

**Independent Auditors' Report
and Related Financial Statements**

For the Year Ended September 30, 2010

COUNCIL ON AGING, INC.

**Teed & Associates, PLLC
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COUNCIL ON AGING, INC.

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Teed & Associates, PLLC

Certified Public Accountants

Established 1992

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Independent Auditors' Report

To the Board of Directors
Council on Aging, Inc.
Itmann, West Virginia

We have audited the accompanying statement of financial position of the Council on Aging, Inc. (a nonprofit organization) as of September 30, 2010, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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.

As explained in Note 2 to the financial statements, property and equipment of the Council on Aging, Inc. are expensed rather than capitalized and depreciated in the financial statements. Accounting principles generally accepted in the United States require that property and equipment be recorded at cost or fair value at date of purchase or receipt. It was not practicable to determine the effects of the unrecorded property and equipment on the financial statements.

In our opinion, except for the effects of not capitalizing and depreciating property and equipment as explained in paragraph three, the financial statements referred to above present fairly, in all material respects, the financial position of the Council on Aging, Inc.

To The Board of Directors
Council on Aging, Inc.
Itmann, West Virginia
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as of September 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 29, 2010, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Council on Aging, Inc. taken as a whole. The accompanying schedule of program expenses is presented for purposes of additional analysis as required by the West Virginia Bureau of Senior Citizens and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Teal & Associates, PLLC

Charleston, West Virginia
April 29, 2011

COUNCIL ON AGING, INC.

Statement of Financial Position

September 30, 2010

ASSETS:

Current assets:

Cash and cash equivalents \$ 522,930

Receivables:

Medicaid, net of allowance for doubtful accounts 315,054

Grants 64,998

Related party 24,683

Prepaid expenses 69,915

Total current assets 997,580

Capital assets--nondepreciable 54,000

Total assets \$ 1,051,580

LIABILITIES AND NET ASSETS:

Current liabilities

Accounts payable \$ 26,801

Accrued salaries and wages 226,407

Accrued compensated absences 46,334

Retirement plan contributions 50

Accrued payroll liabilities 35,681

Total current liabilities 335,273

Total liabilities 335,273

Net assets:

Investment in capital assets 54,000

Unrestricted net assets 662,307

Total net assets 716,307

Total liabilities and net assets \$ 1,051,580

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

COUNCIL ON AGING, INC.

Statement of Activities

For the Year Ended September 30, 2010

	<u>Unrestricted Revenue</u>	<u>Restricted Revenue</u>	<u>Total</u>
SUPPORT AND REVENUES:			
Medicaid	\$ 3,890,527	\$ -	\$ 3,890,527
Federal grants	-	134,781	134,781
State grants	-	671,460	671,460
Project income	-	15,440	15,440
Bus fare and trip ticket revenue	-	367	367
Non-medicaid	85,271	-	85,271
Inter-project match revenue	92,173	-	92,173
Net assets released from restrictions	822,048	(822,048)	-
Total support and revenues	<u>4,890,019</u>	<u>-</u>	<u>4,890,019</u>
OPERATING EXPENSES:			
Personal care	1,856,863	-	1,856,863
Title 19 (Homemaker)	2,070,513	-	2,070,513
Section 18	40,049	-	40,049
Title III-B	75,122	-	75,122
Title III-D	3,136	-	3,136
Title III-C-1	36,589	-	36,589
Title III-C-2	216,388	-	216,388
Title III-E	17,764	-	17,764
Insurance benefits counseling	6,430	-	6,430
State Budget Digest	59,570	-	59,570
LIFE	225,990	-	225,990
Lighthouse	147,663	-	147,663
Fair	25,870	-	25,870
Total operating expenses	<u>4,781,947</u>	<u>-</u>	<u>4,781,947</u>
Operating income	<u>108,072</u>	<u>-</u>	<u>108,072</u>
Discontinued operations-loss from operations of discontinued Title V programs	<u>(8,955)</u>	<u>-</u>	<u>(8,955)</u>
NONOPERATING INCOME (EXPENSES):			
Interest income	<u>216</u>	<u>-</u>	<u>216</u>
Total nonoperating income	<u>216</u>	<u>-</u>	<u>216</u>
Change in net assets	<u>\$ 99,333</u>	<u>\$ -</u>	<u>\$ 99,333</u>

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

COUNCIL ON AGING, INC.

Statement of Changes in Net Assets

For the Year Ended September 30, 2010

	<u>Investment in Capital Assets</u>	<u>Unrestricted</u>	<u>Total</u>
Balance at October 1, 2009	\$ 54,000	\$ 562,974	\$ 616,974
Increase in net assets	<u>-</u>	<u>99,333</u>	<u>99,333</u>
Balance at September 30, 2010	<u>\$ 54,000</u>	<u>\$ 662,307</u>	<u>\$ 716,307</u>

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

COUNCIL ON AGING, INC.

Statement of Cash Flows

For the Year Ended September 30, 2010

Cash flows from operating activities:	
Increase in net assets from operations	\$ 108,288
Loss from discounted operations	(8,955)
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:	
(Increase) decrease in Medicaid accounts receivable	15,376
(Increase) decrease in grants receivable	54,367
(Increase) decrease in prepaid assets and deposits	(32,800)
Increase (decrease) in accounts payable	(9,190)
Increase (decrease) in accrued salaries and wages	(24,427)
Increase (decrease) in accrued compensated absences	3,167
Increase (decrease) in retirement plan contributions	(6,245)
Increase (decrease) in accrued payroll liabilities	<u>(4,179)</u>
Net cash provided by operating activities	<u>95,402</u>
Net increase (decrease) in cash and equivalents	95,402
Cash and equivalents, beginning	<u>427,528</u>
Cash and equivalents, ending	<u>\$ 522,930</u>

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

COUNCIL ON AGING, INC.

Notes to the Financial Statements

For the Year Ended September 30, 2010

NOTE 1. NATURE OF OPERATIONS

The Council on Aging, Inc. (The "Council") is a 501(c)3 non-profit organization.

The Council operates Medicaid Reimbursement In-Home Care Programs and Federal and State Grants primarily with the U.S. Department of Health and Human Services and State of West Virginia Bureau of Senior Services federal and state grants passed through to the Council from the Appalachian Area Agency on Aging (the "Agency").

The overall objective of the Title III grant program is to develop a system of coordinated and comprehensive services for older persons – services which will secure and maintain maximum independence and dignity in a home environment for older persons capable of self-care and also remove individual and social barriers to economic and personal independence for older persons.

The objective of the Title III B grant program is to provide the elderly with social, outreach, transportation, information and referral services, and nutritional education.

Title III C is a nutrition program designed to provide older persons with low cost nutritious meals served primarily in a congregate setting. The Title III C program also furnishes home delivered meals to the homebound.

Title III D, the Disease Prevention and Health Promotion Services Section of the Older Americans Act, encompasses twelve (12) broad categories of disease prevention and health promotion services.

Title III E, also known as respite, provides information and assistance, and in-home relief to caregivers.

The Division of Public Transit of the West Virginia Department of Transportation provides funding from the State of West Virginia for the Council to provide rural public transportation.

The Council also receives state funds through the Agency in connection with a Health Benefit Information, Counseling and Assistant Grant (SHIP), the purpose of which is to

help older individuals understand their rights under the Social Security Act, Medicaid Programs, supplemental social security programs and general insurance policies. This information is provided to seniors by a counselor who has general knowledge of these areas.

The Title V and Title V ARRA Programs provide an opportunity for low income persons over 55 years of age to train for available positions. The funds are used to pay salaries of participants while employers provide training for a specified period of time. This program was terminated on July 20, 2010 by the WV Bureau of Senior Services.

The Medicaid Reimbursement In-Home Care Program is a state funded program to allow eligible seniors to receive the assistance necessary to allow them to remain in their homes with minimal outside supervision. These services include housekeeping, personal care, or other related matters.

The Lighthouse program is a state funded program to provide in-home assistance for seniors who do not qualify for other programs.

The FAIR program is a state funded program to provide relief to care givers who care for individuals with Dementia and Alzheimer's disease.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Council on Aging, Inc. prepares and maintains their financial statements and accounts on the accrual basis of accounting.

Financial Statement Presentation

The Council on Aging, Inc. has implemented the financial statement presentation required by the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, it is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted. The Council had no temporarily or permanently restricted net assets as of September 30, 2010.

Cash Concentrations

The Council on Aging, Inc. maintains cash with a federally insured bank. At times, the balance in these accounts may be in excess of insured limits. In order to provide additional insurance for excess amounts the People's Bank of Mullins has pledged a \$500,000 depository bond with a maturity date of May 1, 2012.

Allowance for Doubtful Accounts

Management has taken a bad debt expense for doubtful accounts, primarily amounts billed to Medicaid for reimbursement but not collected due to rejected claims. Therefore, management believes that the receivables presented on the balance sheet are fully collectible.

Property and Equipment

Property and equipment are expensed at the time of the purchase rather than being capitalized and depreciated over its estimated economic useful life. This is not in accordance with accounting principles generally accepted in the United States. Accordingly, no depreciation has been recorded.

Revenue Recognition

Amounts received from funding agencies under cost-reimbursable grants are recognized as support only to the extent that related expenses have been incurred.

Donated Goods

Donated noncash assets, such as food items and medical supplies are recorded at their fair value in the period received and used as other revenue with a corresponding expense.

Income Tax Status

Under provisions of the Internal Revenue Code, Section 501(c)3, and the applicable income tax regulations of the State of West Virginia, the Council on Aging, Inc. is exempt from taxes on income other than unrelated business income. Since the Council on Aging, Inc. had no net unrelated business income during the year ended September 30, 2010, no provision for income taxes has been made.

Estimates

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

NOTE 3. RISK CONCENTRATIONS

Substantially all of the Council on Aging, Inc.'s support and revenues are derived from its Medicaid services and from federal and state grants, the loss of which would have a materially adverse effect on the Council on Aging, Inc. During the year ended September 30, 2010, Medicaid revenues, federal and state grants, and other income accounted for approximately seventy-seven percent (77%), nineteen percent (19%) and four percent (4%), respectively, of total support and revenue.

NOTE 4. EMPLOYEE BENEFIT PLAN

The Council has a 401(k) retirement and savings plan for its employees. The Council made matching contributions of up to 100% of the first 2% of eligible contributions for the fourth quarter of 2009, at which time matching contributions ceased for the remaining quarters of fiscal year 2010. The Board of Directors also declared \$19,173 in profit sharing for year ended September 30, 2010. Total contributions by the Council to the plan for year ended September 30, 2010, amounted to \$11,817.

NOTE 5. RELATED PARTY TRANSACTIONS

The Council on Aging, Inc. is related to All Care Home and Community Services, Inc. ("All Care") through a common Board of Directors. During the year ended September 30, 2010, the Council paid the monthly health insurance premiums, life, eye and dental insurance premiums, and 401(k) employee deferrals, company match and profit share for All Care. All Care owes the Council approximately \$6,388 for these remittances.

The Council has agreed to pay or advance for most of the overhead of All Care because reduced funding has brought them to an unprofitable level. The Council took this action because the services provided to the community by All Care helped fulfill the mission of the Council and referrals from All Care helped support the Council. At September 30, 2010 All Care's estimated associated overhead cost absorbed by the Council was approximately \$18,295.

NOTE 6. DISCLOSURE OF INTER-PROGRAM TRANSFERS

In order to match appropriate program revenues with program expenses, inter-program entries were recorded to accurately reflect operating results of the programs. For year ending September 30, 2010, the Life program received \$109,226 in revenues for expenses associated with other programs. The inter-program entries to record these matching revenues/expenses per program were as follows: C-2 \$54,389, Lighthouse \$37,784, and Title V \$17,053.

NOTE 7. CONTINGENCIES

Certain of the Council's programs are primarily funded through federal and state grants. Federal and state grants received for specific purposes are subject to audit and review by grantor agencies. Such audits could result in requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grants. The amount, if any, of expenditures, which may ultimately be disallowed by grantor agencies, cannot be determined at this time, although Council management believes such amounts, if any, to be immaterial.

NOTE 8. DISCONTINUED OPERATIONS

On July 20, 2010, the WV Bureau of Senior Services terminated the Council's grant for Title V programs. The Title V programs provide an opportunity for low income persons over 55 years of age to train for employment positions. The grant for the Title V program ended August 31, 2010. The operating results of the discontinued Title V programs were as follows:

	<u>TV FY09 Ext.</u>	<u>TV ARRA</u>	<u>TV FY10</u>	<u>TV FY11</u>	<u>TOTAL</u>
SUPPORT AND REVENUES:					
Federal grants	\$ 10,896	\$ 9,015	\$ 100,085	\$ 28,581	\$ 148,577
State grants	-	8,819	-	-	8,819
Project income	900	-	975	225	2,100
Inter-project match revenue	<u>1,036</u>	<u>-</u>	<u>13,341</u>	<u>2,676</u>	<u>17,053</u>
Total support and revenues	<u>12,832</u>	<u>17,834</u>	<u>114,401</u>	<u>31,482</u>	<u>176,549</u>
OPERATING EXPENSES:					
Salaries and wages	6,055	9,829	86,105	28,293	130,282
Payroll taxes and fringe	513	1,373	9,931	3,051	14,868
Training and travel	2,782	4	1,260	771	4,817
Printing and supplies	3,942	672	1,536	1,000	7,150
Mileage expense	653	499	1,009	538	2,699
Advertising	-	1,649	5,537	1,520	8,706
Postage	-	-	13	-	13
Indirect costs	<u>-</u>	<u>5,405</u>	<u>8,345</u>	<u>3,219</u>	<u>16,969</u>
Total operating expenses	<u>13,945</u>	<u>19,431</u>	<u>113,736</u>	<u>38,392</u>	<u>185,504</u>
CHANGE IN NET ASSETS	<u>\$ (1,113)</u>	<u>\$ (1,597)</u>	<u>\$ 665</u>	<u>\$ (6,910)</u>	<u>\$ (8,955)</u>

NOTE 9. LEASE AND RENTAL AGREEMENTS

The Council rents its primary facility in Itmann, West Virginia from the Pocahontas Land Company for \$1,260 per year. This facility also houses the administrative activities for All Care Home and Community Services. It is a standard operating practice in the area for the coal and land holding companies to rent excess facilities to community service organizations at modest lease prices. This lease is on a ten-year lease.

The Council rents a second facility in Welch, West Virginia for \$500 per month under a cancelable operating term of one year, a third facility in Charleston, West Virginia for \$1,437 per month under a non-cancelable operating term of five-years, and a fourth facility in Princeton, West Virginia under a non-cancelable operating term of five-years, for \$625 per month and a fifth facility in Oceana, West Virginia for \$400 per month non-cancelable operating term of one year.

NOTE 10. FUNCTIONAL EXPENSES

Expenses by function for the year ended September 30, 2010, were as follows:

NOTE 10. FUNCTIONAL EXPENSES (continued)

	<u>Personal Care</u>	<u>Title - 19 Homemaker</u>	<u>Section 18</u>	<u>III-B</u>
Salaries and wages	\$ 1,290,587	\$ 1,398,278	\$ 8,858	\$ 41,477
Payroll taxes	114,963	125,714	906	3,823
Fringe benefits	124,465	127,651	385	1,618
Training and travel	9,605	9,244	238	786
Legal and accounting	12,417	13,748	-	-
Food expense	2,263	2,245	-	-
Utilities	15,051	14,931	-	-
Printing and supplies	21,553	21,748	619	1,203
Licenses and taxes	78	78	44	-
Membership dues	695	690	-	-
Contracted services	13,853	13,742	-	-
Insurance expense	(2,357)	(2,338)	3,851	17,518
Mileage expense	27,988	93,006	7	-
Advertising	34,524	33,902	-	585
Matching expense -- general	-	-	-	-
Maintenance	6,216	6,166	22,169	1,374
Rent	14,859	14,741	-	-
Postage	905	754	-	5
Miscellaneous	9,090	19,401	2,891	-
Medical supplies	-	-	-	-
Bad debt expense	6,119	7,487	-	-
Equipment	4,451	5,016	-	-
Indirect costs	<u>149,538</u>	<u>164,309</u>	<u>81</u>	<u>6,733</u>
Total functional expenses	<u>\$ 1,856,863</u>	<u>\$ 2,070,513</u>	<u>\$ 40,049</u>	<u>\$ 75,122</u>

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

NOTE 10. FUNCTIONAL EXPENSES (continued)

	<u>III-D</u>	<u>III-C-1</u>	<u>III-C-2</u>	<u>Insurance Benefit Counseling</u>
Salaries and wages	\$ 2,517	\$ 11,587	\$ 56,906	\$ 3,985
Payroll taxes	245	1,146	5,013	333
Fringe benefits	106	401	2,206	147
Training and travel	-	-	-	138
Legal and accounting	-	-	-	-
Food expense	-	17,741	86,799	-
Utilities	-	320	712	-
Printing and supplies	-	613	3,793	1,272
Licenses and taxes	-	38	62	-
Membership dues	-	57	93	-
Contracted services	-	89	145	-
Insurance expense	-	-	-	-
Mileage expense	-	237	493	116
Advertising	-	-	-	-
Matching expense -- general	-	-	-	-
Maintenance	-	609	16,676	-
Rent	-	-	-	-
Postage	-	3	5	-
Miscellaneous	-	30	50	-
Medical supplies	-	-	-	-
Bad debt expense	-	120	-	-
Equipment	-	-	37,452	439
Indirect costs	<u>268</u>	<u>3,598</u>	<u>5,983</u>	<u>-</u>
Total functional expenses	<u>\$ 3,136</u>	<u>\$ 36,589</u>	<u>\$ 216,388</u>	<u>\$ 6,430</u>

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

NOTE 10. FUNCTIONAL EXPENSES (continued)

	State Budget <u>Digest</u>	<u>Life</u>	<u>III-E</u>	<u>Lighthouse</u>
Salaries and wages	\$ 2,345	\$ 54,556	\$ 14,027	\$ 118,593
Payroll taxes	213	4,864	1,228	10,846
Fringe benefits	94	5,366	426	4,107
Training and travel	-	15,850	14	70
Legal and accounting	-	-	-	-
Food expense	-	354	-	-
Utilities	-	-	-	-
Printing and supplies	155	8,128	24	121
Licenses and taxes	-	-	-	-
Membership dues	-	-	-	-
Contracted services	-	-	-	-
Insurance expense	-	16,123	-	-
Mileage expense	-	92	287	4,315
Advertising	38	401	-	-
Matching expense -- general	-	109,226	-	-
Maintenance	3,260	278	-	-
Rent	-	-	-	-
Postage	-	3	1	7
Miscellaneous	-	-	4	18
Medical supplies	-	-	-	-
Bad debt expense	-	-	-	-
Equipment	53,465	6,569	-	-
Indirect costs	<u>-</u>	<u>4,180</u>	<u>1,753</u>	<u>9,586</u>
Total functional expenses	<u>\$ 59,570</u>	<u>\$ 225,990</u>	<u>\$ 17,764</u>	<u>\$ 147,663</u>

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

NOTE 10. FUNCTIONAL EXPENSES (continued)

	<u>Fair</u>	<u>Total</u>
Salaries and wages	\$ 21,423	\$ 3,025,139
Payroll taxes	1,917	271,211
Fringe benefits	778	267,750
Training and travel	11	35,956
Legal and accounting	-	26,165
Food expense	-	109,402
Utilities	-	31,014
Printing and supplies	19	59,248
Licenses and taxes	-	300
Membership dues	-	1,535
Contracted services	-	27,829
Insurance expense	-	32,797
Mileage expense	35	126,576
Advertising	-	69,450
Matching expense -- general		109,226
Maintenance	-	56,748
Rent	-	29,600
Postage	1	1,685
Miscellaneous	3	31,486
Medical supplies	-	-
Bad debt expense	-	13,726
Equipment	-	107,392
Indirect costs	<u>1,683</u>	<u>347,712</u>
Total functional expenses	<u>\$ 25,870</u>	<u>\$ 4,781,947</u>

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

**SCHEDULE OF PROGRAM EXPENDITURES
WEST VIRGINIA BUREAU OF SENIOR CITIZENS**

COUNCIL ON AGING, INC.

Schedule of Program Expenditures – West Virginia Bureau of Senior Citizens

For the Year Ended September 30, 2010

<u>Program</u>	<u>Program Year</u>	<u>Expenditures</u>	<u>Revenues</u>
Title V FY 10	August 1, 2009 to July 31, 2010	\$ <u>116,634</u>	\$ <u>100,085</u>
Title V FY 11	July 1, 2010 to August 31, 2010	<u>35,611</u>	\$ <u>28,581</u>
Title V ARRA	July 1, 2009 to June 30, 2010	\$ <u>24,251</u>	\$ <u>22,407</u>
Lighthouse	July 1, 2009 to June 30, 2010	\$ <u>134,603</u>	\$ <u>151,109</u>
LIFE	July 1, 2009 to June 30, 2010	\$ <u>180,046</u>	\$ <u>170,000</u>
State Budget Digest	July 1, 2009 to June 30, 2010	\$ <u>53,792</u>	\$ <u>55,000</u>
FAIR	July 1, 2009 to June 30, 2010	\$ <u>26,756</u>	\$ <u>39,717</u>

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

COUNCIL ON AGING, INC.

Notes to Schedule of Program Expenditures

For the Year Ended September 30, 2010

BASIS OF PRESENTATION

The accompanying schedules of program expenses of the Title V, State Budget Digest, Lighthouse, Fair and LIFE programs includes the grant activity of the Council on Aging, Inc. that the West Virginia Bureau of Senior Citizens oversees, and is presented on the accrual basis of accounting. Some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

REPORT ON INTERNAL CONTROL AND ON COMPLIANCE

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Established 1992

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

To The Board of Directors
Council on Aging, Inc.
Itmann, West Virginia

We have audited the financial statements of Council on Aging, Inc. (a nonprofit organization) as of and for the year ended September 30, 2010, and have issued our report thereon dated April 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

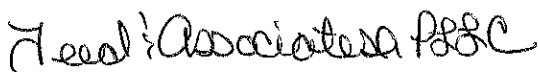
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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Council management, and other federal and state oversight agencies and is not intended to be used and should not be used by anyone other than these specified parties. However, in accordance with *West Virginia Code 6-9-9a*, this report is a matter of public record and its distribution is not limited.



Charleston, West Virginia
April 29, 2011