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MOREHOUSE COUNCIL ON AGING, INC.

BASTROP, LOUISIANA

FINANCIAL STATEMENTS

June 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-2-00

Marsha O. Millican
Certified Public Accountant
Shreveport, Louisiana

MOREHOUSE COUNCIL ON AGING, INC.

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June 30, 1999

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MOREHOUSE COUNCIL ON AGING INC.

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June 30, 1999

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Marsha O. Millican

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Morehouse Council on Aging, Inc.
Bastrop, Louisiana

I have audited the accompanying general purpose financial statements of Morehouse on Aging, Inc., as of and for the year ended June 30, 1999. These general purpose financial statements are the responsibility of Morehouse Council on Aging, Inc., management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards, and Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and A-133 require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Morehouse Council on Aging, Inc. as of June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated November 19, 1999 on my consideration of Morehouse Council on Aging, Inc.'s internal control structure and a report dated November 19, 1999 on its compliance with laws and regulations.

My audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The statements and schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Morehouse Council on Aging, Inc. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation the general purpose financial statements taken as a whole.

Marsha D. Miller

Certified Public Accountant
November 19, 1999

MOREHOUSE VOLUNTARY COUNCIL ON AGING, INC.

Combined Balance Sheet - All Fund Types and Account Group
June 30, 1999

	<u>Governmental</u>		<u>Account Group</u>	<u>Totals</u>
	<u>Fund Types</u>			
	<u>General</u>	<u>Special</u>	<u>Fixed Assets</u>	<u>Only</u>
		<u>Revenue</u>		<u>)</u>
 <u>ASSETS</u>				
Cash and cash equivalents	\$ 89,086	\$ 34,975	\$ -	\$ 124,061
Contracts receivable	9,287	2,154	-	11,441
Prepaid expenses	2,439	-	-	2,439
Due from other funds	-	24,687	-	24,687
Meter deposits	170	-	-	170
General fixed assets	-	-	301,736	301,736
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$100,982</u>	<u>\$ 61,816</u>	<u>\$ 301,736</u>	<u>\$ 464,534</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 544	\$ 46,271	\$ -	\$ 46,815
Notes payable	27,902	-	-	27,902
Due to other funds	24,687	-	-	24,687
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>53,133</u>	<u>46,271</u>	<u>-</u>	<u>99,404</u>
 <u>FUND EQUITY:</u>				
Investments in general fixed assets	-	-	301,736	301,736
<u>Fund balance:</u>				
Reserved for utility assistance	-	15,545	-	15,545
Unreserved - undesignated	47,849	-	-	47,849
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund equity	<u>47,849</u>	<u>15,545</u>	<u>301,736</u>	<u>365,130</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund equity	<u>\$100,982</u>	<u>\$ 61,816</u>	<u>\$ 301,736</u>	<u>\$ 464,534</u>

The accompanying notes are an integral part of this statement.

MOREHOUSE COUNCIL ON AGING, INC.

Combined Statement of Revenues, Expenditures and Changes in Fund Balance -
All Governmental Fund Types
For the Year Ended June 30, 1999

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<u>REVENUES:</u>			
Intergovernmental	\$ 133,865	\$ 625,855	\$ 759,720
Public support	9,700	44,880	54,580
Miscellaneous	<u>48,189</u>	<u>-</u>	<u>48,189</u>
 Total revenues	 <u>191,754</u>	 <u>670,735</u>	 <u>862,489</u>
<u>EXPENDITURES:</u>			
Salaries	17,599	251,036	268,635
Fringe	2,879	32,133	35,012
Travel	11	10,814	10,825
Operating services	21,071	352,870	373,941
Operating supplies	5,677	12,373	18,050
Other costs	10,860	10,242	21,102
Meals	-	83,908	83,908
Capital outlay	8,806	-	8,806
Utility assistance	<u>-</u>	<u>2,951</u>	<u>2,951</u>
 Total expenditures	 <u>66,903</u>	 <u>756,327</u>	 <u>823,230</u>
 Excess (deficiency) of revenues over expenditures	 124,851	 (85,592)	 39,259
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating transfers in	125,196	145,782	270,978
Operating transfers out	<u>(211,215)</u>	<u>(59,763)</u>	<u>(270,978)</u>
 Excess of revenues and other sources over expenditures and other uses	 38,832	 427	 39,259
<u>FUND BALANCE:</u>			
Beginning of year	<u>9,017</u>	<u>15,118</u>	<u>24,135</u>
 End of year	 <u>\$ 47,849</u>	 <u>\$ 15,545</u>	 <u>\$ 63,394</u>

The accompanying notes are an integral part of this statement.

MOREHOUSE COUNCIL ON AGING, INC.

Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget (GAAP Basis) and Actual - General Fund
For the Year Ended June 30, 1999

	Variance Favorable (Unfavorable)	<u>Budget</u>	<u>Actual</u>
<u>REVENUES:</u>			
Intergovernmental	\$(72,623)	\$ 206,488	\$ 133,865
Public support	9,700	-	9,700
Miscellaneous	48,189	-	48,189
	<u>(14,734)</u>	<u>206,488</u>	<u>191,754</u>
Total revenues			
<u>EXPENDITURES:</u>			
Salaries	17,681	35,280	17,599
Fringe	246	3,125	2,879
Travel	(11)	-	11
Operating services	17,798	38,869	21,071
Operating supplies	1,986	7,663	5,677
Other costs	1,583	12,443	10,860
Capital outlay	(8,806)	-	8,806
	<u>30,477</u>	<u>97,380</u>	<u>66,903</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	15,743	109,108	124,851
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating transfers in	125,196	-	125,196
Operating transfers out	(102,107)	(109,108)	(211,215)
	<u>38,832</u>	<u>-</u>	<u>38,832</u>
Excess of revenues and other sources over expenditures and other uses			
<u>FUND BALANCE:</u>			
Beginning of year	<u>-</u>	<u>9,017</u>	<u>9,017</u>
End of year	<u>\$ 38,832</u>	<u>\$ 9,017</u>	<u>\$ 47,849</u>

The accompanying notes are an integral part of this statement.

MOREHOUSE COUNCIL ON AGING, INC.

Combined Statement of Revenues, Expenditures and Changes in Fund Balance -
 Budget (GAAP Basis) and Actual - Special Revenue Funds
For the Year Ended June 30, 1999

	Variance Favorable (Unfavorable)	Budget	Actual
<u>REVENUES:</u>			
Intergovernmental	\$ (49,902)	\$ 675,757	\$ 625,855
Public support	4,630	40,250	44,880
Total revenues	<u>(45,272)</u>	<u>716,007</u>	<u>670,735</u>
<u>EXPENDITURES:</u>			
Salaries	(1,630)	249,406	251,036
Fringe	(2,103)	30,030	32,133
Travel	4,251	15,065	10,814
Operating service	56,200	409,070	352,870
Operating supplies	(1,168)	11,205	12,373
Other costs	14,988	25,230	10,242
Meals	(3,108)	80,800	83,908
Capital outlay	498	498	-
Utility assistance	770	3,721	2,951
Total expenditures	<u>69,698</u>	<u>825,025</u>	<u>756,327</u>
Excess (deficiency) of revenues over expenditures	23,426	(109,018)	(85,592)
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating transfers in	(21,901)	167,683	145,782
Operating transfers out	<u>(1,098)</u>	<u>(58,665)</u>	<u>(59,763)</u>
Excess of revenues and other sources over expenditures and other uses	427	-	427
<u>FUND BALANCE:</u>			
Beginning of year	<u>-</u>	<u>15,118</u>	<u>15,118</u>
End of year	<u>\$ 427</u>	<u>\$ 15,118</u>	<u>\$ 15,545</u>

The accompanying notes are an integral part of this statement.

MOREHOUSE COUNCIL ON AGING, INC.

Notes to Financial Statements
June 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Statement of Presentation

The accompanying financial statements conform to generally accepted accounting principles as applicable to governmental units.

B. Reporting Entity

In 1964, the State of Louisiana passed Act 456 which authorized the charter of voluntary councils on aging for the welfare of the aging people in their respective parishes. Charters are issued by the Louisiana Secretary of State upon approval by the Governor's Office of Elderly Affairs. Morehouse Council on Aging, Inc. is a non-profit corporation which must comply with the policies and regulations established by the Governor's Office of Elderly Affairs, the state agency which provides the Council with most of its revenues. The Council also receives revenues from other federal, state, and local government agencies which may impose certain restrictions upon how the Council can use the money that they have provided.

The Council is not a component unit of another primary government nor does it have any component units which are related to it. Therefore, the Council has presented its financial statements as a separate special-purpose government.

The primary function of Morehouse Council on Aging, Inc. is to improve the quality of life for the parish's elderly as well as coordinate and monitor the services of other local agencies serving the aging people of the parish. Such services include providing meals, nutritional education, information and referral services, legal assistance, homemaker services, operating senior centers, and transportation. A Board of Directors, consisting of 17 voluntary members who serve three-year terms, governs the Council.

(Continued)

MOREHOUSE COUNCIL ON AGING, INC.

Notes to Financial Statements
June 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Accounting:

The accounts of the Council are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled. The various funds presented in the financial statements in this report are as follows:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Council are financed. The acquisition, use, and balances of the Council's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The governmental funds and the programs comprising them as presented in the financial statements are described as follows:

General Fund - The General Fund is the general operating fund of the Council. It is used to account for all financial resources except those required to be accounted for in another fund. These discretionary funds are accounted for and reported according to the source (federal, state, or local) from which they are derived.

The following types of programs comprise the Council's General Fund:

Local

Local funds are received from various local sources; such funds not being restricted to any special use.

(Continued)

MOREHOUSE COUNCIL ON AGING, INC.

Notes to Financial Statements
June 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types (Continued)

Local (Continued)

The Council's program participants also generate revenues through a variety of fund raising activities that are not sponsored by any particular grant award. Revenues and expenses relating to these activities are accounted for as part of the General Fund's local program.

PCOA (Act 735)

PCOA (Act 735) funds are appropriated for the Governor's Office of Elderly Affairs by the Louisiana Legislature for remittance to the Council on Aging. The Council may use these "Act 735" funds at its discretion.

Medicaid

This is a program where the Council completes enrollment application for people wanting to apply for Medicaid services. The Council is paid \$14 per application it completes by the Department of Health and Hospitals. Any funds remaining after applying direct costs to operate the program are available for discretionary use by management.

The Council also acts as a coordinator of services for people who are home-bound and in need of services similar to those provided in a nursing home. Rather than have the person sent to a nursing home, the Council coordinates necessary services and is paid a fee by Medicaid for performing the case management function.

Project Independence

This program provides transportation to eligible participants through the Department of Social Services for educational purposes.

Section 8

The Council administers Section 8 Housing Program through the Morehouse Parish Police Jury. The Council determines eligibility for qualified participants.

(Continued)

MOREHOUSE COUNCIL ON AGING, INC.

Notes to Financial Statements
June 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types (Continued)

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following are the funds which comprise the Council's Special Revenue Funds:

Title III-C Area Agency Administration Fund

The Title III-C Area Agency Administration Fund is used to account for some of the administrative costs associated with operating the special programs for the aging.

Senior Center Fund

The Senior Center Fund is used to account for the administration of Senior Center Program funds appropriated by the Louisiana Legislature to the Governor's Office of Elderly Affairs, which "passes through" the funds to the Council. This program provides community service centers at which older persons receive supportive services and participate in activities which foster their independence, enhance their dignity, and encourage their involvement in and with the community.

Title III C-1 Congregate Meals Fund

Title III C-1 funds are provided by the United States Department of Health and Human Services to the Louisiana Governor's Office of Elderly Affairs, which "passes through" the funds to the Council. These funds are used to provide nutritional congregate meals to the elderly in strategically located centers.

Title III C-2 Home Delivered Meals Fund

Title III C-2 funds are provided by the United States Department of Health and Human Services through the Louisiana Governor's Office of Elderly Affairs, which "passes through" the funds to the Council. These funds are used to provide nutritional meals to home-bound older persons.

(Continued)

MOREHOUSE COUNCIL ON AGING, INC.

Notes to Financial Statements
June 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types (Continued)

U.S.D.A. Fund

The U.S.D.A. Fund is used to account for the administration of the Food Distribution Program fund provided by the United States Department of Agriculture through the Louisiana Governor's Office of Elderly Affairs, which "passes through" the funds to the Council. This program reimburses the service provider on a per unit basis for each congregate and home-delivered meal served to an eligible participant so that United States food and commodities may be purchased to supplement these programs.

Title III-D Fund

The III-D Fund is used to account for funds which are used to provide in-home services to frail, older individuals, including in-home supportive services for older individuals who are victims of Alzheimer's disease and related disorders with neurological and organic brain disorders with neurological and organic brain dysfunction, and to the families of such victims. Title III-D funds are provided by the United States Department of Health and Human Services through the Louisiana Governor's Office of Elderly Affairs, which in turn "passes through" the funds to the Council.

Utility Assistance Fund

The Utility Assistance Fund is used to account for the administration of programs that are sponsored by local utility companies. The companies collect contributions from service customers and remit the funds to the Louisiana Association of Councils on Aging (LACOA) which in turn remits funds relating to Morehouse Council on Aging, Inc. to the Council so that it can provide assistance to the elderly for the payment of their utility bills.

Audit Fund

The Audit Fund is used to account for funds received from the Governor's Office of Elderly Affairs that are restricted to use as a supplement to pay for the cost of having an annual audit of the Council's financial statements.

(Continued)

MOREHOUSE COUNCIL ON AGING, INC.

Notes to Financial Statements
June 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds

Title III, Part F

The III, Part F fund is used to account for funds which are used for disease prevention and health promotion activities.

Supplemental Senior Center Fund

The Louisiana Legislature appropriated additional money for various councils on aging through the state to be used to supplement the primary state grant for senior centers. Morehouse Council on Aging, Inc. was one of the parish councils to receive a supplemental grant. These funds are "passed through" the Governor's Office of Elderly Affairs.

D. Account Group:

An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The account group is not a "fund".

General Fixed Assets

The fixed assets (capital outlays) used in governmental fund type operations of Morehouse Council on Aging, Inc. are accounted for (capitalized) in the General Fixed Assets Account Group and are recorded as expenditures in the governmental fund types when purchased.

E. Basis of Accounting:

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Governmental funds are maintained on the modified accrual basis of accounting wherein revenues are recognized in the accounting period in which they become available and measurable. All grant revenue is considered susceptible to accrual. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

(Continued)

MOREHOUSE COUNCIL ON AGING, INC.

Notes to Financial Statements
June 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Transfers:

Advances between funds which are not expected to be repaid are accounted for as transfers. In those cases where repayment is expected, the advances are accounted for through the various due from and due to accounts.

G. Budget Policy:

The Governor's Office of Elderly Affairs "GOEA" notifies the Council each year as to the funding levels for each program's grant award.

The Council may also obtain grants from agencies other than GOEA and the Council considers the potential revenues to be earned under those grants.

Projections are made of revenues from other sources based on past trends and data available to form expectations of future revenues.

The Executive Director prepares a proposed budget based on the expected funding levels and then submits the budget to the Board of Directors for approval. The budget is prepared on a basis consistent with generally accepted accounting principles.

The Board of Directors review and adopts the budget before May 31 of the current year for the next year.

The adopted budget is forwarded to GOEA for final approval.

Actual amounts are compared to budgeted amounts periodically during the year as a management control device.

The Council may transfer funds between line items as often as required but must obtain prior approval from the grantor agency for funds received from that agency.

Budgeted amounts presented in the accompanying financial statements include the original adopted budget amounts and all subsequent amendments.

(Continued)

MOREHOUSE COUNCIL ON AGING, INC.

Notes to Financial Statements
June 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Budget Policy: (Continued)

The Council is not required by state or local law to prepare a budget for every program or activity it conducts. Accordingly, some activities are not budgeted, particularly if they are deemed to be immaterial by management.

H. Compensated Absence:

No liability is recorded for nonvesting accumulated rights to receive vacation or sick pay benefits.

I. Fixed Assets:

Assets which cost at least \$250 and which have an estimated useful life of greater than 1 year are capitalized as fixed assets. All fixed assets are stated at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are stated at their estimated fair market value on the date donated. No depreciation has been provided on general fixed assets.

J. Reservation of Fund Balances:

The Council "reserves" portions of its fund balance that are legally restricted and are available only to meet future obligations.

K. Cash and Cash Equivalents:

The Council's policy is to include short-term interest bearing deposits with cash in the financial statements.

L. Total Columns on Combined Statements - Overview:

Total columns on the combined statements - overview are captioned "memorandum only" to indicate that they are presented only to help with financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

MOREHOUSE COUNCIL ON AGING, INC.

Notes to Financial Statements
June 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Management's Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that may affect certain reported amounts and disclosures. Accordingly, results may differ from those estimates. results may differ from those estimates.

2. REVENUE RECOGNITION

Intergovernmental

Intergovernmental revenues are recorded in governmental funds as revenues in the accounting period when they become susceptible to accrual, that is, measurable and available. Intergovernmental grants do not allow the Council to recognize revenue under the grant award until actual costs are incurred or units of service are provided.

Program Service Fees

Program service fees are recognized when the Council provides the service that entitles the Council to charge the recipient for the services received.

Public Support and Miscellaneous Revenues

The Council encourages and receives contributions from clients to help offset the costs of the Title III-B, C-1, C-2 and D programs. In addition, various fund raisers are held during the year to obtain funds to offset costs of general operations and senior activities. The timing and amounts of the receipts of public support and miscellaneous revenues are difficult to predict; therefore, they are not susceptible to accrual and are recorded as revenue in the period received.

3. BOARD OF DIRECTORS COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

(Continued)

MOREHOUSE COUNCIL ON AGING, INC.

Notes to Financial Statements
June 30, 1999

4. IN-KIND CONTRIBUTIONS

The Council received various in-kind contributions during the year. In-kind contributions consisted primarily of the time donated by volunteer workers at senior centers and meal sites. Although these contributions have not been reported as revenues, no offsetting expenses have been incurred thereby producing no effect on the financial statements.

5. CONTRACTS RECEIVABLE

Contracts receivable at June 30, 1999, are as follows:

USDA	\$ 2,154
Project Independence (Local)	4,331
Medicaid	4,956
Total	<u>\$ 11,441</u>

All contracts receivable are fully collectible at June 30, 1999.

6. CHANGES IN FIXED ASSETS

A summary of the changes in general fixed assets account group is as follows:

	Balance July 1, <u>1998</u>	Additions	Retirements	Balance June 30, <u>1999</u>
Leasehold Improvements	\$ 61,644	\$ -	\$ -	\$ 61,644
Building	28,403	-	-	28,403
Furniture and Equipment	<u>202,883</u>	<u>8,806</u>	<u>-</u>	<u>211,689</u>
Totals	<u>\$292,930</u>	<u>\$ 8,806</u>	<u>\$ -</u>	<u>\$301,736</u>

7. DEPOSITS WITH FINANCIAL INSTITUTIONS

The Council maintains a consolidated bank account to deposit the money it collects and to pay its bills. The consolidated bank account is available for use by all funds. The purpose of this consolidated account is to reduce administration costs and facilitate cash management.

At June 30, 1999, the carrying amount of the Council's deposits were \$124,061, and the bank's balance was \$145,914. The difference is due to outstanding checks at June 30. All funds on deposits were insured by federal depository insurance.

(Continued)

MOREHOUSE COUNCIL ON AGING, INC.

Notes to Financial Statements
June 30, 1999

8. INCOME TAX STATUS

Morehouse Council on Aging, Inc. is an organization exempt from tax under Internal Revenue Code Section 501(c)(3). Accordingly, the financial statements contain no provision for income taxes.

9. ECONOMIC DEPENDENCY

The Council receives the majority of its revenue from funds provided through grants administered by the Louisiana Governor's Office of Elderly Affairs. The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of the funds the Council receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Council will receive in the next fiscal year.

10. INTERFUND TRANSFERS

Operating transfers in and out are listed by fund for the year ended June 30, 1999:

	Operating Transfers In	Operating Transfers Out
General Fund	<u>\$ 125,196</u>	<u>\$ 211,215</u>
Special Revenue Funds:		
Title III C-1	21,888	-
Title III C-2	28,480	-
Title III B Supportive Services Ombudsman	92,037	-
Section 8	3,377	-
Senior Center	-	7,162
USDA	-	24,165
Miscellaneous Grant	-	23,936
Total - Special Revenue Funds	<u>145,782</u>	<u>4,500</u>
Total - All Funds	<u>\$ 270,978</u>	<u>\$ 270,978</u>

(Continued)

MOREHOUSE COUNCIL ON AGING, INC.

Notes to Financial Statements
June 30, 1999

10. INTERFUND TRANSFERS (Continued)

Operating transfers out by fund are as follows:

General Fund

Title III C-1	\$ 7,670
Title III C-2	14,262
Reserve Fund	25,617
Title III B Supportive Services	67,872
United Way	9,160
Other Local	834
Ombudsman	3,377
Section 8	29,103
Medicaid Fund	10,903
Project Independence	<u>42,417</u>

Total transfers out - General Fund \$ 211,215

USDA

Title III C-1	\$ 11,968
Title III C-2	<u>11,968</u>

Total transfers out - USDA \$ 23,936

Miscellaneous Grant

Title III C-1	\$ 2,250
Title III C-2	<u>2,250</u>

Total transfers out \$ 4,500

Senior Center

Title III B Supportive Services	<u>\$ 24,165</u>
---------------------------------	------------------

Section 8

General Fund	<u>\$ 7,162</u>
--------------	-----------------

11. DUE TO/FROM OTHER FUNDS

Due to/from other funds at June 30, 1999, consisted of the following:

	Due From Other Funds	Due to Other Funds
General Fund	\$ -	\$ 24,687
Special Revenue Funds	<u>24,687</u>	<u>-</u>
Total - All Funds	<u>\$ 24,687</u>	<u>\$ 24,687</u>

(Continued)

MOREHOUSE COUNCIL ON AGING, INC.

Notes to Financial Statements

June 30, 1999

12. RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Council has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. No settlements were made during the year that exceeded the Council's insurance coverage.

13. YEAR 2000 ISSUES

The internal accounting systems of Morehouse Council on Aging, Inc. are Year 2000 compliant. For the year ended June 30, 1999 the Council spent \$3,238 for hardware and software to become Year 2000 compliant.

MOREHOUSE COUNCIL ON AGING, INC.

Combining Statement of Program Revenues, Expenditures
and Changes in Fund Balances -
General Fund
For the Year Ended June 30, 1999

	<u>Other Local</u>	<u>Project Independence</u>	<u>Medicaid</u>	<u>PCOA</u>	<u>Section 8</u>	<u>Totals</u>
REVENUES						
Intergovernmental:						
Governor's Office of Elderly Affairs	\$ -	\$ -	\$ -	\$ 21,779	\$ -	\$ 21,779
Morehouse Parish Police Jury	-	-	-	-	-	-
JTPA	4,679	-	-	-	-	4,679
Program Service Fees:						
Morehouse Parish Police Jury	-	-	-	-	29,103	29,103
Health and Hospitals	-	-	12,796	-	-	12,796
Social Services	-	65,508	-	-	-	65,508
Public Support:						
Unrestricted	9,700	-	-	-	-	9,700
Miscellaneous	48,189	-	-	-	-	48,189
Total revenues	<u>62,568</u>	<u>65,508</u>	<u>12,796</u>	<u>21,779</u>	<u>29,103</u>	<u>191,754</u>
EXPENDITURES						
Salaries	2,036	13,928	1,635	-	-	17,599
Fringe	1,200	1,421	258	-	-	2,879
Travel	-	11	-	-	-	11
Operating services	15,650	5,421	-	-	-	21,071
Operating supplies	4,147	1,530	-	-	-	5,677
Other costs	10,080	780	-	-	-	10,860
Capital outlay	8,806	-	-	-	-	8,806
Total expenditures	<u>41,919</u>	<u>23,091</u>	<u>1,893</u>	<u>-</u>	<u>-</u>	<u>66,903</u>
Excess (deficiency) of revenues over expenditures	20,649	42,417	10,903	21,779	29,103	124,851
OTHER FINANCING SOURCES (USES)						
Operating transfers in	125,196	-	-	-	-	125,196
Operating transfers out	(107,013)	(42,417)	(10,903)	(21,779)	(29,103)	(211,215)
Excess (deficiency) of revenues and other sources over expenditures and other uses	38,832	-	-	-	-	38,832
FUND BALANCES						
Beginning of year	9,017	-	-	-	-	9,017
End of year	<u>\$ 47,849</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,849</u>

Schedule 2

Title III F	Senior Center	USDA	Audit	Supple. Senior Center	Utility Assistance Fund	Section 8	Totals
\$ 3,498	\$ 30,965	\$ 23,936	\$ 2,279	\$ 4,500	\$ -	\$ -	\$ 350,785
-	-	-	-	-	-	275,070	275,070
-	-	-	-	-	3,378	-	3,378
-	-	-	-	-	-	-	41,502
<u>3,498</u>	<u>30,965</u>	<u>23,936</u>	<u>2,279</u>	<u>4,500</u>	<u>3,378</u>	<u>275,070</u>	<u>670,735</u>
-	-	-	-	-	-	-	251,036
-	-	-	-	-	-	-	32,133
-	-	-	-	-	-	-	10,814
524	6,800	-	2,279	-	-	267,908	352,870
-	-	-	-	-	-	-	12,373
2,974	-	-	-	-	-	-	10,242
-	-	-	-	-	-	-	83,908
-	-	-	-	-	2,951	-	2,951
-	-	-	-	-	-	-	-
<u>3,498</u>	<u>6,800</u>	<u>-</u>	<u>2,279</u>	<u>-</u>	<u>2,951</u>	<u>267,908</u>	<u>756,327</u>
-	24,165	23,936	-	4,500	427	7,162	(85,592)
-	-	-	-	-	-	-	145,782
-	(24,165)	(23,936)	-	(4,500)	-	(7,162)	(59,763)
-	-	-	-	-	427	-	427
-	-	-	-	-	15,118	-	15,118
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,545</u>	<u>\$ -</u>	<u>\$ 15,545</u>

MOREHOUSE COUNCIL ON AGING, INC.

Schedule of Expenditures - Budget (GAAP Basis) and Actual -
 General and Special Revenue Funds
For the Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
<u>LOCAL:</u>			
Salaries	\$ 35,280	\$ 17,599	\$ 17,681
Fringe	3,125	2,879	246
Travel	-	11	(11)
Operating services	38,869	21,071	17,798
Operating supplies	7,663	5,677	1,986
Other costs	12,443	10,860	1,583
Capital outlay	-	8,806	(8,806)
Transfers to other funds:			
Title III C-1	13,233	7,670	5,563
Title III C-2	24,408	14,262	10,146
Reserve Fund	-	25,617	(25,617)
Other Local	-	834	(834)
United Way	-	9,160	(9,160)
Project Independence	-	42,417	(42,417)
Medicaid Fund	-	10,903	(10,903)
Section 8	-	29,103	(29,103)
Title III B			
Supportive Services	<u>49,598</u>	<u>49,470</u>	<u>128</u>
Totals	<u>\$ 184,619</u>	<u>\$ 256,339</u>	<u>\$ (71,720)</u>
<u>PCOA (ACT 735):</u>			
Salaries	\$ -	\$ -	\$ -
Fringe	-	-	-
Meals	-	-	-
Travel	-	-	-
Operating services	-	-	-
Operating supplies	-	-	-
Transfers to other funds:			
Title III B	18,104	18,402	(298)
In - Home Services	408	-	408
Ombudsman	<u>3,267</u>	<u>3,377</u>	<u>(110)</u>
Totals	<u>\$ 21,779</u>	<u>\$ 21,779</u>	<u>\$ -</u>

(Continued)

MOREHOUSE COUNCIL ON AGING, INC.

Schedule of Expenditures - Budget (GAAP Basis) and Actual -
General and Special Revenue Funds
For the Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Title III C-1:</u>			
Salaries	59,017	59,731	(714)
Fringe	7,105	6,505	600
Meals:			
Raw food	32,640	35,594	(2,954)
Non-edibles	6,144	4,570	1,574
Travel	1,290	816	474
Operating services	22,180	17,728	4,452
Operating supplies	1,553	1,572	(19)
Other costs	6,594	2,438	4,156
Capital outlay	-	-	-
Totals	<u>\$ 136,523</u>	<u>\$ 128,954</u>	<u>\$ 7,569</u>
 <u>SENIOR CENTER:</u>			
Salaries	\$ -	\$ -	\$ -
Fringe	-	-	-
Meals	-	-	-
Travel	-	-	-
Operating services	6,800	6,800	-
Operating supplies	-	-	-
Other costs	-	-	-
Capital outlay	-	-	-
Transfers to other funds:			
Title III B	24,165	24,165	-
Totals	<u>\$ 30,965</u>	<u>\$ 30,965</u>	<u>\$ -</u>
 <u>Title III C-2:</u>			
Salaries	\$ 58,222	\$ 56,837	\$ 1,385
Fringe	7,013	6,955	58
Meals:			
Raw food	35,360	38,729	(3,369)
Non-edibles	6,656	5,015	1,641
Travel	7,836	4,562	3,274
Operating services	21,901	16,503	5,398
Operating supplies	1,603	1,696	(93)
Other costs	6,041	1,580	4,461
Capital outlay	-	-	-
Totals	<u>\$ 144,632</u>	<u>\$ 131,877</u>	<u>\$ 12,755</u>

(Continued)

Schedule 3
(Continued)

MOREHOUSE COUNCIL ON AGING, INC.

Schedule of Expenditures - Budget (GAAP Basis) and Actual -
General and Special Revenue Funds
For the Year Ended June 30, 1999

	Budget	Expenditures	Variance - Favorable (Unfavorable)
<u>IN-HOME SERVICES:</u>			
Salaries	\$ 1,908	\$ 1,327	\$ 581
Fringe	231	259	(28)
Travel	270	9	261
Operating services	152	599	(447)
Operating supplies	16	-	16
Other costs	25	-	25
Capital outlay	-	-	-
Totals	\$ 2,602	\$ 2,194	\$ 408
<u>OMBUDSMAN:</u>			
Salaries	\$ 11,190	\$ 10,864	\$ 326
Fringe	1,340	1,630	(290)
Travel	1,010	1,966	(956)
Operating services	1,814	1,345	469
Operating supplies	199	177	22
Other costs	423	104	319
Capital outlay	-	-	-
Totals	\$ 15,976	\$ 16,086	\$ (110)
<u>TITLE III C ADMINISTRATION:</u>			
Salaries	\$ 11,254	\$ 11,891	\$(637)
Fringe	1,380	1,359	21
Travel	642	833	(191)
Operating services	4,614	3,792	822
Operating supplies	720	804	(84)
Other costs	1,109	1,040	69
Capital outlay	-	-	-
Totals	\$ 19,719	\$ 19,719	\$ -
<u>TITLE III-B SUPPORTIVE SERVICES:</u>			
Salaries	\$ 107,815	\$ 110,386	\$(2,571)
Fringe	12,961	15,425	(2,464)
Travel	4,017	2,628	1,389
Operating services	34,143	35,392	(1,249)
Operating supplies	7,114	8,124	(1,010)
Other costs	8,038	2,106	5,932
Capital outlay	-	-	-
Totals	\$ 174,088	\$ 174,061	\$ 27

(Continued)

MOREHOUSE COUNCIL ON AGING, INC.

Schedule of Expenditures - Budget (GAAP Basis) and Actual -
General and Special Revenue Funds
For the Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>ENERGY FUND:</u>			
Salaries	\$ -	\$ -	\$ -
Fringe	-	-	-
Meals	-	-	-
Travel	-	-	-
Operating services	-	-	-
Operating supplies	-	-	-
Other costs	-	-	-
Utility assistance	3,721	2,951	770
Totals	<u>\$ 3,721</u>	<u>\$ 2,951</u>	<u>\$ 770</u>
<u>AUDIT:</u>			
Salaries	\$ -	\$ -	\$ -
Fringe	-	-	-
Meals	-	-	-
Travel	-	-	-
Operating services	2,279	2,279	-
Operating supplies	-	-	-
Totals	<u>\$ 2,279</u>	<u>\$ 2,279</u>	<u>\$ -</u>
<u>USDA</u>			
Transfers to Title III C-1	\$ 15,000	\$ 11,968	\$ 3,032
Transfers to Title III C-2	15,000	11,968	3,032
Totals	<u>\$ 30,000</u>	<u>\$ 23,936</u>	<u>\$ 6,064</u>
<u>PREVENTIVE HEALTH:</u>			
Salaries	\$ -	\$ -	\$ -
Fringe	-	-	-
Travel	-	-	-
Operating services	-	524	(524)
Operating supplies	-	-	-
Other costs	3,000	2,974	26
Capital outlay	498	-	498
Totals	<u>\$ 3,498</u>	<u>\$ 3,498</u>	<u>\$ -</u>

(Continued)

MOREHOUSE COUNCIL ON AGING, INC.

Schedule of Expenditures - Budget (GAAP Basis) and Actual -
General and Special Revenue Funds
For the Year Ended June 30, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>SECTION 8:</u>			
Salaries	\$ -	\$ -	\$ -
Fringe	-	-	-
Meals	-	-	-
Travel	-	-	-
Operating services	315,187	267,908	47,279
Operating supplies	-	-	-
Other costs	-	-	-
Utility assistance	-	-	-
Totals	<u>\$ 315,187</u>	<u>\$ 267,908</u>	<u>\$ 47,279</u>
 <u>SUPPLE. SENIOR CENTER</u>			
Transfers to other funds:			
Title C-1	\$ 2,250	\$ 2,250	\$ -
Title C-2	<u>2,250</u>	<u>2,250</u>	<u>-</u>
Totals	<u>\$ 4,500</u>	<u>\$ 4,500</u>	<u>\$ -</u>

MOREHOUSE VOLUNTARY COUNCIL ON AGING, INC.Schedule of Priority Services -
Title III, Part B, Grant for Supportive ServicesFor the Year Ended June 30, 1999

Access (30%):	Case Management	\$ 7,858	
	Transportation	94,187	
	Information & Assistance	7,375	
	Outreach	<u>8,550</u>	
	Total access expenses		117,970 <u>122.13%</u>
In-Home (15%):	Homemaker	43,094	
	Chore	<u>8,197</u>	
	Total in-home expenses		51,291 <u>87.63%</u>
Legal (5%):	Legal assistance		4,134 <u>7.23%</u>
Non-priority services			<u>-</u>
Total Title III-B	Supportive service expenditures		174,061
Less:	Participant contributions	(3,053)	
	Transfers in	<u>(92,037)</u>	
Title IIIB -	Supportive services grant		78,791
Less:	State homemaker	(7,802)	
Less:	State transportation	<u>(11,454)</u>	
Original grant award net of additional state transportation funds			<u>\$ 57,140</u>

MOREHOUSE COUNCIL ON AGING, INC.Statement of General Fixed Assets
And Changes in General Fixed Assets
For the Year Ended June 30, 1999

	Balance June 30, 1998	Additions (Deletions)	Balance June 30, 1999
General Fixed Assets, at Cost:			
Building	\$ 28,403	\$ -	\$ 28,403
Furniture and equipment	202,883	8,806	211,689
Leasehold improvements	<u>61,644</u>	<u>-</u>	<u>61,644</u>
Totals	<u>\$ 292,930</u>	<u>\$ 8,806</u>	<u>\$ 301,736</u>
Investment in General Fixed Assets:			
Property with no reflection of source and general fund acquisitions	\$ 126,133	\$ -	\$ 126,133
Title III C-1	8,373	-	8,373
Title III C-2	3,281	-	3,281
Senior Center	6,504	-	6,504
Title III C Administrative	379	-	379
Title III B Support services	5,067	-	5,067
Title III F	4,533	-	4,533
Title III D In Home services	227	-	227
Ombudsman	230	-	230
Act 375	283	-	283
Miscellaneous grant	3,818	-	3,818
General fund	<u>134,102</u>	<u>8,806</u>	<u>142,908</u>
Totals	<u>\$ 292,930</u>	<u>\$ 8,806</u>	<u>\$ 301,736</u>

MOREHOUSE COUNCIL ON AGING, INC.Schedule of Federal Awards
For the Year Ended June 30, 1999

<u>FEDERAL GRANTOR/ PROGRAM TITLE *</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Health and Human Services</u>				
<u>Administration on Aging</u>				
Passed through the Louisiana Governor's Office of Elderly Affairs Special programs for the aging:				
Title III, Part B - Grant for Supportive Services and Senior Centers	93.044	\$ 50,758	\$ 50,758	\$ 50,758
Title III, Part B - Ombudsman	93.044	<u>7,639</u>	<u>7,639</u>	<u>7,639</u>
Subtotal CFDA# 93.044		<u>58,397</u>	<u>58,397</u>	<u>58,397</u>
Title III, Part C-Area Agency Administration	93.045	14,789	14,789	14,789
Title C-1-Nutrition Services Congregate Meals	93.045	50,861	50,861	50,861
Title C-2-Nutrition Services Home Delivered Meals	93.045	<u>26,648</u>	<u>26,648</u>	<u>26,648</u>
Subtotal CFDA# 93.045		<u>92,298</u>	<u>92,298</u>	<u>92,298</u>
Title III, Part D-In Home Services for Frail Older Individuals	93.046	<u>1,865</u>	<u>1,865</u>	<u>1,865</u>
Title III, Part F-Disease and Health Promotion Services	93.043	<u>2,973</u>	<u>2,973</u>	<u>2,973</u>
Total for U.S. Department of Health and Human Services		<u>155,533</u>	<u>155,533</u>	<u>155,533</u>
<u>Department of Housing and Urban Development</u>				
Section 8 Housing Voucher	14,777	<u>267,908</u>	<u>267,908</u>	<u>57,233</u>
<u>U.S. Department of Agriculture</u>				
Passed through the Louisiana Governor's Office of Elderly Affairs:				
USDA - cash in lieu of commodities	10.570	<u>35,000</u>	<u>23,936</u>	<u>23,936</u>
Total - All Federal Awards		<u>\$458,441</u>	<u>\$447,377</u>	<u>\$447,377</u>

MOREHOUSE COUNCIL ON AGING, INC.
Notes to the Schedule of Federal Awards

June 30, 1999

1. General:

The accompanying Schedule of Federal Awards presents the activity of all federal award programs of Morehouse Council on Aging, Inc.

2. Basis of Accounting:

The accompanying Schedule of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the general purpose financial statements.

3. Relationship to General Purpose Financial Statements:

Federal Award revenues are reported in the general purpose financial statements as follows:

	<u>Intergovernmental Revenue</u>
Federal Financial Awards	\$ 447,377
State Financial Awards	<u>312,343</u>
Total Intergovernmental Awards	<u>\$ 759,720</u>

Marsha O. Millican

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT OF COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Morehouse Council on Aging, Inc.
Bastrop, Louisiana

I have audited the financial statements of Morehouse Council on Aging, Inc. Louisiana as of and for the year ended June 30, 1999, and have issued my report thereon dated November 19, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

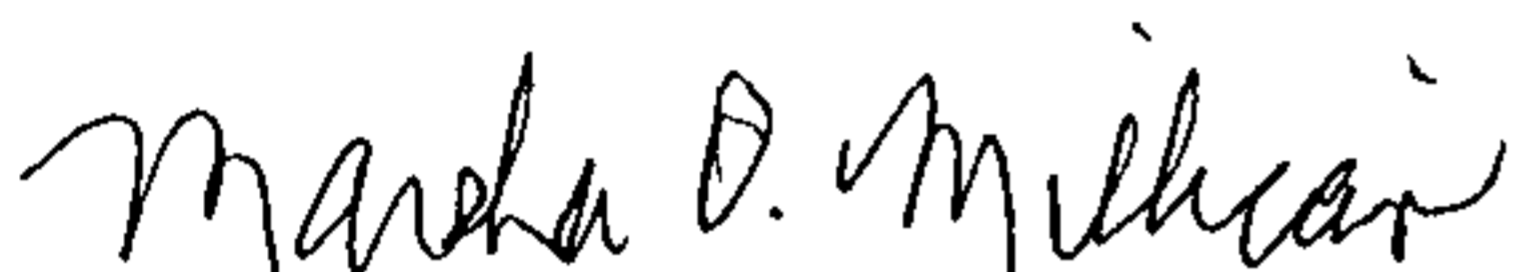
As part of obtaining reasonable assurance about whether Morehouse Council on Aging, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Morehouse Council on Aging, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Morehouse Council on Aging, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item # 1.

A material weakness is a 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 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended for the information of management and federal and state awarding agencies.



Certified Public Accountant
November 19, 1999

Morehouse Council on Aging, Inc.

Schedule of Findings and Questioned Costs

June 30, 1999

	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
#1	Criteria: The segregation of duties is inadequate to provide effective internal control.	-0-
	Cause: The condition is due to economic and space limitations.	
	Recommendation: No action is recommended.	
	Management's Response: We concur with the finding.	

MOREHOUSE COUNCIL ON AGING, INC.

Summary Schedule of Prior Year Findings

June 30, 1999

Finding:

The segregation of duties is inadequate to provide effective internal control.

Response:

No action was recommended due to economic and space limitations and none was taken.

Marsha O. Millican

CERTIFIED PUBLIC ACCOUNTANT

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

Board of Directors
Morehouse Council on Aging, Inc.
Bastrop, Louisiana

Compliance

I have audited the compliance of Morehouse Council on Aging, Inc. 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 June 30, 1999. Morehouse 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 requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Morehouse Council on Aging, Inc.'s management. My responsibility is to express an opinion on Morehouse Council on Aging, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; 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 I 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 Morehouse Council on Aging, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Morehouse Council on Aging, Inc.'s compliance with those requirements.

In my opinion, Morehouse 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 June 30, 1999.

Internal Control Over Compliance

The management of Morehouse Council on Aging, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Morehouse Council on Aging, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted a certain matter involving the internal control over compliance and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect Morehouse Council on Aging, Inc.'s ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the schedule of findings and questioned costs as item # 1.

A material weakness is a condition in which the design or operation of one or more on the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I believe reportable condition # 1 as described in the schedule of findings and questioned costs is a material weakness.

This report is intended for the information of management the Board of Directors, and applicable federal and state cognizant agencies.

Marsha O. McKeen

Certified Public Accountant
November 19, 1999