

JEFFERSON COUNTY COUNCIL ON AGING

Jefferson County, West Virginia

Regular Audit

For The Year Ended September 30, 2014

Fiscal Year Audited Under GAGAS: 2014

Caudill & Associates, CPA, PLLC

P.O. Box 751, South Shore, KY 41175

JEFFERSON COUNTY COUNCIL ON AGING

Jefferson County, West Virginia
For the Year Ended September 30, 2014

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P.O. Box 751, South Shore, KY 41175

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Jefferson County Council on Aging
Ranson, West Virginia

Report on the Financial Statements

We have audited the accompanying consolidated statement of financial position of Jefferson County Council on Aging, Inc., (a nonprofit organization), as of September 30, 2014, and the related consolidated statement of activities, statement of functional expenses, schedule of revenue and support and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jefferson County Council on Aging, Inc., as of September 30, 2014 and the results of its operations, the change in its net assets, the statement of functional expenses, schedule of revenue and support and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying detailed statements of financial position and statement of activities is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2015, on our consideration of Jefferson County Council on Aging, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson County Council on Aging, Inc.'s internal control over financial reporting and compliance.

Caudill & Associates, CPA

Caudill & Associates, CPA, PLLC

January 30, 2015

JEFFERSON COUNTY COUNCIL ON AGING
Jefferson County, West Virginia

Consolidating Statement of Financial Position
September 30, 2014

Assets

Current Assets:

Cash	\$ 310,578
Accounts Receivable	<u>290,037</u>
Total Current Assets	<u>600,615</u>

Long-term Assets:

Net, Property, Plant and Equipment	<u>1,128,665</u>
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Total Assets	<u><u>\$ 1,729,280</u></u>
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Liabilities and Net Assets

Current Liabilities:

Accounts Payable	\$ 27,567
Lease Obligation	5,303
Accrued Wages and Taxes	<u>103,194</u>
Total Current Liabilities	<u>136,064</u>

Net Assets

Unrestricted	<u>1,593,216</u>
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Total Liabilities and Net Assets	<u><u>\$ 1,729,280</u></u>
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See Notes to the Consolidated Financial Statements

JEFFERSON COUNTY COUNCIL ON AGING
Jefferson County, West Virginia

Consolidated Statement of Activities
For the Year Ended September 30, 2014

Unrestricted Revenue:	
Federal Financial Assistance	\$ 213,078
State Grant Allocations	499,359
Donations	37,973
Contractual Revenues	1,107,961
Project Income	41,931
Interest Income	232
Facilities Rental	150
Miscellaneous	8,856
In-kind Donations	85,759
Total Unrestricted Revenue	<u>1,995,299</u>
Expenses:	
Title III-B	60,410
Title III-C Congregate	136,902
Title III-C Home Delivered	126,734
Title III-D	5,804
Title III-E	18,927
Light House	121,805
Personal Care	841,824
Life	196,516
Administrative and General	698,942
Total Expenses	<u>2,207,864</u>
Decrease in Unrestricted Net Assets	<u>(212,565)</u>
Net Assets, Beginning of Year	
Unrestricted	<u>1,805,781</u>
Net Assets, End of Year	
Unrestricted	<u><u>\$ 1,593,216</u></u>

See Notes to the Consolidated Financial Statements

JEFFERSON COUNTY COUNCIL ON AGING
Jefferson County, West Virginia

Consolidated Statement of Cash Flows
For the Year Ended September 30, 2014

Cash Flows from Operating Activities:	
Change in net assets	\$ (212,565)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	97,196
(Increase) Decrease in:	
Accounts Receivable	(92)
Increase (Decrease) in:	
Accounts Payable	(21,222)
Accrued Wages and Taxes	<u>60,992</u>
Net cash used in operating activities	<u>(75,691)</u>
Cash Flows from Investing Activities	
Purchase of plant, property and equipment	<u>(45,337)</u>
Net cash used in investing activities	<u>(45,337)</u>
Net increase in cash and cash equivalents	(121,028)
Cash and Cash Equivalents at October 1, 2013	<u>431,606</u>
Cash and Cash Equivalents at September 30, 2014	<u><u>\$ 310,578</u></u>

See the Notes to the Consolidated Financial Statements

JEFFERSON COUNTY COUNCIL ON AGING
Jefferson County, West Virginia

Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2014

	Title III-C					Light House/Fair Grant	Personal Care	Life	Administrative and General	Total Expenses
	Title III-B	Congregate (C/1 - III-C)	Home Delivered (C/2 - III-C)	Title III-D	Title III-E					
Salaries and Wages	\$ 42,668	\$ 57,762	\$ 44,867	\$ 5,108	\$ 18,927	\$ 92,572	\$ 681,877	\$ 159,178	\$ 176,388	\$1,279,347
Fringe Benefits	6,010	5,134	3,589	696	-	15,835	67,346	9,826	74,651	183,087
Travel Reimb	-	-	-	-	-	-	842	1,965	7,465	10,272
Travel Others	-	-	-	-	-	-	42,091	-	-	42,091
Printing & Supplies	-	-	-	-	-	12,181	33,673	5,895	14,930	66,679
Repairs and Maintenance	601	1,284	1,795	-	-	-	-	-	44,790	48,470
Communications and Utilities	1,202	7,702	3,410	-	-	-	-	-	11,198	23,511
Rent	-	-	-	-	-	-	-	-	82,116	82,116
Other	9,929	2,567	49,024	-	-	1,218	15,995	19,652	190,209	288,593
Depreciation	-	-	-	-	-	-	-	-	97,196	97,196
Raw Food	-	59,886	24,049	-	-	-	-	-	-	83,935
Disposables	-	2,567	-	-	-	-	-	-	-	2,567
Insurance	-	-	-	-	-	-	-	-	-	-
Bad Debts	-	-	-	-	-	-	-	-	-	-
Total	\$ 60,410	\$ 136,902	\$ 126,734	\$ 5,804	\$ 18,927	\$ 121,805	\$ 841,824	\$ 196,516	\$ 698,942	\$2,207,864

See Notes to the Consolidated Financial Statements

JEFFERSON COUNTY COUNCIL ON AGING
Jefferson County, West Virginia

Consolidated Schedule of Revenues and Support
For the Year Ended September 30, 2014

	Title III-C			Title III-D	Title III-E	Personal Care	Life	Other	Total Revenues
	Title III-B	Congregate (C/1 - III-C)	Home Delivered (C/2 - III-C)						
Federal Financial Assistance	\$ 38,354	\$ 121,454	\$ 14,915	\$ 6,392	\$ 29,831	\$ -	\$ -	\$ 2,131	\$ 213,078
State Grant Allocations	34,955	-	-	4,994	-	-	174,776	284,635	499,359
Donations	-	-	-	-	-	-	-	37,973	37,973
Contractual Revenues	-	-	-	-	-	1,107,961	-	-	1,107,961
Project Income	3,354	25,578	839	-	-	4,193	-	7,967	41,931
Interest Income	-	-	-	-	-	-	-	232	232
Facilities Rental	-	-	-	-	-	-	-	150	150
Miscellaneous	-	-	-	-	-	-	-	8,543	8,543
In-kind Donations	-	10,291	75,468	-	-	-	-	313	86,072
Total	\$ 76,664	\$ 157,323	\$ 91,222	\$ 11,386	\$ 29,831	\$ 1,112,154	\$ 174,776	\$ 341,943	\$ 1,995,299

See Notes to the Consolidated Financial Statements

JEFFERSON COUNTY COUNCIL ON AGING
Jefferson County, West Virginia

Notes to the Consolidated Financial Statements
For the Year Ended September 30, 2014

Note 1 – Summary of Significant Accounting Policies

A. Description of the Entity

The Jefferson County Council on Aging (the Organization), is a nonprofit organization whose purpose is to improve the quality of life for senior citizens in Jefferson County, West Virginia. The Organization studies and documents the needs of seniors citizens, to encourage, promote and aid in the establishment of programs for senior citizens, to conduct programs of public education in the problems of aging, to utilize opportunities to establish demonstration programs, and to implement state and local programs for the aging that no other agency is implementing.

The Organization also operates the Jefferson Center in Jefferson County, West Virginia, which was organized to provide services (including Day-Habilitation, Pre-Vocation and Supported Employment) to clients with Mental Retardation and/or Developmental Disabilities, in a non-residential setting. Operations commenced on or before January 2010.

This summary of significant accounting policies of Jefferson County on Aging is presented to assist in understanding the Organization's financial statements. The financial statements and notes are the representation of management, who is responsible for their integrity and objectivity.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The financial statements of Jefferson County Council on Aging have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

C. Financial Statement Presentation

The Jefferson County Council on Aging has adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting of Contributions Received and Made*, and SFAS No. 117, *Financial Statement for Not-Profit Organizations*. SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received and for each net asset category in accordance with donor imposed restrictions. A description of the three net asset categories follows:

Permanently Restricted Net Assets – The Jefferson County Council on Aging reports gifts of cash and other assets as permanently restricted support if they are received with donor stipulations that limit the use of the donated assets in perpetuity.

JEFFERSON COUNTY COUNCIL ON AGING

Jefferson County, West Virginia

Notes to the Consolidated Financial Statements
For the Year Ended September 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Financial Statement Presentation (Continued)

Temporarily Restricted Net Assets – The Jefferson County on Aging reports gifts of cash, grants and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unrestricted Net Assets – The Jefferson County Council on Aging reports gifts of cash, land, buildings and equipment as unrestricted unless explicit donor stipulations specify how the donated assets must be used.

D. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

E. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reporting of assets and liabilities and disclosure of contingent 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.

F. Property, Plant and Equipment

Property, plant and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The Organization has adopted a \$1,000 capitalization policy whereby all property, plant and equipment over \$1,000 is depreciated using the straight line method over its estimated useful life. In addition, all property, plant and equipment purchased with grant monies must be used and disposed of in accordance with the grantor agency's policies. Maintenance and repairs are expensed as incurred.

G. Income Taxes

The Organization is exempt from United States Federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and, therefore, has no provision for Federal income taxes.

JEFFERSON COUNTY COUNCIL ON AGING
Jefferson County, West Virginia

Notes to the Consolidated Financial Statements
For the Year Ended September 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Revenues

Revenues are recognized in the accompanying financial statements as follows:

1. Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which that support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

2. Federal Grants

Grant monies are received on a reimbursement basis; this is utilized from Title III-B, Title III-D, Title III-E, Title III-F, and Title VII grants. Upon completion of a grant year, any unexpected money has to be approved for carryover to the next grant year, but if approval is denied, the money must be returned to the grantor.

Title III-C monies are received on a meal reimbursement basis but not to exceed the total grant award. Upon completion of the grant year, any expended monies are restricted for future Title III-C program operating expenses.

The funds from various funding sources under reimbursement contracts are recognized as revenue in the accounting period in which the grant is earned.

3. Interest Income

Interest income is recognized in the accounting period when it is earned. The Organization maintains funds received from various sources in interest bearing certificates of deposits and savings accounts.

4. Donations

Donations are recognized as unrestricted, restricted or temporarily restricted according to their designation in the period in which they are received.

JEFFERSON COUNTY COUNCIL ON AGING
Jefferson County, West Virginia

Notes to the Consolidated Financial Statements
For the Year Ended September 30, 2014

Note 1 – Summary of Significant Accounting Policies (Continued)

H. Revenues (Continued)

5. Rental Income

Rental income received from non-related organizations is recognized as revenue in the accounting period in which it is earned.

I. Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers cash in operating bank accounts and certificates of deposit with an original maturity date of three months or less as cash.

J. Cost Allocation

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expense include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Note 2 – Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

Protection of Jefferson County Council on Aging's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

Deposits – At year end, the carrying amount of Jefferson County Council on Aging deposits was \$310,578 and the bank balance was \$303,424. Of the bank balance, \$250,000 was FDIC insured. The Organization requires the banks which it does business to provide collateral for amounts exceeding federal insurance coverage. Shares of a pool of mortgage-backed securities were pledged as collateral in the amount of \$139,220 which covers the amount of the bank balance not covered by the Federal Deposit Insurance Corporation (FDIC).

Note 3 – Grants Receivable

Grants receivable is considered collectible in one year. At year end, the Organization had \$94,982 in grants receivable.

JEFFERSON COUNTY COUNCIL ON AGING

Jefferson County, West Virginia

Notes to the Consolidated Financial Statements
For the Year Ended September 30, 2014

Note 4 – Property, Plant and Equipment

The balance of property, plant and equipment at year end consisted of the following:

Land and Buildings	\$1,327,566
Vehicles	193,644
Equipment, Furniture and Fixtures	<u>375,762</u>
Total	1,896,972
Accumulated Depreciation	<u>(768,307)</u>
Net Property, Plant and Equipment	<u>\$1,128,665</u>

Note 5 – Capital Lease

In November 2013, The Jefferson County Council on Aging leased office equipment under capital lease expiring in 2019. The asset and liability under capital lease is recorded at the fair market value of the assets. The assets are amortized over their estimated productive lives. Amortization of the assets under capital lease is included in the depreciation expense for fiscal year 2014.

The following is a summary of equipment held under capital lease:

Office Equipment	\$19,545
Accumulated Depreciation	<u>(3,909)</u>
Net	<u>\$15,636</u>

Future minimum lease payments under capital lease as of September 30, 2014 are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2015	\$ 3,912
2016	3,912
2017	3,912
2018	3,912
2019	<u>978</u>
Net minimum lease payments	\$ 16,626
Amount representing interest	<u>(5,213)</u>
Present Value of net minimum lease payments	<u>\$ 11,413</u>

The capital lease provides a purchase option at the end of the lease term. The purchase option is at the price representing the fair market value of the equipment at the expiration of the lease.

JEFFERSON COUNTY COUNCIL ON AGING

Jefferson County, West Virginia

Notes to the Consolidated Financial Statements
For the Year Ended September 30, 2014

Note 6 – Operating Lease

The Jefferson Center leases space for purposes of its mission statement under the terms of a non-cancelable operating lease. The term of the lease is six years and began in April 2010 and ends in March 2016. There is an option to renew for an additional four years at the end of the six-year period. Total rent expense for the year ended September 30, 2014 was \$39,200.

<u>Year Ending September 30,</u>	<u>Amount</u>
2015	39,200
2016	<u>18,243</u>
Total Minimum Lease Payments	<u>\$ 57,443</u>

Note 7 – Retirement Program

The Organization has a 401K through American Funds, which covers substantially all regular employees as of July 1, 2014. The employees may elect to defer any percentage of their compensation each year up to the limit set forth by the Federal Government, up to \$17,500 or \$23,000 for individuals who reach age 50 by a predetermined date. The employer will match the contribution by up to 100% of the employee deferral but will not exceed a match of 5%.

Note 8 – Concentrations

The Organization depends on grants from the federal, state and local sources for its continued existence.

Note 9 – Contingent Liabilities

A. In the normal course of operations, the Organization receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting funds. Any liability for reimbursement, which may arise as the result of these audits is not believed to be material.

Note 10 – Subsequent Events

Consideration of subsequent events for inclusion and disclosure in these financial statements was made through the date of the report, which is the date that the financial statements were available to be issued, and would include all relevant material circumstances and events. No subsequent events were deemed necessary to disclose.

JEFFERSON COUNTY COUNCIL ON AGING
Jefferson County, West Virginia

Consolidating Schedule - Statement of Financial Position
September 30, 2014

Assets	Jefferson Council on Aging	Jefferson Center	Eliminating Entries	Total
Current Assets:				
Cash	\$ 212,219	\$ 98,359	\$ -	\$ 310,578
Accounts Receivable	241,471	48,566	-	290,037
Intercompany Receivable	17,417	-	(17,417)	-
Total Current Assets	<u>471,107</u>	<u>146,925</u>	<u>(17,417)</u>	<u>600,615</u>
Long-term Assets:				
Net, Property, Plant and Equipment	1,113,523	15,142	-	1,128,665
Total Assets	<u>\$1,584,630</u>	<u>\$ 162,067</u>	<u>\$ (17,417)</u>	<u>\$ 1,729,280</u>
Liabilities and Net Assets				
Current Liabilities:				
Accounts Payable	\$ 27,067	\$ 500	\$ -	\$ 27,567
Intercompany Payable	-	17,417	(17,417)	-
Lease Obligation	5,303	-	-	5,303
Accrued Wages and Taxes	103,194	-	-	103,194
Total Current Liabilities	<u>135,564</u>	<u>17,917</u>	<u>(17,417)</u>	<u>136,064</u>
Net Assets				
Unrestricted	1,449,066	144,150	-	1,593,216
Total Net Assets	<u>1,449,066</u>	<u>144,150</u>	<u>-</u>	<u>1,593,216</u>
Total Liabilities and Net Assets	<u>\$1,584,630</u>	<u>\$ 162,067</u>	<u>\$ (17,417)</u>	<u>\$ 1,729,280</u>

See Notes to the consolidated financial statements.

JEFFERSON COUNTY COUNCIL ON AGING
Jefferson County, West Virginia

Consolidating Schedule - Statement of Activities
For the Year Ended September 30, 2014

	Jefferson Council on Aging	Jefferson Center	Eliminating Entries	Total
Unrestricted Revenue:				
Federal Financial Assistance	\$ 213,078	\$ -	\$ -	\$ 213,078
State Grant Allocations	499,359	-	-	499,359
Donations	17,069	20,904	-	37,973
Contractual Revenues	890,076	217,885	-	1,107,961
Project Income	41,931	-	-	41,931
Interest Income	232	-	-	232
Facilities Rental	150	-	-	150
Miscellaneous	8,856	-	-	8,856
In-kind Donations	85,759	-	-	85,759
Total Unrestricted Revenue	<u>1,756,510</u>	<u>238,789</u>	<u>-</u>	<u>1,995,299</u>
Expenses:				
Title III-B	60,410	-	-	60,410
Title III-C Congregate	136,902	-	-	136,902
Title III-C Home Delivered	126,734	-	-	126,734
Title III-D	5,804	-	-	5,804
Title III-E	18,927	-	-	18,927
Light House	121,805	-	-	121,805
Personal Care	841,824	-	-	841,824
Life	196,516	-	-	196,516
Administrative and General	478,059	220,883	-	698,942
Total Expenses	<u>1,986,981</u>	<u>220,883</u>	<u>-</u>	<u>2,207,864</u>
Increase/(Decrease) in Unrestricted Net Assets	<u>(230,471)</u>	<u>17,906</u>	<u>-</u>	<u>(212,565)</u>
Net Assets, Beginning of Year				
Unrestricted	<u>1,679,537</u>	<u>126,244</u>	<u>-</u>	<u>1,805,781</u>
Net Assets, End of Year				
Unrestricted	<u>\$ 1,449,066</u>	<u>\$ 144,150</u>	<u>\$ -</u>	<u>\$ 1,593,216</u>

See Notes to the Consolidated Financial Statements



Caudill & Associates, CPA, PLLC

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Kentucky Society of Certified Public Accountants

INDEPENDENT AUDITOR'S 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 of
Jefferson County Council on Aging.

We have audited, in accordance with the 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, the financial statements of Jefferson County Council on Aging, Inc., (a nonprofit organization), which comprise the statement of financial position, as of September 30, 2014, and the related statements of activities, statement of functional expenses, statement of revenue and support, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jefferson County Council on Aging, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson County Council on Aging, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson County Council on Aging, Inc.'s financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Caudill & Associates, CPA

Caudill & Associates, CPA, PLLC

January 30, 2015