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**VERNON COUNCIL  
ON AGING, INC.**

**LEESVILLE, LOUISIANA**

**JUNE 30, 1998**

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Release Date 7/7/98

VERNON COUNCIL ON AGING, INC.

JUNE 30, 1998

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Vernon Council on Aging, Inc.

We have audited the accompanying general-purpose financial statements of Vernon Council on Aging, Inc., Leesville, Louisiana, as of and for the year ended June 30, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Vernon Council on Aging, Inc.'s management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our 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. 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 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.

Government Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues, requires disclosure of certain matters regarding the year 2000 issue. Vernon Council on Aging, Inc. has included such disclosures in Note 8. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Council's disclosures with respect to the year 2000 issue made in Note 8. Further, we do not provide assurance that Vernon Council on Aging Inc. will be year 2000 ready, that the Council's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Council does business will be year 2000 ready. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Vernon Council on Aging, Inc. as of June 30, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

MARVIN A. JUNEAU, C.P.A. ROBERT L. LITTON, C.P.A. REBECCA B. MORRIS, C.P.A.
H. FRED RANDOW, C.P.A. ROBERT W. DVORAK, C.P.A. MICHAEL A. JUNEAU, C.P.A.
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PAYNE, MOORE & HERRINGTON, LLP

Board of Directors  
Vernon Council on Aging, Inc.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 1998, on our consideration of the Vernon Council on Aging, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying additional information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of the Vernon 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 our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

*Payne, Moore & Herrington, LLP*

Certified Public Accountants

December 11, 1998

VERNON COUNCIL ON AGING, INC.  
 COMBINED BALANCE SHEET - ALL GOVERNMENTAL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1998

EXHIBIT A

	ACCOUNT GROUPS		TOTALS
	GOVERNMENTAL FUND TYPES	GENERAL FIXED ASSETS	(MEMORANDUM ONLY)
	GENERAL	LONG-TERM DEBT	
<b>ASSETS</b>			
ASSETS AND OTHER DEBITS			
Cash	\$ 81,885		\$ 81,885
Accounts receivable - intergovernmental	27,735		27,735
Prepaid insurance	4,871		4,871
Due from Special Revenue Fund	18,271		18,271
General fixed assets		549,596	549,596
<b>OTHER DEBITS</b>			
Amount to be provided for retirement of General long-term debt		198,709	198,709
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<u>\$105,027</u>	<u>\$549,596</u>	<u>\$919,498</u>
<b>LIABILITIES, EQUITY, AND OTHER CREDITS</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 42		\$ 42
Payroll taxes payable	14,503		14,503
Due to General Fund	18,271		18,271
Due to other entity	2,195		2,195
Compensated absences			7,854
Note payable	2,237	-0-	2,237
Total Liabilities			190,855
<b>EQUITY AND OTHER CREDITS</b>			
Investment in general fixed assets		549,596	549,596
Fund Balances			5,025
Reserved Utility Assistance			27,735
Unreserved			102,790
Designated - Endowment Fund			102,790
Undesignated			32,760
Total Equity and Other Credits			549,596
<b>TOTAL LIABILITIES, EQUITY, AND OTHER CREDITS</b>	<u>\$105,027</u>	<u>\$549,596</u>	<u>\$919,498</u>

The accompanying notes are an integral part of the financial statements.

VERNON COUNCIL ON AGING, INC.  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES -  
 ALL GOVERNMENTAL FUND TYPES  
 YEAR ENDED JUNE 30, 1998

EXHIBIT B

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
REVENUES			
Intergovernmental	\$ 17,119	\$ 429,106	\$ 446,225
Public support	6,037	26,522	32,559
Interest income	821	617	1,438
Rental income	<u>11,200</u>	<u>          </u>	<u>11,200</u>
Total Revenues	35,177	456,245	491,422
 EXPENDITURES			
Current			
Salaries	596	147,776	148,372
Fringe	197	23,985	24,182
Travel	7	6,953	6,960
Operating services	7,190	72,211	79,401
Operating supplies	339	78,364	78,703
Other	28	4,359	4,387
Capital outlay	32,582		32,582
Debt service			
Principal	162	7,546	7,708
Interest	<u>329</u>	<u>15,329</u>	<u>15,658</u>
Total Expenditures	<u>41,430</u>	<u>356,523</u>	<u>397,953</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (6,253)	 99,722	 93,469
 OTHER FINANCING SOURCES (USES)			
Operating transfers in	137,932	41,048	178,980
Operating transfers out	<u>(38,776)</u>	<u>(140,204)</u>	<u>(178,980)</u>
Total Other Financing Sources (Uses)	<u>99,156</u>	<u>(99,156)</u>	<u>-0-</u>
 EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	 92,903	 566	 93,469
 FUND BALANCES, BEGINNING OF YEAR	 <u>9,887</u>	 <u>32,194</u>	 <u>42,081</u>
 FUND BALANCES, END OF YEAR	 <u>\$102,790</u>	 <u>\$ 32,760</u>	 <u>\$ 135,550</u>

The accompanying notes are an integral part of the financial statements.

VERNON COUNCIL ON AGING, INC.  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL -  
 ALL GOVERNMENTAL FUND TYPES  
 YEAR ENDED JUNE 30, 1998

EXHIBIT C

	GENERAL FUND		SPECIAL REVENUE FUNDS		VARIANCE FAVORABLE (UNFAVORABLE)
	BUDGET	ACTUAL	BUDGET	ACTUAL	
<b>REVENUES</b>					
Intergovernmental	\$ 17,119	\$ 17,119	\$ 470,448	\$ 429,106	\$ (41,342)
Public support	16,063	6,037	16,422	26,522	10,100
Interest income		821		617	
Rental income	11,200	11,200			
Total Revenues	<u>44,382</u>	<u>35,177</u>	<u>486,870</u>	<u>456,245</u>	<u>(30,625)</u>
<b>EXPENDITURES</b>					
Current					
Salaries	595	596	148,097	147,776	321
Fringe	98	197	24,563	23,985	578
Travel	7	7	6,793	6,953	(160)
Operating services	1,647	7,190	98,948	72,211	26,737
Operating supplies	950	339	79,661	78,364	1,297
Other	11,229	28	8,777	4,359	4,418
Capital outlay	7,446	32,582			
Debt service					
Principal		162		7,546	(7,546)
Interest		329		15,329	(15,329)
Total Expenditures	<u>21,972</u>	<u>41,430</u>	<u>366,839</u>	<u>356,523</u>	<u>10,316</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	22,410	(6,253)	120,031	99,722	(20,309)
OTHER FINANCING SOURCES (USES)					
Operating transfers in		137,932	18,551	41,048	22,497
Operating transfers out		(38,776)	(18,551)	(140,204)	(121,653)
Total Other Financing Sources (Uses)	-0-	<u>99,156</u>	-0-	<u>(99,156)</u>	<u>(99,156)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	22,410	92,903	120,031	566	(119,465)
FUND BALANCES, BEGINNING OF YEAR	9,887	9,887	32,194	32,194	-0-
<b>FUND BALANCES, END OF YEAR</b>	<u>\$32,297</u>	<u>\$102,790</u>	<u>\$152,225</u>	<u>\$ 32,760</u>	<u>\$ (119,465)</u>

The accompanying notes are an integral part of the financial statements.

VERNON COUNCIL ON AGING, INC.  
JUNE 30, 1998

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Vernon Council on Aging, Inc. is a non-profit, quasi-public organization incorporated under the laws of the State of Louisiana on May 1, 1969.

Vernon Council on Aging, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable Louisiana law and, accordingly, is not subject to federal or state income tax. The Organization is not a private foundation.

As required by the Governor's Office of Elderly Affairs, the financial statements of the Council have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The primary function of the Vernon Council on Aging, Inc. is to improve the quality of life for the parish's elderly and to provide services to the elderly as well as coordinate and monitor the services of other local agencies serving the aging people of the parish. Services include providing meals, nutritional education, information and referral services, homemaker services, operating senior centers, and transportation. A Board of Directors, consisting of 21 voluntary members who serve three-year terms, governs the Council.

The more significant of the Council's accounting policies are described below.

Reporting Entity

In 1964, the State of Louisiana passed Act 456 which authorized the charter of voluntary councils and area agencies 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. The Vernon 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.

In evaluating how to define the Council for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. Generally, component units are legally separate organizations for which the elected officials or appointed board members of the

VERNON COUNCIL ON AGING, INC.  
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NOTES TO FINANCIAL STATEMENTS

primary government are financially accountable. Some of the criteria considered under "legally separate organization" are: the capacity for the organization to have its own name without recourse to the primary government; and, the right to buy, sell, lease, and mortgage property in its own name. Some of the criteria used to consider "financially accountable" include: appointment of a voting majority of the organization's governing body; ability for the primary government to impose its will on the organization; whether the organization has the potential to provide specific financial benefits to, or improve specific financial burdens on the primary government; and, fiscal dependence of the organization.

The Council is neither 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.

Fund Accounting

The Council uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, 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 Council has only one category of funds - governmental. The category, in turn, is divided into separate "fund types".

Governmental funds are used to account for all or most of the Council's general activities, including the collection and disbursement of earmarked monies (special revenue funds). The Vernon Council on Aging, Inc. has two types of funds included in this category.

GOVERNMENTAL FUNDS

GENERAL FUND - The General Fund is the operating fund of the Council and includes all financial resources except those required to be accounted for in another fund.

SPECIAL REVENUE FUNDS - The Special Revenue Funds are used to account for the proceeds of specific revenue sources restricted to expenditures for related specific purposes.

**VERNON COUNCIL ON AGING, INC.**  
**JUNE 30, 1998**

**NOTES TO FINANCIAL STATEMENTS**

The following are the funds which comprise the Council's Special Revenue Funds:

1. 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 to the Council to provide assistance to the elderly for the payment of their utility bills.

2. Title III-F Fund

The Title III-F Fund is used to account for funds used for disease prevention and health promotion activities including (1) equipment and materials (scales to weigh individuals, educational materials, and exercise equipment), (2) home injury control, (3) medication management, (4) mental health, and (5) nutrition (assessment /screening counseling, and education). The law directs the state agency administering this program to "give priority to areas of the state which are medically underserved and in which there are a large number of older individuals who have the greatest economic and social need".

Title III-F funds are provided by the U.S. Department of Health and Human Services through the Louisiana Governor's Office of Elderly Affairs who funds the Council on a predetermined unit cost reimbursement basis up to the grant amount.

3. Title III-B Supportive Services Fund

Title III-B funds are provided by the United States Department of Health and Human Services through the Louisiana Governor's Office of Elderly Affairs who funds the Council on a predetermined unit cost reimbursement basis up to the grant amount. This program provides access services, in-home services, community services, and transportation for the elderly.

4. 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 who funds the Council on a predetermined unit cost reimbursement basis up to

**VERNON COUNCIL ON AGING, INC.**  
**JUNE 30, 1998**

**NOTES TO FINANCIAL STATEMENTS**

the grant amount. This program provides community service centers where older persons receive supportive services and participate in activities which foster their independence, enhance their dignity, and encourage their involvement in the community.

5. 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 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 who funds the Council on a predetermined unit cost reimbursement basis up to the grant amount.

6. Find Work/Project Independence - Transportation

The Council provides transportation to the eligible citizens of the parish to provide access to health care, shopping, education, employment, public services, and recreation facilities. To help offset these transportation costs, the Council receives funds through the Section 18 Operating and Capital Assistance Grant Program - Urban Mass Transportation Act of 1964. These federal funds are administered by the Louisiana Department of Transportation and Development. The Council also receives funds from the Louisiana Department of Social Services under its Find Work/Project Independence Program.

7. USDA Cash-in-lieu of Commodities

The USDA Fund is used to account for the administration of the Food Distribution Program funds provided by the United States Department of Agriculture through the Louisiana Governor's Office of Elderly Affairs who funds the Council on a predetermined unit cost reimbursement 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.

8. Endowment Fund

The Endowment Fund is a special account set aside by board action for the future endeavors and activities of the Council.

VERNON COUNCIL ON AGING, INC.  
JUNE 30, 1998

NOTES TO FINANCIAL STATEMENTS

9. Title III-C-1 Area Agency Administration Fund

Title III-C-1 area agency administrative funds are provided by the United States Department of Health and Human Services through the Louisiana Governor's Office of Elderly Affairs who funds the Council on a predetermined unit cost reimbursement basis up to the grant amount. These funds are used to pay for administrative costs associated with the Title III and Senior Center programs.

10. Title III-C-1 Congregate Meals Fund

Title III-C-1 funds are provided by the United States Department of Health and Human Services through the Louisiana Governor's Office of Elderly Affairs who funds the Council on a predetermined unit cost reimbursement basis up to the grant amount. These funds are used to provide nutritional congregate meals to the elderly in strategically located centers.

11. 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 who funds the Council on a predetermined unit cost reimbursement basis up to the grant amount. These funds are used to provide nutritional meals to home-bound persons.

12. Section 18 Transportation

Section 18 funds are provided by the United States Department of Transportation through the Louisiana Department of Transportation and Development. Funds received by the Council are based on actual operating costs of providing transportation services to rural residents with Cameron Parish. The transportation portion of in-kind contributions is an allowed cost for purposes of requesting reimbursement under this program.

13. 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 audit of the Council's financial statements.

VERNON COUNCIL ON AGING, INC.  
JUNE 30, 1998

NOTES TO FINANCIAL STATEMENTS

ACCOUNT GROUPS

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 following account groups are not "funds".

GENERAL FIXED ASSETS - Fixed assets used in the governmental fund type operations are accounted for in the General Fixed Assets Account Group and are recorded as expenditures in the Governmental Funds when purchased. No depreciation has been provided on general fixed assets. All purchased fixed assets are stated at historical cost. Any donated fixed assets are stated at their estimated fair value at the time donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized.

GENERAL LONG-TERM DEBT ACCOUNT GROUP - General obligations of the Council are recorded in the General Long-Term Debt Account Group. The general obligation at June 30, 1998, consisted of one note issued to finance the acquisition of a building, and compensated absences.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Senior Center, Title III-B, C, F, D, and certain miscellaneous grant funds are received monthly based on a predetermined unit cost up to 1/12 of the grant amount, but are not susceptible to accrual as revenue until the actual units are performed. Substantially all other revenues are recorded when received. Expenditures are recorded when the related fund liability is incurred. Transfers between funds which are not expected to be repaid, if any, are accounted for as other financing sources (uses).

VERNON COUNCIL ON AGING, INC.  
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NOTES TO FINANCIAL STATEMENTS

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles, which is also consistent with state law. Annual appropriated budgets are usually adopted for the General and Special Revenue Funds. All annual appropriations lapse at the end of the fiscal year.

The Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Council prepares a proposed budget no later than fifteen days prior to the beginning of each fiscal year.
2. After completion of all action necessary to finalize and implement the budget, the budget is adopted prior to the commencement of the fiscal year for which the budget is being adopted.
3. All budgets are controlled at the fund level. Budgeted amounts shown in the financial statements are as originally adopted or as amended from time to time by the Council.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Debt Account Group. No accrued current expenditures are reported in the governmental funds since such amounts are considered immaterial.

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Debt Account Group.

VERNON COUNCIL ON AGING, INC.  
JUNE 30, 1998

NOTES TO FINANCIAL STATEMENTS

Budgets and Budgetary Accounting

The operating budgets of proposed expenditures and the means of financing them were adopted and approved, along with subsequent amendments, by the Board of Directors for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end. Budgets are adopted on a basis consistent with GAAP. Expenditures cannot legally exceed appropriations on an individual fund level.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "memorandum only" to indicate that they are presented only to help facilitate 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.

2. CASH

	INTEREST RATE	CARRYING AMOUNT	BANK BALANCE
Demand deposits, interest bearing	2.27%	\$ 79,201	\$ 86,069
Demand deposits, non-interest bearing		489	2,944
Savings account	2.25%	27,735	27,735
Sr. Citizen Path account		<u>2,195</u>	<u>6,476</u>
		\$109,620	\$123,224

**VERNON COUNCIL ON AGING, INC.**  
**JUNE 30, 1998**

**NOTES TO FINANCIAL STATEMENTS**

A summary of collateralization of the bank balances is presented below:

Federally insured through FDIC	\$100,000
Uninsured, uncollateralized - secured with securities held by the pledging financial institution, but not in Agency's name	<u>23,224</u>
	<b>\$123,224</b>

The uncollateralized amount shown above is secured by pledged securities with a market value of \$80,000 at June 30, 1998. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Agency that the fiscal agent has failed to pay deposited funds upon demand.

**3. FIXED ASSETS**

The following is a summary of changes in fixed assets during the fiscal year:

	<u>BALANCE</u> <u>JUNE 30, 1997</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 1998</u>
Furniture and equipment	\$ 68,230	\$	\$	\$ 68,230
Vehicles	167,933	32,582		200,515
Land and buildings	<u>343,029</u>		<u>62,178</u>	<u>280,851</u>
Totals	<u>\$579,192</u>	<u>\$32,582</u>	<u>\$62,178</u>	<u>\$549,596</u>

The retirements of \$62,178 include prior years' dispositions of fixed assets which had not been removed from the general fixed assets account group.

**4. GENERAL LONG-TERM DEBT**

One note payable was issued to Merchants & Farmers Bank & Trust Company to finance the acquisition of a building. The terms of the note are as follows:

<u>NOTE</u>	
Issuance date:	January 5, 1996
Original principal amount:	\$225,000
Interest rate:	8.50%
Number of payments:	100
Monthly payment:	\$3,134
Maturity date:	June 15, 2004

**VERNON COUNCIL ON AGING, INC.**  
**JUNE 30, 1998**

**NOTES TO FINANCIAL STATEMENTS**

Changes in general long-term debt for the year ended June 30, 1998, are as follows:

	<u>BALANCE</u> <u>JUNE 30, 1997</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 1998</u>
Note payable	\$198,563	\$-0-	\$7,708	\$190,855
Compensated absences	<u>8,189</u>	<u>-0-</u>	<u>335</u>	<u>7,854</u>
	\$206,752	\$-0-	\$8,043	\$198,709

The annual requirements to amortize all debts outstanding as of June 30, 1998, including interest of \$49,684 are as follows:

<u>YEAR</u> <u>ENDING</u> <u>JUNE 30,</u>	<u>GENERAL</u> <u>LONG-TERM</u> <u>DEBT</u>
1999	\$ 52,494
2000	37,609
2001	37,609
2002	37,609
2003	37,609
Thereafter	<u>37,609</u>
	\$240,539

Total interest charges incurred on general long-term debt amounted to \$17,506 for the current period.

**5. COMPENSATION OF BOARD MEMBERS**

There was no compensation paid to any member of the Board of Directors during the current year.

**6. JUDGEMENTS, CLAIMS, AND SIMILAR CONTINGENCIES**

There was no litigation pending against the Council at June 30, 1998. Furthermore, the Council's management believes that any potential lawsuits would be adequately covered by insurance.

The Council receives revenues from various federal and state grant programs which are subject to final review and approval as to allowability of expenditures by the respective grantor agencies. Any settlements or expenses arising out of a final review are recognized in the period in which agreed upon by the grantor agency and this Council. Also, it is management's opinion that any audits by the grantor agencies would not produce disallowed program costs and liabilities to such an extent that they would materially affect the Council's financial position.

**VERNON COUNCIL ON AGING, INC.**  
**JUNE 30, 1998**

**NOTES TO FINANCIAL STATEMENTS**

**7. CONCENTRATIONS OF REVENUE**

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 funds the Council receives could be reduced significantly, resulting in an adverse impact on its operations. Management is not aware of any actions that would adversely affect the amount of funds the Council will receive in the next fiscal year.

**8. YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Council's operations as early as fiscal year ended June 30, 1999.

Vernon Council on Aging, Inc. has begun an assessment of the problem by identifying all of its systems and individual components of its systems. The process of identification of potential problems is ongoing. Therefore, the Council is in the assessment stage. The assessment must be completed, then corrections made to the programs and systems. With considerable time dedicated to the Year 2000 issue, the Council anticipates significant completion of the assessment and remediation by October of 1999. At that time, testing will be performed for validation of the corrections.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that Vernon Council on Aging, Inc. is or will be year 2000 ready, that the Council's remediation efforts will be successful in whole or in part, or that parties with whom the Council does business will be year 2000 ready.

**ADDITIONAL INFORMATION**

VERNON COUNCIL ON AGING, INC.  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - GENERAL FUND  
 YEAR ENDED JUNE 30, 1998

SCHEDULE 1

	<u>MISCELLANEOUS GRANT</u>	<u>LOCAL</u>	<u>PCOA ACT 735</u>	<u>TOTALS</u>
<b>REVENUES</b>				
Intergovernmental				
Office of Elderly Affairs	\$4,500	\$	\$11,779	\$ 16,279
Medicaid		840		840
Public support		6,037		6,037
Interest income		821		821
Rental income		<u>11,200</u>		<u>11,200</u>
Total Revenues	<u>4,500</u>	<u>18,898</u>	<u>11,779</u>	<u>35,177</u>
<b>EXPENDITURES</b>				
Current				
Salaries		596		596
Fringe		197		197
Travel		7		7
Operating services		7,190		7,190
Operating supplies		339		339
Other		28		28
Capital outlay		32,582		32,582
Debt service				
Principal		162		162
Interest		<u>329</u>		<u>329</u>
Total Expenditures	<u>-0-</u>	<u>41,430</u>	<u>-0-</u>	<u>41,430</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>4,500</b>	<b>(22,532)</b>	<b>11,779</b>	<b>(6,253)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in		137,932		137,932
Operating transfers out	<u>(4,500)</u>	<u>(22,497)</u>	<u>(11,779)</u>	<u>(38,776)</u>
Total Other Financing Sources (Uses)	<u>(4,500)</u>	<u>115,435</u>	<u>(11,779)</u>	<u>99,156</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>-0-</b>	<b>92,903</b>	<b>-0-</b>	<b>92,903</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b><u>-0-</u></b>	<b><u>9,887</u></b>	<b><u>-0-</u></b>	<b><u>9,887</u></b>
<b><u>FUND BALANCES, END OF YEAR</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$102,790</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$102,790</u></b>

See independent auditor's report.

VERNON COUNCIL ON AGING, INC.  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 1998

SCHEDULE 2  
 (Continued)

	<u>UTILITY ASSISTANCE</u>	<u>TITLE III-F</u>	<u>TITLE III-B SUPPORTIVE SERVICES</u>	<u>SENIOR CENTER</u>
<b>REVENUES</b>				
Intergovernmental			\$92,462	\$26,600
Office of Elderly Affairs		\$4,105		
LA Dept. of Transportation	385		10,692	
LA Dept. of Social Services	<u>385</u>	<u>4,105</u>	<u>103,154</u>	<u>26,600</u>
Public support				
Interest income				
Total Revenues				
<b>EXPENDITURES</b>				
Current				
Salaries		3,171	42,641	3,096
Fringe		986	6,999	493
Travel		9	1,664	
Operating services	436	254	23,156	
Operating supplies		10	4,575	
Other		41	769	
Debt service				
Principal		23	1,642	1,465
Interest		47	3,335	2,975
Total Expenditures	<u>436</u>	<u>4,541</u>	<u>84,781</u>	<u>8,029</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(51)	(436)	18,373	18,571
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in		436	(18,373)	(18,571)
Operating transfers out				
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>436</u>	<u>(18,373)</u>	<u>(18,571)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	(51)	-0-	-0-	-0-
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>5,076</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>FUND BALANCES, END OF YEAR</b>	<u>\$5,025</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See independent auditor's report.

VERNON COUNCIL ON AGING, INC.  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 1998

SCHEDULE 2  
 (Continued)

	TITLE III-D	FIND WORK/ PROJECT INDEPENDENCE	USDA CASH-IN-LIEU OF COMMODITIES	ENDOWMENT
REVENUES				
Intergovernmental				
Office of Elderly Affairs	\$3,347	\$	\$ 20,149	\$
LA Dept. of Transportation		70,680		
LA Dept. of Social Services		<u>70,680</u>	<u>20,149</u>	<u>617</u>
Public support				<u>617</u>
Interest income				
Total Revenues	<u>3,347</u>			
EXPENDITURES				
Current				
Salaries	2,241	14,766		
Fringe	690	1,947		
Travel	397	74		
Operating services	252	11,679		
Operating supplies	9	3,914		
Other	29	286		
Debt service				
Principal	16	201		
Interest	31	407		
Total Expenditures	<u>3,665</u>	<u>33,274</u>	<u>-0-</u>	<u>-0-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(318)	37,406	20,149	617
OTHER FINANCING SOURCES (USES)				
Operating transfers in	318	(37,406)	(20,149)	
Operating transfers out				
Total Other Financing Sources (Uses)	<u>318</u>	<u>(37,406)</u>	<u>(20,149)</u>	<u>-0-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-0-	-0-	-0-	617
FUND BALANCES, BEGINNING OF YEAR	-0-	-0-	-0-	27,118
FUND BALANCES, END OF YEAR	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 27,735</u>

See independent auditor's report.

VERNON COUNCIL ON AGING, INC.  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 1998

SCHEDULE 2  
 (Concluded)

	TITLE III-C-1 AREA AGENCY ADMINISTRATION	TITLE III-C-1 CONGREGATE MEALS	TITLE III-C-2 HOME DELIVERED MEALS	SECTION 18 TRANSPORTATION	AUDIT	TOTALS
<b>REVENUES</b>						
Intergovernmental	\$23,124	\$61,985	\$ 52,449	\$ 72,840	\$1,365	\$ 285,586
Office of Elderly Affairs						72,840
LA Dept. of Transportation						70,680
LA Dept. of Social Services		4,807	10,638			26,522
Public support						617
Interest income						<u>456,245</u>
Total Revenues	<u>23,124</u>	<u>66,792</u>	<u>63,087</u>	<u>72,840</u>	<u>1,365</u>	
<b>EXPENDITURES</b>						
Current						
Salaries	8,458	21,178	41,539	10,686		147,776
Fringe	1,405	3,500	6,166	1,799		23,985
Travel	264	168	4,312	65		6,953
Operating services	9,532	7,755	7,815	11,332		72,211
Operating supplies	301	32,725	32,773	4,057		78,364
Other	147	653	818	251	1,365	4,359
Debt service						
Principal	647	3,036	516			7,546
Interest	1,315	6,170	1,049			15,329
Total Expenditures	<u>22,069</u>	<u>75,185</u>	<u>94,988</u>	<u>28,190</u>	<u>1,365</u>	<u>356,523</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,055	(8,393)	(31,901)	44,650	-0-	99,722
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in		8,393	31,901	(44,650)		41,048
Operating transfers out	(1,055)					(140,204)
Total Other Financing Sources (Uses)	<u>(1,055)</u>	<u>8,393</u>	<u>31,901</u>	<u>(44,650)</u>	<u>-0-</u>	<u>(99,156)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-0-	-0-	-0-	-0-	-0-	566
FUND BALANCES, BEGINNING OF YEAR	-0-	-0-	-0-	-0-	-0-	32,194
<b>FUND BALANCES, END OF YEAR</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 32,760</u>

See independent auditor's report.

VERNON COUNCIL ON AGING, INC.  
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -  
 BUDGET AND ACTUAL - GENERAL FUND  
 YEAR ENDED JUNE 30, 1998

SCHEDULE 3

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES			
Local Funds Program			
Current			
Salaries	\$ 595	\$ 596	\$ (1)
Fringe	98	197	(99)
Travel	7	7	-0-
Operating services	1,647	7,190	(5,543)
Operating supplies	950	339	611
Other	11,229	28	11,201
Capital outlay	7,446	32,582	(25,136)
Debt service			
Principal		162	(162)
Interest		329	(329)
Total Expenditures	<u>21,972</u>	<u>41,430</u>	<u>(19,458)</u>
OTHER FINANCING USES			
Operating transfers out			
Local Program			
To Special Revenue Funds		22,497	(22,497)
Misc. Grant Program			
To Local Program		4,500	(4,500)
PCOA Act 735 Program			
To Local Program		<u>11,779</u>	<u>(11,779)</u>
Total Other Financing Uses	<u>-0-</u>	<u>38,776</u>	<u>(38,776)</u>
<u>TOTAL EXPENDITURES AND OTHER FINANCING USES</u>	<u>\$21,972</u>	<u>\$80,206</u>	<u>\$(58,234)</u>

See independent auditor's report.

VERNON COUNCIL ON AGING, INC.  
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -  
 BUDGET AND ACTUAL - SELECTED SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 1998

SCHEDULE 4  
(Continued)

VARIANCE  
FAVORABLE  
(UNFAVORABLE)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>(UNFAVORABLE)</u>
EXPENDITURES			
Utility Assistance			
Current			
Operating services	\$ -0-	\$ 436	\$ (436)
Title III-F			
Current			
Salaries	3,150	3,171	(21)
Fringe	522	986	(464)
Travel	9	9	-0-
Operating services	405	254	151
Operating supplies	11	10	1
Other	36	41	(5)
Debt service			
Principal		23	(23)
Interest		47	(47)
Total Title III-F			
Expenditures	4,133	4,541	(408)
Title III-B Supportive Services			
Current			
Salaries	44,173	42,641	1,532
Fringe	7,327	6,999	328
Travel	1,649	1,664	(15)
Operating services	30,195	23,156	7,039
Operating supplies	5,322	4,575	747
Other	4,235	769	3,466
Debt service			
Principal		1,642	(1,642)
Interest		3,335	(3,335)
Total Title III-B Supportive			
Services Expenditures	\$92,901	\$84,781	\$ 8,120

See independent auditor's report.

VERNON COUNCIL ON AGING, INC.  
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -  
 BUDGET AND ACTUAL - SELECTED SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 1998

SCHEDULE 4  
(Continued)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
EXPENDITURES			
Senior Center			
Current			
Salaries	\$ 3,096	\$ 3,096	\$ -0-
Fringe	514	493	21
Operating services	4,440		4,440
Debt service			
Principal		1,465	(1,465)
Interest	_____	<u>2,975</u>	<u>(2,975)</u>
Total Senior Center Expenditures	8,050	8,029	21
Title III-D			
Current			
Salaries	2,251	2,241	10
Fringe	373	690	(317)
Travel	396	397	(1)
Operating services	331	252	79
Operating supplies	9	9	-0-
Other	30	29	1
Debt service			
Principal		16	(16)
Interest		<u>31</u>	<u>(31)</u>
Total Title III-D Expenditures	\$ 3,390	\$ 3,665	\$ (275)
Find Work/Project Independence			
Current			
Salaries	14,722	14,766	(44)
Fringe	2,442	1,947	495
Travel	70	74	(4)
Operating services	11,808	11,679	129
Operating supplies	3,902	3,914	(12)
Other	293	286	7
Debt service			
Principal		201	(201)
Interest		<u>407</u>	<u>(407)</u>
Total Find Work/Project Independence Expenditures	\$33,237	\$33,274	\$ (37)

See independent auditor's report.

VERNON COUNCIL ON AGING, INC.  
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -  
 BUDGET AND ACTUAL - SELECTED SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 1998

SCHEDULE 4  
(Continued)

EXPENDITURES	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE <u>(UNFAVORABLE)</u>
Title III-C-1 Area Agency Administration			
Current			
Salaries	8,459	8,458	1
Fringe	1,403	1,405	(2)
Travel	250	264	(14)
Operating services	11,646	9,532	2,114
Operating supplies	316	301	15
Other	1,050	147	903
Debt service			
Principal		647	(647)
Interest		<u>1,315</u>	<u>(1,315)</u>
Total Title III-C-1 Area Agency Administration Expenditures	<u>23,124</u>	<u>22,069</u>	1,055
Title III-C-1 Congregate Meals			
Current			
Salaries	\$21,227	\$21,178	\$ 49
Fringe	3,521	3,500	21
Travel	159	168	(9)
Operating services	17,452	7,755	9,697
Operating supplies	33,079	32,725	354
Other	671	653	18
Debt service			
Principal		3,036	(3,036)
Interest		<u>6,170</u>	<u>(6,170)</u>
Total Title III-C-1 Congregate Meals Expenditures	<u>76,109</u>	<u>75,185</u>	924
Title III-C-2			
Current			
Salaries	40,226	41,539	(1,313)
Fringe	6,671	6,166	505
Travel	4,199	4,312	(113)
Operating services	10,145	7,815	2,330
Operating supplies	33,130	32,773	357
Other	838	818	20
Debt service			
Principal		516	(516)
Interest		<u>1,049</u>	<u>(1,049)</u>
Total Title III-C-2 Expenditures	<u>95,209</u>	<u>94,988</u>	221

See independent auditor's report.

VERNON COUNCIL ON AGING, INC.  
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -  
 BUDGET AND ACTUAL - SELECTED SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 1998

SCHEDULE 4  
(Continued)

VARIANCE  
FAVORABLE  
(UNFAVORABLE)

	<u>BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES			
Section 18 Transportation			
Current			
Salaries	10,793	10,686	107
Fringe	1,790	1,799	(9)
Travel	61	65	(4)
Operating services	12,526	11,332	1,194
Operating supplies	3,892	4,057	(165)
Other	<u>259</u>	<u>251</u>	<u>8</u>
Total Section 18 Transportation Expenditures	29,321	28,190	1,131
Audit			
Current			
Other	1,365	1,365	-0-
OTHER FINANCING USES			
Operating transfers out			
III-B			
To Local Fund		18,373	(18,373)
Senior Center			
To III-C-1 Congregate Meals Special Revenue Fund	2,897	2,897	-0-
To Local Fund		20	(20)
To III-C-2 Special Revenue Fund	15,654	15,654	-0-
Section 18 Transportation			
To Local Fund		44,650	(44,650)
III-C-1 Administration			
To Local Fund		1,055	(1,055)
Find Work/Project Independence			
To Local Fund		37,406	(37,406)
USDA Cash-in-Lieu of Commodities			
To Local Fund		<u>20,149</u>	<u>(20,149)</u>
Total Other Financing Uses	<u>18,551</u>	<u>140,204</u>	<u>(121,653)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$385,390</u>	<u>\$496,727</u>	<u>\$(111,337)</u>

See independent auditor's report.

VERNON COUNCIL ON AGING, INC.  
 SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE  
 YEAR ENDED JUNE 30, 1998

SCHEDULE 5

<b>GENERAL FIXED ASSETS</b>	
Furniture and equipment	\$ 68,230
Vehicles	200,515
Land and buildings	<u>280,851</u>
<b><u>TOTAL GENERAL FIXED ASSETS</u></b>	<b><u>\$549,596</u></b>
 <b>INVESTMENT IN GENERAL FIXED ASSETS BY SOURCE</b>	
General Fund	\$396,084
Title III-B	734
Title III-C-1	1,299
Title III-C-2	497
Title III-F	389
Police Jury	1,796
Legislative Act 735	785
Donated	39,069
DOTD Section 5310 (16B2)	55,068
DOTD Section 5311 (18)	<u>53,875</u>
<b><u>TOTAL INVESTMENT IN GENERAL FIXED ASSETS</u></b>	<b><u>\$549,596</u></b>

See independent auditor's report.

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

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



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON 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
Vernon Council on Aging, Inc.

We have audited the financial statements of the Vernon Council on Aging, Inc. as of and for the year ended June 30, 1998, and have issued our report thereon dated December 11, 1998. We conducted our 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 Vernon 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 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 our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no material instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted one immaterial instance of noncompliance with certain provisions of laws, regulations, and grants that we have reported to management and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 98-01.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Vernon Council on Aging, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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

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ERNEST F. SASSER, C.P.A. | DALE P. DE SELLE, C.P.A. | I. PAUL HODD, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

Board of Directors  
Vernon Council on Aging, Inc.

be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, federal awarding agencies, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Payne, Moore & Herrington, LLP*

Certified Public Accountants

December 11, 1998

**VERNON COUNCIL ON AGING, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 1998**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weaknesses identified?        yes   x   no

Reportable conditions identified that are not considered to be material weaknesses?        yes   x   none reported

Noncompliance material to financial statements noted?        yes   x   no

Summary Schedule of *Prior Audit Findings* Attached

*Management's Corrective Action Plan* Attached

*Federal Awards* Not Applicable

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**FINDING 98-01 - LATE FILING**

Criteria: LSA - R.S. 24:513 (A)(5)(a) states that audits shall be completed within six months of the close of the entity's fiscal year.

Condition: The Council's audit report is not being issued within six months of the close of its June 30, 1998, fiscal year end.

Questioned Costs: None

Context: Not applicable.

Effect: Late filing of the audit report is a violation of state law, but does not have any effect on the financial statements.

Cause: Vernon Council on Aging, Inc. did not engage an auditor until December 1998.

Recommendation: We recommend that all future reports be issued within the required time frame.

Management's Response: See Management's Corrective Action Plan.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Not applicable.

VERNON COUNCIL ON AGING, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 1998

1997-1 REPORTABLE CONDITION - BUDGET VARIANCES

Title III-D-In-Home actual expenditures exceeded the budget by \$694 or 5.5%.  
Also, Title III-F actual expenditures exceeded the budget by \$884 or 24.60%.

RESOLVED

**VERNON COUNCIL ON AGING, INC.  
MANAGEMENT'S CORRECTIVE ACTION PLAN  
YEAR ENDED JUNE 30, 1998**

Vernon Council on Aging, Inc. respectively submits the following corrective action plan for the year ended June 30, 1998.

Independent Public Accounting Firm: Payne, Moore & Herrington, LLP  
P.O. Box 13200  
Alexandria, LA 71315-3200  
(318) 443-1893

Auditee Contact Person: Marvis Chance  
Vernon Council on Aging, Inc.  
200 N. Third St.  
Leesville, LA 71446  
(318) 239-4361

Audit period: July 1, 1997 through June 30, 1998.

The finding from the Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

**NONCOMPLIANCE**

**FINDING 98-01 - LATE FILING**

Condition: For the year ended June 30, 1998, the Council's audit report is not being issued within six months of the close of its June 30, 1998, fiscal year end.

Recommendation: It is recommended that all future reports be issued within the required time frame.

Action taken: Chance, Executive Director, will closely monitor the timely completion of the June 30, 1999, audit by December 31, 1999, and require the auditor to complete it in a timely fashion.