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October 6, 2011

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

We have reviewed the audit report prepared by Rea Logan & Co., LLC, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. 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, 2008, 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 four prior audit findings. Pages 16 and 17 contain two current audit findings.

STATE BOARD OF ACCOUNTS

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

FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

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

FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

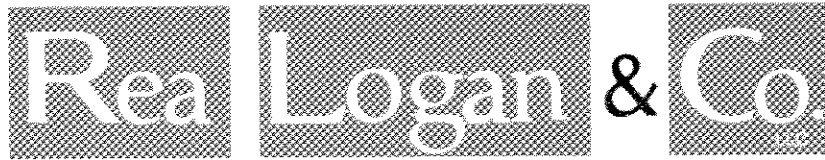
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Cass County Council on Aging, Inc. as of December 31, 2008 and 2007, 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, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2009, on our consideration of Cass County Council on Aging, Inc's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Cass County Council on Aging, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Rea Logan & Co., LLC

Certified Public Accountants

Marion, Indiana
September 22, 2009

CASS COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
CURRENT ASSETS:		
Cash	\$ 4,324	\$ 14,734
Accounts receivable	252,217	283,084
Investments	2,235	2,141
Prepaid insurance	12,998	11,912
Total Current Assets	<u>271,774</u>	<u>311,871</u>
FIXED ASSETS:		
Building	252,756	252,756
Land	150,000	150,000
Office equipment	18,800	5,000
Vehicles	78,400	57,400
	<u>499,956</u>	<u>465,156</u>
Less accumulated depreciation	<u>65,600</u>	<u>47,361</u>
Total Fixed Assets	<u>434,356</u>	<u>417,795</u>
TOTAL ASSETS	<u><u>\$ 706,130</u></u>	<u><u>\$ 729,666</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Current maturity of long-term debt	\$ 10,302	\$ 28,738
Line of credit	50,000	43,551
Accounts payable	40,933	89,677
Accrued vacation	30,418	24,614
Payroll taxes and other withholdings	6,673	12,947
Total Current Liabilities	<u>138,326</u>	<u>199,527</u>
LONG-TERM LIABILITIES:		
Note payable	<u>-</u>	<u>10,272</u>
TOTAL LIABILITIES	<u>138,326</u>	<u>209,799</u>
NET ASSETS:		
Unrestricted	<u>567,804</u>	<u>519,867</u>
Total Net Assets	<u>567,804</u>	<u>519,867</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 706,130</u></u>	<u><u>\$ 729,666</u></u>

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, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
REVENUES AND OTHER SUPPORT:		
Federal - Section 5311	\$ 483,775	\$ 425,856
State - public mass transit	273,525	292,129
State - choice	-	60.00
Title III-B	25,431	-
Local - Veterans transport	-	895.00
Medicaid	75,117	89,483
Cass County Commissioners	10,860	10,860
United Way of Cass County	38,519	31,060
Service fees	168,474	252,825
Project income	113,854	106,715
Special events	31,803	20,307
Donations	11,332	13,536
Rent	3,955	4,283
Interest	358	261
Other income	15,650	11,734
Nutrition	11,499	9,593
	<u>1,264,152</u>	<u>1,269,597</u>
TOTAL REVENUES AND OTHER SUPPORT		
EXPENSES:		
Transportation	1,100,433	1,069,758
Recreation	67,539	60,265
Nutrition	48,243	47,785
	<u>1,216,215</u>	<u>1,177,808</u>
TOTAL EXPENSES		
INCREASE IN NET ASSETS	47,937	91,789
NET ASSETS - beginning of year	<u>519,867</u>	<u>428,078</u>
NET ASSETS - end of year	<u>\$ 567,804</u>	<u>\$ 519,867</u>

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

CASS COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008			
	Transportation	Recreation	Nutrition	Totals
Salaries and wages	\$ 639,937	27,524	\$ 20,644	\$ 688,105
Payroll taxes and fringes	59,987	2,580	1,935	64,502
Advertising	3,785	-	-	3,785
Building maintenance	15,396	-	-	15,396
Conferences and training	62	-	-	62
Depreciation	16,568	1,671	-	18,239
Dues and subscriptions	440	-	-	440
Equipment	6,521	-	115	6,636
Insurance	75,471	-	-	75,471
Interest	4,668	-	-	4,668
Nutrition	-	-	25,060	25,060
Other costs	20,079	7,016	-	27,095
Professional fees	15,134	651	489	16,274
Recreational trips	-	28,097	-	28,097
Supplies and materials	9,834	-	-	9,834
Taxes	-	-	-	-
Telephone and postage	5,304	-	-	5,304
Utilities	19,524	-	-	19,524
Vehicle maintenance	45,361	-	-	45,361
Vehicle supplies	162,362	-	-	162,362
	\$ 1,100,433	\$ 67,539	\$ 48,243	\$ 1,216,215
Total Expenses	\$ 1,100,433	\$ 67,539	\$ 48,243	\$ 1,216,215

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

2007

	<u>Transporation</u>	<u>Recreation</u>	<u>Nutrition</u>	<u>Totals</u>
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	892	446	22,286
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	<u>\$ 1,069,758</u>	<u>\$ 60,265</u>	<u>\$ 47,785</u>	<u>\$ 1,177,808</u>

CASS COUNTY COUNCIL ON AGING, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash from contributions, grants, programs and miscellaneous	\$ 1,294,661	\$ 986,513
Cash paid to suppliers and employees	(1,243,608)	(1,007,093)
Interest paid	(4,668)	(5,889)
Interest income	358	261
	<u>46,743</u>	<u>(26,208)</u>
Net Cash Provided by (Used) Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(34,800)	(21,486)
Purchases of investments	(94)	(82)
	<u>(34,894)</u>	<u>(21,568)</u>
Net Cash Provided (Used) by Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable and line of credit	6,449	43,800
Principal payments on note payable	(28,708)	(24,204)
	<u>(22,259)</u>	<u>19,596</u>
Net Cash Provided (Used)by Financing Activities		
INCREASE (DECREASE) IN CASH	(10,410)	(28,180)
CASH AT BEGINNING OF YEAR	<u>14,734</u>	<u>42,914</u>
CASH AT END OF YEAR	<u>\$ 4,324</u>	<u>\$ 14,734</u>
RECONCILIATION OF CHANGE IN NET ASSETS PROVIDED BY BY OPERATING ACTIVITIES:		
Increase in net assets	<u>\$ 47,937</u>	<u>\$ 91,789</u>
Adjustments to reconciled change in net cash provided by operating activities:		
Depreciation	18,239	16,170
Decrease (increase) in accounts receivable	30,867	(222,817)
Decrease (increase) prepaid expenses	(1,086)	-
Increase (decrease) in accounts payable	(48,744)	61,743
Increase (decrease) in accrued payroll and payroll taxes	(470)	26,907
	<u>(1,194)</u>	<u>(117,997)</u>
Total adjustments		
Net Cash Provided by Operating Activities	<u>\$ 46,743</u>	<u>\$ (26,208)</u>

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

CASS COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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. At December 31, 2008 and 2007 there are no restricted net assets.

See Independent Auditor's Report.

CASS COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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, 2008 and 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, 2008 and 2007 was \$3,785 and \$5,455, 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 2008 and 2007, were \$810 and \$1,558, respectively.

Total lease payments required in the next five years are 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 \$250,000 in 2008 and \$100,000 in 2007 per customer. As of December 31, 2008 and 2007, 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, 2008 and 2007, respectively. The balance at December 31, 2008 and 2007 was \$50,000 and \$43,551, respectively. All business assets are pledged as collateral. The interest rate was 2% over the Wall Street Journal prime rate.

See Independent Auditor's Report.

CASS COUNTY COUNCIL ON AGING, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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 2009 are \$10,302 and the note will be paid in full.

See Independent Auditor's Report.

CASS COUNTY COUNCIL ON AGING, INC.
SUMMARY SCHEDULE OF PRIOR FINDINGS
YEARS ENDED DECEMBER 31, 2008 AND 2007

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

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

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

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

2006-2 Section 5311 Grant Reporting.

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

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

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

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

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

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

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

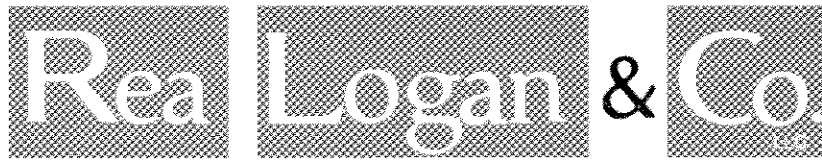
2007-2 Section 5311 Grant Reporting.

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

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

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

See Independent Auditor's Report.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of Cass County Council on Aging, Inc. (a nonprofit organization) as of and for the year ended December 31, 2008 and have issued our report thereon dated September 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Cass County Council on Aging, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cass County Council on Aging, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2008-1.

A material weakness is a significant deficiency, or 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 organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider 2008-1 to be a material weakness.

**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 (CONT'D)**

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 2008-2.

We noted certain matters that we reported to management of Cass County Council on Aging, Inc. in a separate letter dated September 22, 2009.

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

Rea Logan & Co., LLC

Marion, Indiana
September 22, 2009



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

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

Compliance

We have audited the compliance of Cass County Council on Aging, Inc. (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Cass County Council on Aging, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Cass County Council on Aging, Inc.'s management. Our responsibility is to express an opinion on Cass County Council on Aging, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about Cass County Council on Aging, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Cass County Council on Aging, Inc.'s compliance with those requirements.

As described in item 2008-2 in the accompanying schedule of findings and questioned costs, Cass County Council on Aging, Inc. did not comply with requirements regarding maintaining a chart of accounts that adequately separate operating, administrative and capital costs; personal activity reports or equivalent documentation for employees that work on multiple activities that are applicable to its Section 5311 program. Compliance with such requirements is necessary, in our opinion, for Cass County Council on Aging, Inc. to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Cass County Council on Aging, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

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

Internal Control Over Compliance

The management of Cass County Council on Aging, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Cass County Council on Aging, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cass County Council on Aging, Inc.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 2008-1 and 2008-2 to be material weakness.

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

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

Rea Logan & Co., LLC

Marion, Indiana
September 22, 2009

CASS COUNTY COUNCIL ON AGING, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTER/PROGRAM CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>		
Passed through from Indiana Department of Transportation: Section 5311	20.509	\$483,775
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed through from Area Five Agency on Aging & Community Services, Inc. Title II of the Older Americans Act	93.044	<u>25,434</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$509,209</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

CASS COUNTY COUNCIL ON AGING, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Cass County Council on Aging, Inc. and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CASS COUNTY COUNCIL ON AGING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? Yes

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

Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over major programs:

Material Weaknesses identified? Yes

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

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

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

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

Major programs:

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

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

Auditee qualified as low-risk auditee? No

FINDINGS – FINANCIAL STATEMENTS AUDIT

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

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

CASS COUNTY COUNCIL ON AGING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2008

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 the indirect cost allocation had to be approved by INDOT.

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

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 September, 2009.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF TRANSPORTATION

Section 5311-CFDA No 20.509

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

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

Effect: Grantee could lose their funding due to noncompliance.

Cause: Grantee was not aware that their chart of accounts was not compliant.

Population and Items Tested: All four quarterly reports totaling \$483,775 were selected for audit. Three of the four reports could not be recomputed from the support provided.

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

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