities	(26,208)	6,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(21,486)	(400,095)
Purchases of investments	(82)	(65)
Net Cash Provided (Used) by Investing Activities	(21,568)	(400,160)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable and line of credit	43,800	81,539
Principal payments on note payable	(24,205)	(18,325)
Net Cash Provided by Financing Activities	19,595	63,214
INCREASE (DECREASE) IN CASH	(28,180)	(330,946)
CASH AT BEGINNING OF YEAR	42,913	373,859
CASH AT END OF YEAR	$ 14,734	$ 42,913
RECONCILIATION OF CHANGE IN NET ASSETS PROVIDED BY BY OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ 91,789	$ (12,850)
Adjustments to reconciled change in net cash provided by operating activities:		
Depreciation	16,170	20,947
Decrease (increase) in accounts receivable	(222,817)	14,822
Decrease (increase) prepaid expenses	-	(1,507)
Increase (decrease) in accounts payable	61,743	(15,284)
Increase (decrease) in accrued payroll and payroll taxes	26,907	(128)
Total adjustments	(117,997)	18,850
Net Cash Provided by Operating Activities	$ (26,208)	$ 6,000

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, 2007 AND 2006

NOTE 1 - Accounting Policies:

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:

(a) 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.

(b) Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(c) Use of 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.

(d) Cash and Cash Equivalents – For purposes of the statement of cash flows, Cass County Council on Aging, Inc. consider all highly liquid investments to be cash equivalents. The term *highly liquid* refers to investments with a maturity of three months or less when purchased to be cash equivalents.

(e) 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.

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

(g) Donated Services - 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.

(h) 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.

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

NOTE 1 - Accounting Policies (continued):

(i) 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 expensed as incurred.

(j) Income Taxes - Cass County Council on Aging, Inc. is exempt from federal and state 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 complies with other Internal Revenue reporting requirements regarding contributions received, payroll, and payments to independent contractors.

(k) Compensated Absences - Employees of the Organization are entitled to paid vacation and sick days depending on job classification, length of service, and other factors. When an employee leaves the Organization a paid vacation entitlement is no more than two years and other vacation and sick days accrued are lost. The financial statements include an accrual for vacation expense at December 31, 2007.

(l) Advertising Costs - The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expense for the years ended December 31, 2007 and 2006 was $5,455 and $5,530, respectively.

NOTE 2 - Operating Lease:

The Organization has a five year noncancellable operating lease for a copier that began March 2004. The Organization is required to pay all executory costs such as maintenance and insurance. Rental expense for the years 2007 and 2006, were $1,558 and $1,305, respectively.

Total lease payments required in the next five years are as follows under the above agreement: 2008, $1,305; 2009, $1,305; 2010, 2011 and 2012, none.

NOTE 3 - Concentrations of Credit Risk:

The Organization maintains cash balances at various banks in Cass County. The institutions are covered by the Federal Deposit Insurance Corporation (FDIC) up to $100,000 per customer. As of December 31, 2007 and 2006, there are no uninsured balances.

NOTE 4 - Line of Credit:

The Organization has a $50,000 line of credit with a bank in Logansport at December 31, 2007 and 2006, respectively. The balance at December 31, 2007 and 2006 was $43,551 and none, respectively. All business assets are pledged as collateral. The interest rate was 2% over the Wall Street Journal prime rate.

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

NOTE 5 – Note Payable:

The Organization has a note payable that originated March 28, 2006 for $81,539. All business assets are pledged as collateral. The note carries a fixed rate of interest of 8.24% for thirty-six months ending April 1, 2009. Monthly payments are $2,567 including interest.

The principal payments due in the next two years are as follows: 2008, $28,738 and 2009, $10,272.

CASS COUNTY COUNCIL ON AGING, INC.
SUMMARY SCHEDULE OF PRIOR FINDINGS
YEARS ENDED DECEMBER 31, 2007 AND 2006

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.

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, 2007 and have issued our report thereon dated September 25, 2008. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Cass County Council on Aging, Inc.'s ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2007-1.

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 misstatements caused by 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 the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2007-1 to be a material weakness.

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. 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 2007-2.

<u>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')*</u>

We noted certain other matters that we reported to management of Cass County Council on Aging, Inc. in a separate letter dated September 25, 2008.

This report is intended solely for the information and use of the organization, management, 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., Inc.

Certified Public Accountants

September 25, 2008

CASS COUNTY COUNCIL ON AGING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING

2007-1 All grant programs for year 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 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 was not aware that their chart of accounts was not compliant, nor that that the indirect cost allocation had to be approved by INDOT until September 2007.

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: The chart of accounts will properly reflect and adequately separate capital, operating and administrative line items for all transportation programs by the end of October 2009. All staff time sheets reflect personal activity as of September 1, 2007 but will be used to allocate expenses by October 1, 2008. The cost allocation plan was submitted to INDOT in October 2007 but has not received notification of being approved.

FINDINGS – COMPLIANCE AND OTHER MATTERS

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

2006-2 Grant No. 1802521O – Year ended December 31, 2007

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).

Effect: Grantee could lose their funding due to noncompliance.

Cause: Grantee was not aware that their chart of accounts was not compliant, nor that that the indirect cost allocation had to be approved by INDOT until September 2007.

Population and Items Tested: Yearly survey report totaling $1,019,632 was selected for audit. The report expense section was not accurately computed from the documentation provided.

CASS COUNTY COUNCIL ON AGING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2007

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

Grantee Response: The Grantee is still in the process of correcting its chart of accounts, receiving an indirect cost allocation plan approved by INDOT, and allocating the expenses for the employees that work on multiple activities.

To the Board of Directors
And Management of the Cass County
Council on Aging, Inc,

In planning and performing our audit of the financial statements of the Cass County Council on Aging, Inc. for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A ***control deficiency*** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A ***significant deficiency*** is a control deficiency, or a combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A ***material weakness*** is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entities internal control. We did not discover any deficiencies that constitute material weaknesses.

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

BANK RECONCILIATIONS:

Bank reconciliations are not being completed on a monthly basis. We mentioned this deficiency in our 2005 and 2006 management reports. During our 2007 audit procedures we also found numerous checks held by the director dated on or before year end. These checks were still outstanding at September 25, 2008, which is the date of our audit report for the year ended December 31, 2007.

We suggest that management not write checks and hold them for extended periods beyond year end. A better system is maintaining all bills in the accounts payable system until ready to be paid. The system that we suggest more accurately depicts the cash on hand in banks and accounts payable.

The large deficit balance found in your business checking account necessitated that our procedures post a reclassification entry to accounts payable for a cash deficit balance in excess of $50,000.

FIXED ASSET CAPITALIZATION:

Fixed assets continue to be expensed and not capitalized. We mentioned this deficiency in management reports delivered after completion of your 2005 and 2006 audits. According to your capitalization policy, purchases of fixed assets with a cost at or greater than $1,000 are capitalized and depreciated on your financial statements. A control should be put in place to ensure your policy for capitalizing fixed assets is followed.

PROGRAM EXPENSES:

In QuickBooks, program expenses should be allocated to the various programs through classes. Not all program expenses are being reviewed for class allocations. This reflects incorrect program expenses throughout the 2007 year making it difficult to track the program progress during the year. We recommended a monthly reconciliation to reflect the correct expenses to each individual program in our 2005 and 2006 report to management and, again, are recommending the same in 2007. The Executive Director should review the reconciliation and investigate any reconciling items and have them cleared promptly.

DEVELOP ACCOUNTING PROCEDURES MANUAL:

We noted that the Organization does not have an accounting procedures manual. There may be an assumption that because the Organization's accounting system is relatively simple and accounting personnel have direct and easy access to the executive director when questions arise, there is no need for a manual. However, written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors; inefficient or wasted effort duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions that management performs.

It will take some time and effort for management to develop a manual; however, we believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective. Our 2005 and 2006 reports to management identified this weakness.

AUDIT ADJUSTMENTS:

Audit adjusting entries prepared during the audit of your 2006 financial statements were recorded in QuickBooks; however, several 2007 beginning account balances did not reflect what should have been the audited 2006 year end balances. Audit evidence revealed various bookkeeping entries that were performed on the 2006 year end after the books were closed. To enhance audit efficiency and financial statement accuracy, a system should be put in place to prevent changing account balances after the books have been closed. Authorization to adjust prior year's closing balances should rest with the executive director and have associated documentation that thoroughly explains the action.

This communication is intended solely for the information and use of the board of directors and management, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Rea Logan & Co., Inc.

Peru, Indiana

September 25, 2008

September 25, 2008

To the Chairman of the Board, Vice-Chairman, Treasurer, and Executive Director of the Cass County Council on Aging, Inc.

We have audited the financial statements of Cass County Council on Aging, Inc. for the year ended December 31, 2007, and have issued our report thereon dated September 25, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 18, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Cass County Council on Aging, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred, however, significant audit findings are as follows:

1. Program expenses should be allocated to the various programs through classes. Not all program expenses are reviewed for class allocation. Without proper classifications program expenses throughout the year cannot be accurately tracked. The Executive Director should review the reconciliation and investigate any reconciling items and have them cleared promptly.
2. Statements of Financial Accounting Standards (SFAS) are integral to the presentation and assertions in your Organization's financial statements. Specifically, SFAS No. 117, whereby 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. Our audit procedures included adjustments that only affect unrestricted net assets. Prior to our audit the financial statements reported a loss in excess of $94,000. After our audit procedures were completed the financial statements report a profit in excess of $91,000.
3. Management did not accompany the financial statements for audit with appropriate note disclosures. We have included the required note disclosures to the financial statements in our report dated September 25, 2008. The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

4. Bank reconciliations are not being completed on a monthly basis. We mentioned this deficiency in our 2005 and 2006 management reports. During our 2007 audit procedures we also found numerous checks held by the director dated on or before year end. These checks were still outstanding at September 25, 2008, which is the date of our audit report for the year ended December 31, 2007.

   We suggest that management not write checks and hold them for extended periods beyond year end. A better system is maintaining all bills in the accounts payable system until ready to be paid. The system that we suggest more accurately depicts the cash on hand in banks and accounts payable.

   The large deficit balance found in your business checking account necessitated that our procedures post a reclassification entry to accounts payable for a cash deficit balance in excess of $50,000.

5. Fixed assets continue to be expensed and not capitalized. We mentioned this deficiency in management reports delivered after completion of your 2005 and 2006 audits. According to your capitalization policy, purchases of fixed assets with a cost at or greater than $1,000 are capitalized and depreciated on your financial statements. A control should be put in place to ensure your policy for capitalizing fixed assets is followed.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. We did, however, require more in depth audit procedures in order to rid your financial statements of material deficiencies in certain reported assertions. These deficiencies are enumerated in a separate communication of significant and material deficiencies to all board members and management, some of which are included in this correspondence under the paragraph entitled Significant Audit Findings.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management is provided with all corrections for posting to the accounting software used by your Organization. There were material misstatements found during our audit procedures and all of these misstatements have been corrected in the financial statements produced by us dated September 25, 2008. We have attached a list of all adjustments made to your financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 25, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the above addressees of Cass County Council on Aging, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Rea Logan & Co., Inc.