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MOREHOUSE COUNCIL ON AGING, INC.

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FINANCIAL STATEMENTS

June 30, 1998

Under provisions of state law, this report is a public document. A copy of this report has been submitted to the council, or reviewed, and approved by the appropriate public officials. This 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 ~~FEB 17 1999~~

Marsha O. Millican
Certified Public Accountant
Shreveport, Louisiana

MOREHOUSE COUNCIL ON AGING, INC.

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June 30, 1998

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MOREHOUSE COUNCIL ON AGING INC.

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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 Council on Aging, Inc., as of and for the year ended June 30, 1998. 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, 1998, 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 12, 1998 on my consideration of Morehouse Council on Aging, Inc.'s internal control structure and a report dated November 12, 1998 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. Milliear

Certified Public Accountant
November 12, 1998

MOREHOUSE COUNCIL ON AGING, INC.

Combined Balance Sheet - All Fund Types and Account Group
June 30, 1998

	Governmental Fund Types		Account Group	Totals
	General	Special Revenue	General Fixed Assets	(Memorandum Only)
<u>ASSETS</u>				
Cash and cash equivalents	\$ 60,131	\$ -	\$ -	\$ 60,131
Contracts receivable	15,185	4,902	-	20,087
Due from other funds	-	31,287	-	31,287
Prepaid expenses	2,483	-	-	2,483
Meter deposits	170	-	-	170
General fixed assets	-	-	292,930	292,930
 Total assets	 <u>\$ 77,969</u>	 <u>\$ 36,189</u>	 <u>\$ 292,930</u>	 <u>\$ 407,088</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 379	\$ 21,071	\$ -	\$ 21,450
Notes payable	37,286	-	-	37,286
Due to other funds	31,287	-	-	31,287
 Total liabilities	 <u>68,952</u>	 <u>21,071</u>	 <u>-</u>	 <u>90,023</u>
 <u>FUND EQUITY:</u>				
Investments in general fixed assets	-	-	292,930	292,930
<u>Fund Balances:</u>				
Reserved for Utility Assistance	-	15,118	-	15,118
Unreserved - undesignated	9,017	-	-	9,017
 Total fund equity	 <u>9,017</u>	 <u>15,118</u>	 <u>292,930</u>	 <u>317,065</u>
 Total liabilities and fund equity	 <u>\$ 77,969</u>	 <u>\$ 36,189</u>	 <u>\$ 292,930</u>	 <u>\$ 407,088</u>

The accompanying notes are an integral part of this statement.

MOEHOUSE COUNCIL ON AGING, INC.

Combined Statement of Revenues, Expenditures and Changes in Fund Balance -
 All Governmental Fund Types
 For the Year Ended June 30, 1998

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<u>REVENUES:</u>			
Intergovernmental	\$ 28,385	\$ 569,889	\$ 598,274
Public support	56,262	43,928	100,190
Program service fees	103,633	-	103,633
Miscellaneous	23,421	-	23,421
	<u>211,701</u>	<u>613,817</u>	<u>825,518</u>
<u>EXPENDITURES:</u>			
Salaries	25,267	225,175	250,442
Fringe	2,526	23,751	26,277
Travel	-	10,823	10,823
Operating services	58,695	307,189	365,884
Operating supplies	592	16,374	16,966
Other costs	5,063	9,425	14,488
Meals	-	93,593	93,593
Capital outlay	28,000	-	28,000
Utility assistance	-	1,930	1,930
	<u>120,143</u>	<u>688,260</u>	<u>808,403</u>
Excess (deficiency) of revenues over expenditures	91,558	(74,443)	17,115
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating transfers in	75,310	136,274	211,584
Operating transfers out	(150,499)	(61,085)	(211,584)
Excess (deficiency) of revenues and other sources over expenditures and other uses	16,369	746	17,115
<u>FUND BALANCE:</u>			
Beginning of year	(7,352)	14,372	7,020
End of year	<u>\$ 9,017</u>	<u>\$ 15,118</u>	<u>\$ 24,135</u>

The accompanying notes are an integral part of this statement.

Exhibit C

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, 1998

	Variance Favorable (Unfavorable)	<u>Budget</u>	<u>Actual</u>
<u>REVENUES:</u>			
Intergovernmental	\$ 16,606	\$ 11,779	\$ 28,385
Public support	17,757	38,505	56,262
Program service fees	(15,605)	119,238	103,633
Miscellaneous	<u>23,421</u>	<u>-</u>	<u>23,421</u>
 Total revenues	 <u>42,179</u>	 <u>169,522</u>	 <u>211,701</u>
<u>EXPENDITURES:</u>			
Salaries	(25,267)	-	25,267
Fringe	(2,526)	-	2,526
Travel	-	-	-
Operating services	(29,120)	29,575	58,695
Operating supplies	(592)	-	592
Other costs	(5,063)	-	5,063
Capital outlay	<u>(10,788)</u>	<u>17,212</u>	<u>28,000</u>
 Total expenditures	 <u>(73,356)</u>	 <u>46,787</u>	 <u>120,143</u>
 Excess (deficiency) of revenues over expenditures	 (31,177)	 122,735	 91,558
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating transfers in	75,310	-	75,310
Operating transfers out	<u>(27,764)</u>	<u>(122,735)</u>	<u>(150,499)</u>
 Excess (deficiency) of revenues and other sources over expenditures and other uses	 16,369	 -	 16,369
<u>FUND BALANCE:</u>			
Beginning of year	<u>-</u>	<u>(7,253)</u>	<u>(7,352)</u>
 End of year	 <u>\$ 16,389</u>	 <u>\$ (7,352)</u>	 <u>\$ 9,017</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, 1998

	Variance Favorable (Unfavorable)	Budget	Actual
<u>REVENUES:</u>			
Intergovernmental	\$ (8,675)	\$ 578,564	\$ 569,889
Public support	4,855	39,073	43,928
Program service fees	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>(3,820)</u>	<u>617,637</u>	<u>613,817</u>
<u>EXPENDITURES:</u>			
Salaries	33,931	259,106	225,175
Fringe	605	24,356	23,751
Travel	3,143	13,966	10,823
Operating service	20,520	327,709	307,189
Operating supplies	3,913	20,287	16,374
Other costs	13,375	22,800	9,425
Meals	(12,809)	80,784	93,593
Utility assistance	1,233	3,163	1,930
Total expenditures	<u>63,911</u>	<u>752,171</u>	<u>688,260</u>
Excess (deficiency) of revenues over expenditures	60,091	(134,534)	(74,443)
<u>OTHER FINANCING SOURCES (USES):</u>			
Operating transfers in	(56,925)	193,199	136,274
Operating transfers out	<u>(2,420)</u>	<u>(58,665)</u>	<u>(61,085)</u>
Excess of revenues and other sources over expenditures and other uses	746	-	746
<u>FUND BALANCE:</u>			
Beginning of year	<u>-</u>	<u>14,372</u>	<u>14,372</u>
End of year	<u>\$ 746</u>	<u>\$ 14,372</u>	<u>\$ 15,118</u>

The accompanying notes are an integral part of this statement.

MOREHOUSE COUNCIL ON AGING, INC.

Notes to Financial Statements
June 30, 1998

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, 1998

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, 1998

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, 1998

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, 1998

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 DeSoto 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.

MOREHOUSE COUNCIL ON AGING, INC.

Notes to Financial Statements
June 30, 1998

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, 1998

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, 1998

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, 1998

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, 1998

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, 1998, are as follows:

USDA	\$	4,902
Project Independence (Local)		13,029
Medicaid		<u>2,156</u>
Total	\$	<u>20,087</u>

All contracts receivable are fully collectible at June 30, 1998.

6. CHANGES IN FIXED ASSETS

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

	Balance July 1, <u>1997</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30, <u>1998</u>
Leasehold Improvements	\$ 61,644	\$ -	\$ -	\$ 41,644
Building	28,403	-	-	28,403
Furniture and Equipment	<u>174,883</u>	<u>28,000</u>	<u>-</u>	<u>202,883</u>
Totals	<u>\$264,930</u>	<u>\$ 28,000</u>	<u>\$ -</u>	<u>\$292,930</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, 1998, the carrying amount of the Council's deposits were \$60,131, and the bank's balance was \$90,661. The difference is due to outstanding checks at June 30. All funds on deposits were insured by federal depository insurance.

MOREHOUSE COUNCIL ON AGING, INC.

Notes to Financial Statements
June 30, 1998

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, 1998:

	Operating Transfers In	Operating Transfers Out
General Fund	\$ 75,310	\$ 150,499
Special Revenue Funds:		
Title III C-1	38,907	-
Title III C-2	41,896	-
Title III C Administration	685	-
Title III B Supportive Services	43,864	-
Title III F	212	-
Ombudsman	2,778	-
Section 8	7,932	-
Senior Center	-	24,165
USDA	-	32,420
Miscellaneous Grant	-	4,500
Total - Special Revenue Funds	<u>136,274</u>	<u>61,085</u>
Total - All Funds	<u>\$ 211,584</u>	<u>\$ 211,584</u>

(Continued)

MOREHOUSE COUNCIL ON AGING, INC.

Notes to Financial Statements
June 30, 1998

10. INTERFUND TRANSFERS (Continued)

Operating transfers out by fund are as follows:

General Fund

Title III C-1	\$ 21,095
Title III C-2	22,788
Title III C Administrative	685
Title III B Supportive Services	19,699
Title III F	212
PCOA	11,779
Section 8 (Special Revenue)	7,932
Section 8 (Local)	28,082
Ombudsman	2,778
Medicaid Fund	4,940
Project Independence	30,509
Total transfers out - General Fund	<u>\$ 150,499</u>

USDA

Title III C-1	\$ 15,562
Title III C-2	16,858
Total transfers out - USDA	<u>\$ 32,420</u>

Miscellaneous Grant

Title III C-1	\$ 2,250
Title III C-2	2,250
Total transfers out	<u>\$ 4,500</u>

Senior Center

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

11. DUE TO/FROM OTHER FUNDS

Due to/from other funds at June 30, 1998, consisted of the following:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ -	\$ 31,287
Special Revenue Funds	31,287	-
Total - All Funds	<u>\$ 31,287</u>	<u>\$ 31,287</u>

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.

MOREHOUSE COUNCIL ON AGING, INC.

Combining Statement of Program Revenues, Expenditures
and Changes in Fund Balances -
General Fund
For the Year Ended June 30, 1998

	<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	\$ -	\$ -	\$ -	\$ 11,779	\$ -	\$ 11,779
Morehouse Parish Police Jury	16,606	-	-	-	-	16,606
Program Service Fees:						
Morehouse Parish Police Jury	-	-	-	-	28,082	28,082
Health and Hospitals	-	-	10,640	-	-	10,640
Social Services	-	64,911	-	-	-	64,911
Public Support:						
Unrestricted	56,262	-	-	-	-	56,262
Miscellaneous	23,421	-	-	-	-	23,421
Total revenues	<u>96,289</u>	<u>64,911</u>	<u>10,640</u>	<u>11,779</u>	<u>28,082</u>	<u>211,701</u>
EXPENDITURES						
Salarie	-	20,085	5,182	-	-	25,267
Fringe	-	2,008	518	-	-	2,526
Travel	-	-	-	-	-	-
Operating services	46,386	12,309	-	-	-	58,695
Operating supplies	592	-	-	-	-	592
Other costs	5,063	-	-	-	-	5,063
Capital outlay	28,000	-	-	-	-	28,000
Total expenditures	<u>80,041</u>	<u>34,402</u>	<u>5,700</u>	<u>-</u>	<u>-</u>	<u>120,143</u>
Excess (deficiency) of revenues over expenditures	16,248	30,509	4,940	11,779	28,082	91,558
OTHER FINANCING SOURCES (USES)						
Operating transfers in	75,310	-	-	-	-	75,310
Operating transfers out	(75,189)	(30,509)	(4,940)	(11,779)	(28,082)	(150,499)
Excess (deficiency) of revenues and other sources over expenditures and other uses	16,369	-	-	-	-	16,369
FUND BALANCES						
Beginning of year	(7,352)	-	-	-	-	(7,352)
End of year	<u>\$ 9,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,017</u>

Schedule 2

Title III F	Senior Center	USDA	Audit	Supple. Senior Center	Utility Assistance Fund	Section 8	Totals
\$ 3,402	\$ 30,965	\$ 32,420	\$ 2,284	\$ 4,500	\$ -	\$ -	\$ 351,430
-	-	-	-	-	-	218,459	218,459
-	-	-	-	-	2,676	-	2,676
1,136	-	-	-	-	-	-	41,252
<u>4,538</u>	<u>30,965</u>	<u>32,420</u>	<u>2,284</u>	<u>4,500</u>	<u>2,676</u>	<u>218,459</u>	<u>613,817</u>
-	-	-	-	-	-	-	225,175
-	-	-	-	-	-	-	23,751
56	-	-	-	-	-	-	10,823
287	6,800	-	2,284	-	-	226,391	307,189
147	-	-	-	-	-	-	16,374
4,260	-	-	-	-	-	-	9,425
-	-	-	-	-	-	-	93,593
-	-	-	-	-	1,930	-	1,930
-	-	-	-	-	-	-	-
<u>4,750</u>	<u>6,800</u>	<u>-</u>	<u>2,284</u>	<u>-</u>	<u>1,930</u>	<u>226,391</u>	<u>688,260</u>
(212)	24,165	32,420	-	4,500	746	(7,932)	(74,443)
212	-	-	-	-	-	7,932	136,274
<u>-</u>	<u>(24,165)</u>	<u>(32,420)</u>	<u>-</u>	<u>(4,500)</u>	<u>-</u>	<u>-</u>	<u>(61,085)</u>
-	-	-	-	-	746	-	746
-	-	-	-	-	14,372	-	14,372
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,118</u>	<u>\$ -</u>	<u>\$ 15,118</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, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>LOCAL</u>			
Salaries	\$ -	\$ 25,267	\$(25,267)
Fringe	-	2,526	(2,526)
Travel	-	-	-
Operating services	29,575	58,695	(29,120)
Operating supplies	-	592	(592)
Other costs	-	5,063	(5,063)
Capital outlay	17,212	28,000	(10,788)
Transfers to other funds:			
Section 8 (Local)	-	7,932	(7,932)
Section 8 (Special Revenue)	-	28,082	(28,082)
Medicaid	-	4,940	(4,940)
PCOA	-	11,779	(11,779)
Project Independence	-	30,509	(30,509)
Title III C-1	-	18,855	(18,855)
Ombudsman	-	2,003	(2,003)
Title III C-2	29,836	14,024	15,812
Title III D	43	685	(642)
Title III F	-	212	(212)
Title III B Supportive Services	<u>92,856</u>	<u>19,699</u>	<u>73,157</u>
Totals	<u>\$ 169,522</u>	<u>\$ 258,863</u>	<u>\$(89,341)</u>
<u>PCOA (ACT 735)</u>			
Salaries	-	-	-
Fringe	-	-	-
Meals	-	-	-
Travel	-	-	-
Operating services	-	-	-
Operating supplies	-	-	-
Capital outlay	-	-	-
Transfers to other funds:			
Title III C-1	2,250	2,250	-
Title III C-2	8,754	8,754	-
Ombudsman	<u>775</u>	<u>775</u>	<u>-</u>
Totals	<u>\$ 11,779</u>	<u>\$ 11,779</u>	<u>\$ -</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, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>TITLE III C-1</u>			
Salaries	\$ 49,143	\$ 63,575	\$(14,432)
Fringe	4,619	6,174	(1,555)
Meals:			
Raw food	32,624	42,992	(10,368)
Non-edibles	6,144	5,806	338
Travel	1,123	1,153	(30)
Operating services	22,696	20,859	1,837
Operating supplies	1,705	2,116	(311)
Other costs	4,941	1,654	3,287
Capital outlay	-	-	-
	<u> -</u>	<u> -</u>	<u> -</u>
Totals	<u>\$ 122,995</u>	<u>\$ 144,329</u>	<u>\$(21,334)</u>
 <u>SENIOR CENTER</u>			
Salaries	\$ -	\$ -	\$ -
Fringe	-	-	-
Meals	-	-	-
Travel	-	-	-
Operating services	6,800	6,800	-
Operating supplies	-	-	-
Other costs	-	-	-
Transfers to other funds:			
Title III B Supportive Services	24,175	24,175	-
	<u>24,175</u>	<u>24,175</u>	<u> -</u>
Totals	<u>\$ 30,975</u>	<u>\$ 30,975</u>	<u>\$ -</u>
 <u>Title III C-2</u>			
Salaries	\$ 72,694	\$ 64,144	\$ 8,550
Fringe	6,833	6,256	577
Meals:			
Raw food	35,360	39,459	(4,099)
Non-edibles	6,656	5,336	1,320
Travel	6,807	5,623	1,184
Operating service	22,695	18,915	3,780
Operating supplies	1,937	2,116	(179)
Other costs	5,253	1,603	3,650
Capital outlay	-	-	-
	<u> -</u>	<u> -</u>	<u> -</u>
Totals	<u>\$ 158,235</u>	<u>\$ 143,452</u>	<u>\$ 14,783</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, 1998

	<u>Budget</u>	<u>Expenditures</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>TITLE III-D</u>			
Salaries	\$ 1,427	\$ 409	\$ 1,018
Fringe	135	31	104
Travel	376	-	376
Operating services	540	2,334	(1,794)
Operating supplies	18	-	18
Other costs	321	-	321
Capital outlay	-	-	-
Totals	<u>\$ 2,817</u>	<u>\$ 2,774</u>	<u>\$ 43</u>
 <u>TITLE III-B OMBUDSMAN</u>			
Salaries	\$ 6,124	\$ 7,543	\$(1,419)
Fringes	575	975	(400)
Travel	972	984	(12)
Operating services	1,581	1,777	(196)
Operating supplies	181	268	(87)
Other costs	266	155	111
Capital outlay	-	-	-
Totals	<u>\$ 9,699</u>	<u>\$ 11,702</u>	<u>\$(2,003)</u>
 <u>TITLE III-A ADMINISTRATION</u>			
Salaries	\$ 11,113	\$ 12,485	\$(1,372)
Fringe	1,040	1,218	(178)
Travel	605	618	(13)
Operating service	4,564	3,855	709
Operating supplies	816	893	(77)
Other costs	1,030	784	246
Capital outlay	-	-	-
Totals	<u>\$ 19,168</u>	<u>\$ 19,853</u>	<u>\$(685)</u>
 <u>TITLE III-B SUPPORTIVE SERVICE</u>			
Salaries	\$ 118,605	\$ 77,019	\$ 41,586
Fringe	11,154	9,097	2,057
Meals	-	-	-
Travel	4,083	2,389	1,694
Operating services	45,028	23,687	21,341
Operating supplies	10,760	10,834	(74)
Other costs	7,587	969	6,618
Capital outlay	-	-	-
Totals	<u>\$ 197,217</u>	<u>\$ 123,995</u>	<u>\$ 73,222</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, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>TITLE III-F</u>			
Salaries	\$ -	\$ -	\$ -
Fringe	-	-	-
Meals	-	-	-
Travel	-	56	(56)
Operating services	-	287	(287)
Operating supplies	-	147	(147)
Other costs	3,402	4,260	(858)
Capital outlay	-	-	-
Totals	<u>\$ 3,402</u>	<u>\$ 4,750</u>	<u>\$ (1,348)</u>
<u>SECTION 8</u>			
Salaries	\$ -	\$ -	\$ -
Fringe	-	-	-
Meals	-	-	-
Travel	-	-	-
Operating services	226,391	226,391	-
Operating supplies	-	-	-
Other costs	-	-	-
Capital outlay	-	-	-
Transfers to other funds:			
Title III C-2	-	-	-
Totals	<u>\$ 226,391</u>	<u>\$ 226,391</u>	<u>\$ -</u>
<u>SUPPLE. SENIOR CENTER</u>			
Salaries	\$ -	\$ -	\$ -
Fringe	-	-	-
Meals	-	-	-
Travel	-	-	-
Operating services	-	-	-
Operating supplies	-	-	-
Other costs	-	-	-
Capital outlay	-	-	-
Transfers to other funds:			
Title III C-1	2,250	2,250	-
Title III C-2	2,250	2,250	-
Totals	<u>\$ 4,500</u>	<u>\$ 4,500</u>	<u>\$ -</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, 1998

	<u>Budget</u>	<u>Expenditures</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>UTILITY ASSISTANCE</u>			
Salaries	\$ -	\$ -	\$ -
Fringe	-	-	-
Meals	-	-	-
Travel	-	-	-
Operating services	-	-	-
Operating supplies	-	-	-
Other costs	-	-	-
Capital outlay	-	-	-
Utility assistance	3,163	1,930	1,233
Totals	<u>\$ 3,163</u>	<u>\$ 1,930</u>	
<u>\$ 1,233</u>			
 <u>AUDIT</u>			
Salaries	\$ -	\$ -	\$ -
Fringes	-	-	-
Meals	-	-	-
Travel	-	-	-
Operating services	2,284	2,284	-
Operating supplies	-	-	-
Capital outlay	-	-	-
Totals	<u>\$ 2,284</u>	<u>\$ 2,284</u>	<u>\$ -</u>
 <u>USDA</u>			
Transfer to Title III C-1	\$ 14,400	\$ 15,562	\$ 1,162
Transfers to Title III C-2	15,600	16,858	1,258
Totals	<u>\$ 30,000</u>	<u>\$ 32,420</u>	<u>\$ 2,420</u>

MOREHOUSE VOLUNTARY COUNCIL ON AGING, INC.Schedule of Priority Services -
Title III, Part B, Grant for Supportive ServicesFor the Year Ended June 30, 1998

Access (30%):	Case Management	\$ 7,749	
	Transportation	46,643	
	Information & Assistance	7,096	
	Outreach	<u>8,296</u>	
	Total access expenses		69,784 <u>122.13%</u>
In-Home (15%):	Homemaker	42,666	
	Chore	<u>7,411</u>	
	Total in-home expenses		50,077 <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		123,995
Less: Participant contributions		(3,735)	
Transfers in		<u>(43,864)</u>	
Title IIIB - Supportive services grant			76,396
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, 1998

	Balance June 30, <u>1997</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>1998</u>
General Fixed Assets, at cost:				
Building	\$ 28,403	\$ -	\$ -	\$ 28,403
Furniture and equipment	174,883	28,000	-	202,883
Leasehold Improvements	<u>61,644</u>	<u>-</u>	<u>-</u>	<u>61,644</u>
Total	<u>\$ 264,930</u>	<u>\$ 28,000</u>	<u>\$ -</u>	<u>\$ 292,930</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 B Admin.	379	-	-	379
Title III B Support Services	5,067	-	-	5,067
Title III D In Home Services	227	-	-	227
Title III F Health Promotion	4,533	-	-	4,533
Ombudsman	230	-	-	230
Act 735	283	-	-	283
Title XX	385	-	-	385
Miscellaneous Grant	3,818	-	-	3,818
General Fund	<u>105,717</u>	<u>28,000</u>	<u>-</u>	<u>133,717</u>
Total	<u>\$ 264,930</u>	<u>\$ 28,000</u>	<u>\$ -</u>	<u>\$ 292,930</u>

MOREHOUSE COUNCIL ON AGING, INC.Schedule of Federal Awards
For the Year Ended June 30, 1998

<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	\$ 48,569	\$ 48,569	\$ 48,569
Title III, Part B - Ombudsman	93.044	<u>7,728</u>	<u>7,728</u>	<u>7,728</u>
Subtotal CFDA# 93.044		<u>56,297</u>	<u>56,297</u>	<u>56,297</u>
Title III, Part C-Area Agency Administration	93.045	14,376	14,376	14,376
Title C-1-Nutrition Services Congregate Meals	93.045	49,685	49,685	49,685
Title C-2-Nutrition Services Home Delivered Meals	93.045	<u>25,884</u>	<u>25,884</u>	<u>25,884</u>
Subtotal CFDA# 93.045		<u>89,945</u>	<u>89,945</u>	<u>89,945</u>
Title III, Part D-In Home Services for Frail Older Individuals	93.046	<u>2,358</u>	<u>2,358</u>	<u>2,358</u>
Title III, Part F-Disease and Health Promotion Services	93.043	<u>2,892</u>	<u>2,892</u>	<u>2,892</u>
Total for U.S. Department of Health and Human Services		<u>151,492</u>	<u>151,492</u>	<u>151,492</u>
<u>Department of Housing and Urban Development</u>				
Section 8 Housing Voucher*	14.777	<u>218,459</u>	<u>218,459</u>	<u>218,459</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>32,420</u>	<u>32,420</u>
Total - All Federal Awards		<u>\$404,951</u>	<u>\$402,371</u>	<u>\$402,371</u>

* Denotes major program.

MOREHOUSE COUNCIL ON AGING, INC.

Notes to the Schedule of Federal Awards

June 30, 1998

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	\$ 402,371
State Financial Awards	<u>195,903</u>
Total Intergovernmental Awards	<u>\$ 598,274</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, 1998, and have issued my report thereon dated November 12, 1998. 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

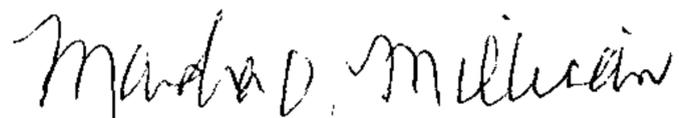
As part of obtaining reasonable assurance about whether Morehouse Council on Aging, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material 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. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountant
November 12, 1998

Morehouse Council on Aging, Inc.

Schedule of Findings and Questioned Costs

June 30, 1998

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

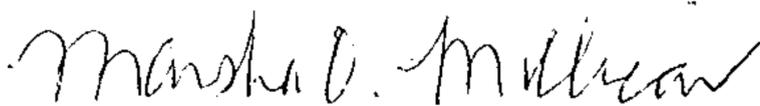
Internal Control Over Compliance

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. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. 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 the Board of Directors, and applicable federal and state cognizant agencies. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountant
November 12, 1998