



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B42873

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

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

October 17, 2013

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

We have reviewed the audit report prepared by Rea Logan & Associates, Independent Public Accountants, for the period January 1, 2010 to December 31, 2010. 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, 2010, 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 Schedule of Findings and Questioned Costs contains two Federal findings concerning excess expensed that were submitted and reimbursed by INDOT for the Federal program entitled Formula Grants for Other Than Urbanized Areas (CFDA 20.509).

STATE BOARD OF ACCOUNTS

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

---

**FINANCIAL STATEMENTS**

---

**DECEMBER 31, 2010 AND 2009**

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

---

**FINANCIAL STATEMENTS**

---

**DECEMBER 31, 2010 AND 2009**

**CONTENTS**

	<b><u>Page</u></b>
Independent Auditor's Report	1
Statements of Financial Position - Exhibit A	2
Statements of Activities - Exhibit B	3
Statements of Functional Expenses - Exhibits C	4
Statements of Cash Flows - Exhibit D	5
Notes to Financial Statements	6-10

**SUPPLEMENTAL**

Summary Schedule of Prior Findings	11-12
Report on Internal Control over Financial Reporting And on Compliance and Other Matters	13-14
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance	15-16
Schedule of Expenditures of Federal Awards	17
Notes to Schedule of Expenditures of Federal Awards	18
Schedule of Findings of Questioned Costs	19-21



Member of American Institute and Indiana CPA Society

**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, 2010 and 2009, 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, 2010 and 2009, 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 October 31, 2011, 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 conducted for the purpose of forming an opinion on the basic financial statements 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

As stated in note 10 to the financial statements, 1) the auditor's report issued September 23, 2011 is not to be relied upon because the previously-issued financial statements have been restated to take into affect material misstatements and contingent liabilities not previously reported and 2) the previously-issued auditor's report is replaced by the auditor's report on the restated financial statements.

*Rea Logan & Co., LLC*

Certified Public Accountants

Peru, Indiana

October 31, 2011

P.O. Box 1059 / 202 South Washington Street / Marion, IN 46952 / (765) 664-2366 / Fax: (765) 664-4644

P.O. Box 317 / 54 West Hill Street / Wabash, IN 46992 / (260) 563-1141 / Fax: (260) 563-4627

206 North Grant Street / Peru, IN 46970 / (765) 473-8840 / Fax: (765) 473-8890

**CASS COUNTY COUNCIL ON AGING, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2010 AND 2009**

**ASSETS**

	<b>As Restated 2010</b>	<b>2009</b>
<b>CURRENT ASSETS:</b>		
Cash	\$ 39,096	\$ 1,093
Accounts receivable	271,966	204,585
Investments	-	2,251
Prepaid insurance	-	12,138
	<hr/>	<hr/>
<b>Total Current Assets</b>	<b>311,062</b>	<b>220,067</b>
	<hr/>	<hr/>
<b>FIXED ASSETS:</b>		
Building	252,756	252,756
Land	150,000	150,000
Office equipment	26,011	23,512
Vehicles	272,247	272,247
	<hr/>	<hr/>
	701,014	698,515
Less accumulated depreciation	170,273	112,455
	<hr/>	<hr/>
<b>Total Fixed Assets</b>	<b>530,741</b>	<b>586,060</b>
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 841,803</b>	<b>\$ 806,127</b>
	<hr/> <hr/>	<hr/> <hr/>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>		
Line of credit	\$ 99,567	\$ 75,000
Note payable	-	30,573
Accounts payable	108,762	88,539
Accrued vacation	17,336	24,381
Payroll taxes and other withholdings	40,058	31,368
	<hr/>	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	<b>265,723</b>	<b>249,861</b>
	<hr/>	<hr/>
<b>NET ASSETS:</b>		
Unrestricted	576,080	556,266
	<hr/>	<hr/>
Total Net Assets	576,080	556,266
	<hr/>	<hr/>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 841,803</b>	<b>\$ 806,127</b>
	<hr/> <hr/>	<hr/> <hr/>

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, 2010 AND 2009**

	<u>As Restated</u> <u>2010</u>	<u>2009</u>
<b>REVENUES AND OTHER SUPPORT:</b>		
Federal - Section 5311	\$ 589,056	\$ 461,897
Federal - Section 5311 - Vehicle Grant	-	152,000
State - public mass transit	345,421	270,381
Title III-B	25,434	25,434
ARRA - Section 5311 Grant Projects	15,331	-
JARC	22,304	-
Medicaid	82,864	81,912
Cass County Commissioners	10,860	10,860
United Way of Cass County	43,411	41,000
Service fees	174,941	172,327
Project income	110,325	98,726
Special events	20,822	25,315
Donations	9,480	5,929
Rent	3,087	3,522
Interest	153	291
Other income	1,499	8,519
Nutrition	31,724	30,779
	<u>1,486,712</u>	<u>1,388,892</u>
<b>TOTAL REVENUES AND OTHER SUPPORT</b>		
<b>EXPENSES:</b>		
Transportation	1,260,217	1,198,362
Recreation	118,664	106,915
Nutrition	88,017	95,153
	<u>1,466,898</u>	<u>1,400,430</u>
<b>TOTAL EXPENSES</b>		
<b>INCREASE (DECREASE) IN NET ASSETS</b>	19,814	(11,538)
<b>NET ASSETS - beginning of year</b>	<u>556,266</u>	<u>567,804</u>
<b>NET ASSETS - end of year</b>	<u>\$ 576,080</u>	<u>\$ 556,266</u>

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

**2010**

	<u>As Restated Transportation</u>	<u>Recreation</u>	<u>Nutrition</u>	<u>Totals</u>
Salaries and wages	\$ 664,463	\$ 89,442	\$ 55,903	\$ 809,808
Payroll taxes and fringes	75,047	8,514	4,999	88,560
Advertising	190	1,315	-	1,505
Building maintenance	12,880	1,198	973	15,051
Conferences and training	336	260	-	596
Depreciation	47,815	3,519	6,484	57,818
Dues and subscriptions	459	-	-	459
Equipment	3,865	-	-	3,865
Miscellaneous expenses	33,331	-	-	33,331
Insurance	112,964	146	110	113,220
Interest	10,638	-	-	10,638
Nutrition	-	-	18,290	18,290
Other costs	3,080	-	-	3,080
Professional fees	42,318	-	-	42,318
Recreational trips	-	12,683	-	12,683
Supplies and materials	9,809	422	316	10,547
Taxes	4	-	68	72
Telephone and postage	6,531	281	211	7,023
Utilities	20,543	884	663	22,090
Vehicle maintenance	213,390	-	-	213,390
Vehicle supplies	2,554	-	-	2,554
<b>Total Expenses</b>	<u><u>\$ 1,260,217</u></u>	<u><u>\$ 118,664</u></u>	<u><u>\$ 88,017</u></u>	<u><u>\$ 1,466,898</u></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, 2010 AND 2009**

2009

	<u>Transportation</u>	<u>Recreation</u>	<u>Nutrition</u>	<u>Totals</u>
Salaries and wages	\$ 671,605	\$ 65,328	\$ 50,756	\$ 787,689
Payroll taxes and fringes	58,167	5,690	4,102	67,959
Advertising	6,844	294	221	7,359
Building maintenance	13,510	647	1,644	15,801
Conferences and training	409	300	-	709
Depreciation	41,570	2,980	2,305	46,855
Dues and subscriptions	567	-	-	567
Equipment	-	-	-	-
Miscellaneous expenses	-	-	-	-
Insurance	126,750	672	504	127,926
Interest	5,814	-	-	5,814
Nutrition	-	-	32,916	32,916
Other costs	26,787	3,124	1,507	31,418
Professional fees	29,818	120	-	29,938
Recreational trips	-	26,164	-	26,164
Supplies and materials	9,803	403	302	10,508
Taxes	-	-	-	-
Telephone and postage	5,943	238	179	6,360
Utilities	25,058	955	717	26,730
Vehicle maintenance	174,245	-	-	174,245
Vehicle supplies	1,472	-	-	1,472
<b>Total Expenses</b>	<b><u>\$ 1,198,362</u></b>	<b><u>\$ 106,915</u></b>	<b><u>\$ 95,153</u></b>	<b><u>\$ 1,400,430</u></b>

**CASS COUNTY COUNCIL ON AGING, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>As Restated</u> <u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash from contributions, grants, programs and miscellaneous	\$ 1,486,559	\$ 1,338,601
Cash paid to suppliers and employees	(1,431,817)	(1,183,005)
Interest paid	(10,638)	(5,814)
Interest income	153	291
	<u>44,257</u>	<u>150,073</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of fixed assets	(2,499)	(198,559)
Sale (purchases) of investments	2,251	(16)
	<u>(248)</u>	<u>(198,575)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from note payable and line of credit	24,567	70,000
Principal payments on note payable	(30,573)	(24,729)
	<u>(6,006)</u>	<u>45,271</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>38,003</b>	<b>(3,231)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<u>1,093</u>	<u>4,324</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 39,096</u>	<u>\$ 1,093</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS PROVIDED BY</b>		
<b>BY OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 19,814	\$ (11,538)
Adjustments to reconciled change in net cash provided by operating activities:		
Depreciation	57,818	46,855
Decrease (increase) in accounts receivable	(67,381)	47,632
Decrease prepaid expenses	12,138	860
Increase in accounts payable	20,223	47,606
Increase in accrued payroll and payroll taxes	1,645	18,658
	<u>24,443</u>	<u>161,611</u>
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 44,257</u>	<u>\$ 150,073</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, 2010 AND 2009**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Organization** - 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:**

**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.

**Basis of Presentation** - 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.

**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 affect 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.

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

**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.

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

**Donated Services** - Donated audit fees of \$6,911 have been reflected in the financial statements at December 31, 2010. 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.

**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, 2010 and 2009 there were no temporary or permanently 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, 2010 AND 2009**

**NOTE 1 - Accounting Policies (continued):**

**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 charged to the change in net assets as incurred.

**Income Taxes** - The Organization is exempt from federal 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 qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization complies with other Internal Revenue reporting requirements regarding contributions received, payroll, and payments to independent contractors.

The Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**Advertising Costs** - The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expense for the years ended December 31, 2010 and 2009 was \$1,505 and \$7,359, respectively.

**NOTE 2 - Operating Lease:**

The Organization has a five year noncancellable operating lease for a copier that began August 1, 2008. The Organization is required to pay all executory costs such as maintenance and insurance. Lease expenses for the years 2010 and 2009, were \$1,944 and \$1,944, respectively.

Total lease payments required in the next five years are: \$1,944, 2011; \$1,944, 2012; \$1,134, 2013; and none, 2014 and 2015.

**NOTE 3 - Contingencies:**

The Organization was the defendant in a lawsuit brought against them in 2010. A settlement agreement was reached on January 9, 2011. A \$20,000 settlement was paid out by the Organization on March 8, 2011.

On October 21, 2011 the Organization reported claiming \$33,843 in excess transit expenses to the Indiana Department of Transportation (INDOT) on quarterly contract invoice vouchers submitted through the second quarter of 2011. In a meeting with INDOT officials on October 28, 2011 the Organization was required to reduce expenses on their third quarter contract invoice voucher by the 2011 overstatement of \$33,843 and a recorded liability of \$33,331 at December 31, 2010.

**CASS COUNTY COUNCIL ON AGING, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**NOTE 4 - Line of Credit:**

The Organization had a \$100,000 and \$75,000 line of credit with a bank in Logansport at December 31, 2010 and 2009, respectively. The balance at December 31, 2010 and 2009 was \$99,567 and \$75,000, respectively. All business assets are pledged as collateral. The interest rate was 2% over the Wall Street Journal prime rate.

**NOTE 5 – Note Payable:**

The Organization paid off a note payable that originated May 14, 2009 for \$45,000. All business assets were pledged as collateral. The note carried a fixed rate of interest of 6.9% for eighteen months ending December 1, 2010. Monthly payments were \$2,640 including interest.

**NOTE 6 - Subsequent Events:**

Subsequent events were evaluated through October 31, 2011, which is the date the financial statements were available to be issued.

Under a 5311 Capital Grant Agreement through the American Recovery and Reinvestment Act (ARRA) of 2009, the Organization was to receive funds of \$852,214 from the State of Indiana, acting through its Department of Transportation, Office of Transit, for construction of a new transit facility in Cass County, City of Logansport, Indiana. In a special meeting of the board of directors on May 24, 2011, the board voted unanimously to rescind the approval of the above building project grant. The Indiana Department of Transportation was notified in a formal letter from the Organization's directors.

**NOTE 7 - Investments:**

Investments are reported at fair market value on the statements of financial position. In 2010 the Organization cashed-in one certificate of deposit with an eighteen month maturity, earning one-percent interest. The fair market value of the investment was \$2,251 at December 31, 2009.

**NOTE 8 - Concentrations of Support and Revenue:**

Transportation income is concentrated at ninety-seven percent of the Organization's total revenue and other support. Federal and state transit funding and other support from Medicaid, project fees and indirect income are sustaining the entire operation of the Organization, which includes its senior activities and nutrition programs.

**CASS COUNTY COUNCIL ON AGING, INC.**  
**SUMMARY SCHEDULE OF PRIOR FINDINGS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**

**NOTE 9 – Accounts Receivable:**

Accounts receivable consist of the following at December 31, 2010 and all are due within one year:

Federal - Section 5311	\$ 139,955
State PMTF	81,697
ARRA - Section 5311	15,331
Medicaid	10,065
United Way	16,667
Transit service fee	<u>8,251</u>
Total	<u>\$ 271,966</u>

**NOTE 10 - Restatement of Previously-Issued Financial Statements:**

Previously-issued financial statements dated September 23, 2011 have been restated to take into account and disclose the following transactions that were subsequently brought to the attention of the Organization's management and board of directors:

The Organization invoiced the Indiana Department of Transportation (INDOT) for excess transit expenses of \$33,331 as of December 31, 2010. This liability was not recorded at December 31, 2010 and is now disclosed in the restatement of the 2010 statements of financial position, activities, functional expenses and cash flows. Included in the liability is \$18,000 in excess indirect cost allocations that were previously identified but immaterial to the financial statements taken as whole, and \$15,331 in ARRA expenses that were subsequently reimbursed under another federal program.

It was also determined that a settlement on a lawsuit against the Organization for which documentation and management had indicated an agreement was reached on December 10, 2010, was not in fact the final agreement. The final agreement on the lawsuit occurred on January 9, 2011, and a \$20,000 liability that was posted at December 31, 2010 was a year 2011 liability.

The net effect of accruing the additional \$33,331 liability to INDOT and reversing the \$20,000 legal settlement liability, is a restated increase of \$13,331 in accounts payable and transportation expenses. The increased expense correlates to a restated decrease of \$13,331 in net assets and the change in net assets for the year ended December 31, 2010 is restated to \$19,814.

In Note 3, Contingencies, the legal settlement date has been changed to an agreement date of January 9, 2011. Additionally, a contingent liability has been disclosed for excess expenses reported to the Indiana Department of Transportation (INDOT) on 2011 quarterly report forms 3211. The disclosed

**CASS COUNTY COUNCIL ON AGING, INC.**  
**SUMMARY SCHEDULE OF PRIOR FINDINGS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**

**NOTE 10 - Restatement of Previously-Issued Financial Statements (continued):**

contingency is a liability to INDOT for \$33,843. The contingent liability is the result of subsequent findings of fact where the Organization reported excess transit expenses of \$13,500 due to improper indirect cost allocations and another \$20,343 for excess expenses that were reimbursed under a separate ARRA program. On October 28, 2011 the Organization was required by INDOT to reduce their third quarter 2011 invoice voucher expenses by the \$33,843 for the excess 2011 expenses and the accrued liability of \$33,331 at December 31, 2010.

**CASS COUNTY COUNCIL ON AGING, INC.**  
**SUMMARY SCHEDULE OF PRIOR FINDINGS**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**

2009-1 All grant programs for year December 31, 2009.

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 is aware that their chart of accounts is consistently out of compliance, and has insisted the executive director bring about corrective actions. No corrective actions were taken by the executive director.

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: A new operations manager replaced the former executive director who was terminated by board vote on July 19, 2010. The cost allocation plan was submitted to INDOT in October 2007 but has not received notification of being approved. The new director is making steady progress in upgrading the accounting system and is maintaining coordinating efforts with the INDOT for approval of an indirect cost allocation plan. An overhaul of the deficient chart of accounts and cost allocation plan is to be in place by September 1, 2011.

2009-2 Grant No. 18027210 – Year ended December 31, 2009

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 plan 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 aware that their chart of accounts was not compliant, and that that the indirect cost allocation had to be approved by INDOT. The indirect cost allocation plan was submitted to INDOT in October of 2007 and has yet to be approved.

Population and Items Tested: All quarterly reports totaling \$613,897 were selected for audit. Report totals were without support for quarterly totals submitted to INDOT.

See Independent Auditor's Report.

**CASS COUNTY COUNCIL ON AGING, INC.**  
**SUMMARY SCHEDULE OF PRIOR FINDINGS (CONTD.)**  
**YEARS ENDED DECEMBER 31, 2010 AND 2009**

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

Grantee Response: As of July 19, 2010, the Grantee is still in the process of correcting its chart of accounts, getting an indirect cost allocation plan approved by INDOT, and allocating the expenses for the employees that work on multiple activities.



Member of American Institute and Indiana CPA Society

**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, 2010 and have reissued our report thereon dated October 31, 2011. 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 the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2010-1

**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 2010-2.

**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')**

We noted certain other matters that we reported to management of Cass County Council on Aging, Inc. in a separate letter dated October 31, 2011.

Cass County Council on Aging, Inc.'s responses to the findings identified in our audit is 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 it.

This report is intended solely for the information and use of the management, the board of directors, others within the organization, 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*

Peru, Indiana  
October 31, 2011



Member of American Institute and Indiana CPA Society

**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, 2010. 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 identified in the accompanying schedule of findings and questioned costs 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 2010-2 in the accompanying schedule of findings and questioned costs, Cass County Council on Aging, Inc. did not comply with reporting that provides reasonable assurance that reports of Federal awards submitted to the Federal awarding agency or pass-through entity include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with program requirements that are applicable to its U.S. Department of Transportation, Section 5311 Program to comply with the requirements of 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 compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended December 31, 2010.

**Internal Control Over Compliance**

Management of Cass County Council on Aging, Inc. is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. 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 and to test and report on internal control over compliance in accordance with

**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)**

OMB Circular A-133, 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses in internal control over compliance and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance 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 *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-2 to be a 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 responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, board of directors, others within the entity, 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*

Peru, Indiana  
October 31, 2011

**CASS COUNTY COUNCIL ON AGING, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

<b><u>FEDERAL GRANTOR/PASS-THROUGH GRANTER/PROGRAM CLUSTER TITLE</u></b>	<b><u>FEDERAL CFDA NUMBER</u></b>	<b><u>FEDERAL EXPENDITURES</u></b>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION</u></b>		
Passed through from Indiana Department of Transportation:		
Section 5311	20.509	\$589,056
ARRA Section 5311	20.509	15,331
Job Access Reverse Commute	20.516	22,304
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>		
Passed through from Area Five Agency on Aging & Community Services, Inc.		
Title II of the Older Americans Act	93.044	<u>25,434</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><u>\$652,125</u></u>

**CASS COUNTY COUNCIL ON AGING, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**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, 2010**

**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? Yes

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? Yes

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
20.509	ARRA Section 5311	Unqualified

Any audit findings disclosed deficiencies that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

Major programs:

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

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

Auditee qualified as low-risk auditee? No

**CASS COUNTY COUNCIL ON AGING, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

**FINDINGS – INTERNAL CONTROL OVER FINANCIAL REPORTING**

2010-1 U.S. Department of Transportation, Indiana Department of Transportation (INDOT), CFDA Number 20.509, Section 5311 Grant No. A249-09-231061 for the year December 31, 2010.

Condition: \$33,331 in excess expenses for a major program were submitted and reimbursed by the (INDOT) on the State Form 3211, INDOT Contract Invoice Voucher. The over reporting of expense was not recorded as a liability as of December 31, 2010.

Effect: Budgeted funds on annual 5311 purchase orders could be reduced due to expenditure reductions by Indiana Department of Transportation .

Cause: Contract invoice vouchers were not reviewed for accuracy before their submission to INDOT.

Recommendation: Grantee is to follow the exact percentages for allocating costs per their indirect cost allocation plan, verify and review expenses reported on state forms 3211 and include only those expenses to be reimbursed under the specific Section 5311 program.

Response: The board of directors has taken immediate action to notify INDOT of their material overstatement and has received corrective actions that must be taken to reimburse the excess funding from INDOT. Moreover, policy has been developed to ensure all submitted reports will follow the Organization's indirect cost allocation plan, that the reports are excluding expenses from other federal programs, and all reports will be subjected to a review process before submission to INDOT.

**FINDINGS – COMPLIANCE AND OTHER MATTERS**

2010-2 U.S. Department of Transportation, Indiana Department of Transportation (INDOT), CFDA Number 20.509, Section 5311 Grant No. A249-09-231061 for the year December 31, 2010.

Condition: The Organization's compliance with reporting to the Indiana Department of Transportation (INDOT) under section 5311, failed to report an accurate reporting of expense and overstated expenses that were reimbursed following the filing of state form 3122 during the four quarter's of reporting for the year ended December 31, 2010.

Effect: The INDOT may reduce current budgeted funding due to the liability reported for reporting excess 2010 expenses under section 5311.

Cause: The Organization exceeded indirect cost allocations per their prescribed indirect cost allocation plan by \$18,000, and included \$15,331 of ARRA section 5311 expenses to be reimbursed under a separate grant in their invoice for reimbursement under section 5311 transit operations. No system of control was in place to verify the accuracy of the reports before their submission to INDOT.

**CASS COUNTY COUNCIL ON AGING, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

Recommendation: The Organization should immediately revise their system and policy of internal control over compliance to comply with reporting that provides reasonable assurance that reports of federal awards submitted to the federal awarding agency or pass-through entity include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with program requirements that are applicable to its U.S. Department of Transportation, Section 5311 Program to comply with the requirements of that program. They are to immediately disclose to the INDOT their known liability due to excess expensing.

Response: The board of directors immediately put in place a policy to have all future invoice and voucher requests reviewed by a another party before they are submitted to INDOT. They have conducted meetings with INDOT officials to remedy and clear both current and contingent liabilities.