

Financial Report

**St. Tammany Council on the Aging, Inc.
Covington, Louisiana**

June 30, 2004

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

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Covington, Louisiana**

June 30, 2004

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MANAGEMENT'S DISCUSSION AND ANALYSIS

St. Tammany Council on the Aging, Inc. Fiscal Year Ended June 30, 2004

The Management's Discussion and Analysis of St. Tammany Council on the Aging, Inc. (COAST or the Council), presents a narrative overview of the financial performance and activities of COAST for the year ended June 30, 2004. This document should be read in conjunction with the basic financial statements, which follow. This discussion and analysis does not include comparative data for prior years for the government-wide financial statements, since this information is not available for the first year of implementation for Government Accounting Standards Board (GASB) Statement Number 34. Future years will include a comparative analysis of government-wide data.

FINANCIAL HIGHLIGHTS

- COAST showed an increase in overall net assets of \$144,403, or 17.1%.
- Net capital assets of COAST increased by \$161,951, or 117%.
- COAST's fund revenues increased by \$337,794, or 23.6%.
- COAST's fund expenditures increased by \$385,957, or 28%.
- The unreserved, undesignated fund balance for the COAST General Fund was \$667,583, at year-end, which is a \$67,093 or 11.1% increase from the prior year.
- No deficit fund balances existed at year-end.
- At year-end COAST special revenue fund for Utility Assistance had a fund balance of \$5,623. This was the only special revenue fund that had a fund balance at year-end.

HOW TO USE THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 18 and 19) provide information about the activities of the Council as a whole and present a long-term view of the Council's finances. Fund financial statements begin on page 21. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Council's operations in more detail than the government-wide financial statements by providing information about the Council's most significant funds.

The Council's auditor has provided assurance in his independent auditor's report, located immediately after this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. The auditor is providing varying degrees of assurance about the Supplementary Financial Information required by GASB Statement 34, GOEA, and OMB Circular A-133 that follow later in this reporting package. A user of this document should read the independent auditor's report

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

carefully to ascertain the level of assurance being provided for each part of the financial section of the report.

REPORTING THE COUNCIL AS A WHOLE USING GOVERNMENT-WIDE STATEMENTS

Management's analysis of the Council as a whole begins on page 5. An important point to consider is whether or not the Council's finances, as a whole, are better or worse off as a result of this year's activities. The Statement of Net Assets and the Statement of Activities (referred to collectively as the Government-Wide Financial Statements) report information about the Council as a whole and about its activities in a way that helps when considering this point. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

The government-wide financial statements, found on pages 18 and 19 report the Council's net assets and changes in them. At year-end \$16,266 of the net assets are restricted, which means they can only be used for a specific purpose, whereas \$673,485 of the net assets are unrestricted, meaning that they can be used for any program at management's discretion. Additionally, COAST has \$300,212 invested in capital assets giving COAST \$989,963 in total Net assets. The Statement of Net Assets is designed to present the financial position of the council as of year-end. Over time, increases or decreases in the Council's net assets are one indicator of whether its financial position is improving or deteriorating. However, to assess the overall financial position of the Council, the reader must consider other non-financial factors, such as the condition of the Council's capital assets and facilities, the addition or termination of grants and other revenue sources, and the expansion or contraction of programs and services.

The Statement of Activities provides information that shows how the Council's net assets changed as a result of this year's activities. All of the Council's significant activities are reported in the Statement of Activities, including an Administration function and a Health, Welfare, and Social Services function. The Health, Welfare, and Social Services function is comprised of seven primary programs that include supportive social services, nutritional services, family caregiver support, disease prevention and health promotion, senior citizen center operations, senior citizen activities, and Senior Olympics. Subprogram activities are also presented to facilitate additional analysis. All activities of the Council are considered to be governmental activities. A governmental activity is usually one where the Council uses money it receives from property taxes, governmental grants and contracts, along with donations from the general public, to provide services at little or no charge to the general

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

public, or a segment of the general public, such as the elderly. If the Council charged fees with the intention of making a profit or recovering the full cost of providing the service, that activity would be classified as a business-type activity. The Council does not have any business-type activities nor did it directly charge a fee to any eligible person receiving any registered service during the year. However, COAST did charge fees for contracted transportation services during the year. These fees totaled \$23,913 and were used to offset the cost of providing transportation services to the elderly. COAST also held a major event in which participation required a fee. \$8,667 was received in entry fees for Senior Olympics and was used to offset the costs of holding the event.

REPORTING THE COUNCIL'S MOST SIGNIFICANT FUNDS USING FUND FINANCIAL STATEMENTS

The Fund Financial Statements on pages 21 to 23 provide detailed information about the Council's most significant funds, not the Council as a whole entity. In the Fund Financial Statements, there are column presentations for a General Fund, four Special Revenue Funds that have been determined to be "Major Funds", and a column for the total of all remaining Special Revenue Funds, which are deemed to be "Nonmajor Funds." The General Fund is used to account for all financial resources except those that are required to be accounted for in another fund. The Special Revenue Funds account for the proceeds of specific revenue sources which are legally restricted to expenditures for specified purposes. By using separate funds to track revenues and expenditures, management can control funds for particular purposes or show that the fund is meeting legal responsibilities for using certain grants and other revenues.

The General Fund and Special Revenue Funds are considered governmental funds. Governmental funds focus on how money flows into and out of funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Council's general government operations and the basic services it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future for Council programs. The difference between net assets of governmental activities and fund balances of the governmental funds are presented in a reconciliation at the bottom of the Balance Sheet for Governmental Funds. In addition, the difference between the change in fund balances for the governmental funds and the change in net assets for the governmental activities has been presented in a reconciliation on a separate page that follows the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds. These two reconciliations will facilitate

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

the comparison between governmental activities and funds.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 24 to 64 and should be read before making assumptions or drawing conclusions about the Council's financial condition.

SUPPLEMENTARY FINANCIAL INFORMATION REQUIRED BY GASB STATEMENT 34

The Governmental Accounting Standards Board (GASB) Statement 34 requires budgetary comparison schedules for the General Fund and each major Special Revenue Fund that has an adopted annual budget. The schedules compare the original and final budgets to actual budget results for the Council's fiscal year. Positive and negative variances between the final budget and actual amounts are also presented.

Major funds are those funds whose revenues, expenditures, assets, or liabilities are at least 10% of corresponding totals for all governmental funds. In addition, a major fund could be a fund that does not meet these criteria but which is believed to be important to present to the Council's financial statement users.

Management's Discussion and Analysis (MD&A) is also required supplementary information (RSI) by GASB Statement 34. However, GASB Statement 34 requires the MD&A be presented as the first item in this reporting package and not with the other RSI, which is included later in this reporting package.

OTHER SUPPLEMENTARY FINANCIAL INFORMATION REQUIRED BY GOEA

The Governor's Office of Elderly Affairs (GOEA) has required the Council to present as schedules the information on pages 75 and 76. This information will be used by GOEA to verify the accuracy of information submitted by the Council during the year to help GOEA monitor certain compliance requirements set forth in the grants that it has with the Council.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

SUPPLEMENTAL INFORMATION REQUIRED BY OMB CIRCULAR A-133

OMB Circular A-133 requires a Schedule of Expenditures of Federal Awards to be included as supplemental information. This schedule will present information about the Council's federally funded programs in a manner that can facilitate financial and compliance analysis by the agencies that have granted federal money to the Council. (See page 78)

AN ANALYSIS OF THE COUNCIL AS A WHOLE USING GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following amounts reflect condensed information on the Council's net assets:

	<u>2004</u>
Current and Other Assets:	
Current Assets	\$ 699,168
Long-term Investments	75,000
Capital Assets, net of depreciation	300,212
Security Deposit - AAA Office	<u>1,400</u>
Total Assets	<u>1,075,780</u>
Current Liabilities	<u>85,817</u>
Total Liabilities	<u>85,817</u>
Net Assets:	
Invested in Capital Assets	300,212
Restricted	16,266
Unrestricted	<u>673,485</u>
Total Net Assets	<u>\$ 989,963</u>

Similar condensed financial information about the Council's net assets for 2003 is not available for us to present a comparison because this is our first year to implement GASB 34's reporting requirements. Next year we will have this information and be able to offer a comparative analysis.

As of June 30, 2004, the Council "as a whole" had assets greater than its liabilities of \$989,963. About 68% of the Council's total net assets are unrestricted as of June 30, 2004. It is important that the Council have unrestricted net assets so that we will have resources available to adapt to changes in the economy, emergencies, unanticipated service needs and a reduction in or termination of grant revenues by government agencies.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

The Council's restricted net assets represent about 1.6% of the Council's total net assets. Net assets are reported as restricted when the constraints placed upon the assets' use are either (a) externally imposed by a grantor, contributor, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

The net assets that have been invested in capital assets are presented net of any related outstanding debt to acquire them. For the year presented, there is not any debt to be subtracted from the capital asset amount. The Council's policy is to acquire capital assets by paying cash and avoiding debt. This policy helps assure management will stay within its financial means so that future revenues will be spent for client services instead of debt service.

The Council had invested \$150,000 in two - \$75,000 certificates of deposit at year-end, which mature on 10/2/04 and 10/02/05, (interest rates - 2.90% and 3.15%). The certificates of deposit represent funds set aside to cushion any unexpected loss of revenue that might adversely impact the Council's ability to continue current service levels. Further, the long-term maturities are a way to maximize interest income on a portion of the excess operating funds. \$8,084 in interest income was received from all cash investments in FY 2004.

Current liabilities consist primarily of accounts payable to vendors totaling \$56,523 and payroll related liabilities that are due in the normal course of operations totaling \$17,010. Also included is \$10,754 for compensated absences that represents the Council's aggregate liability for unpaid vacation leave that its employees had earned but not taken as of year-end. \$1,530 in deferred revenue represents money received in advance for the Council's Resource Festival that will be held in July 2004.

The table on the following page illustrates the revenues and expenses that produced the increase in net assets for the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

<u>Revenues</u>	<u>% of Total</u>	
Program Revenues:		
Operating Grants and Contributions	\$ 705,909	41.07%
Capital Grants and Contributions	152,730	8.88%
Charges for Services	32,861	1.91%
General Revenues:		
Property Taxes	620,711	36.11%
Unrestricted Grants and Contributions	166,092	9.66%
State Revenue Sharing	29,488	1.72%
Investment Income	8,051	0.47%
Other General Revenues	3,144	0.18%
Total Revenues	1,718,986	100.00%
Direct Program Expenses of the Health, Welfare, and Social Services Function:		
Supportive Services:		
Transportation of the elderly	500,137	31.76%
Other Supportive Services	98,118	6.23%
Nutrition Services:		
Congregate Meals	201,150	12.77%
Home-delivered Meals	278,540	17.69%
Disease Prevention and Health Promotion	6,885	0.44%
Family Caregiver Support	68,676	4.36%
Senior Center Operations	55,657	3.53%
Senior Olympics	16,394	1.04%
Senior Citizen Activities	13,426	0.85%
Interest & Finance Charges	97	0.01%
Direct Administrative Expenses	335,503	21.31%
Total Expenses	1,574,583	100.00%
Increase in Net Assets	144,403	
Net Assets, beginning of the year	845,560	
Net Assets, end of the year	\$ 989,963	

The table above presents in a more summarized version the revenues and expenses of the Council's governmental activities for FY 2004.

The majority of the Council's activities are funded by a local property tax and federal and state grants.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

One of the Council's largest sources of revenues in FY 2004 was from a local property tax. The gross proceeds of the property tax were \$642,036 for this year. The St. Tammany Parish Sheriff withheld \$21,325 of the gross proceeds to pay for the Council's pro-rata share of parish-wide expenses, which resulted in the Council receiving net property tax proceeds of \$620,711. In the Statement of Activities the net proceeds of the property taxes has been presented as a general revenue because this money can be used to benefit any of the Council's programs. Further, management has elected to offset the gross property tax amount with the amount kept by the Sheriff rather than add it to the Council's administrative expenses because it is in substance not an administrative expense of the Council. The net proceeds of the property tax represent about 36% of the Council's total governmental activity revenue. Obviously, without this source of revenue the Council's operations would have to be curtailed significantly.

Program revenues, which are comprised mainly of government grants and restricted public support, amounted to \$891,500, or about 52% of the Council's total governmental activity revenues. These revenues must be used for the purposes for which they were given or granted to the Council.

The Council also received \$166,092 of unrestricted public support and grants, which was available for management to use at its discretion. This type of revenue comprised about 10% of the Council's revenues.

The expenses in the table above have been presented by primary programs, with some details about significant subprograms. In presenting this information, only direct program expenses are shown. The administrative expenses include all administrative expenses of the Council before any allocations were made to the various programs. Percentages have been presented for the expenses associated with each program for ease of analysis and to illustrate where the Council has spent its money this year. The expense allocations are a good indication of the demand for each type of service.

The Council had a \$144,403 increase in its net assets for the year primarily due to a \$50,815 increase in property tax revenues in FY 2004 and the difference in how capital outlay expenditures and depreciation expense are accounted for between the government-wide and fund financial statements. These accounting differences regarding capital outlay resulted in a \$161,951 difference. The reconciliation statement that follows the Statement of Revenues, Expenditures, and Changes in Fund Balances explains these accounting differences in detail and further explains, and presents an analysis of why there are differences between that fund statement and the government-wide Statement of Activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

In future years, a more in-depth comparative analysis of revenues and expenses will be presented. The comparative information for fiscal year 2003 is not available because this is the Council's first year to implement GASB 34's reporting requirements.

AN ANALYSIS OF GOVERNMENTAL ACTIVITIES

When reviewing the Government-Wide Statement of Activities, there are relationships that are important to the understanding of the Council's operations. As you can see, the Council's largest activities are transportation and nutrition services. The Council's main focus is to meet the needs of the elderly citizens of St. Tammany Parish and right now these two services are in the greatest demand. However, there is a growing demand for in-home type services and services geared to help individuals stay in their homes and remain in the community. These in-home services include homemaker, personal care, and family caregiver type services. COAST has identified caregiver services as a priority and plans to adjust its budget to reallocate available resources to meet the demands of this program and other programs.

Another area of interest on the Statement of Activities relates to the total column wherein the Council illustrates that virtually all of the governmental activities have more expenses than revenues. In other words, they are not self-supporting. The providing of these governmental activities relies heavily on general revenues, particularly the local property tax. This financial relationship is expected and budgets are prepared accordingly. Traditionally, general revenues are used to cover the excess of expenses over revenues in these activities. Without the property tax revenue and the unrestricted grants and contributions, the Council would have a difficult time providing services at current levels. Further, the general nature of these revenues allows management discretion as to how to apply them in paying for the Council's current services as well as reallocating them to meet future demands.

Another indication of how money is used efficiently can be analyzed by comparing the amount of administration costs from year to year as well as calculating the percentage administration expenses bears in relation to total expenses. For 2004, total administration expenses were \$335,503, or 21.31% of total expenses. Administration expenses include indirect type costs meaning that these are costs that are not specifically identified with a particular program, but which benefit all programs. The information for 2003 is not available for comparative purposes, as previously mentioned.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

AN ANALYSIS OF THE COUNCIL'S FUNDS USING GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund Balances

The Council showed a combined governmental fund balance of \$700,505 (as shown on the Fund Financial Statement's Balance Sheet on page 21) at the end of this year, which is an increase of \$7,501 over the prior year. The General Fund increased by \$7,755 this year, and the combined fund balances of the Special Revenue Funds decreased by \$254.

While the Council realized an increase in gross property tax revenues of about \$52,600, this increase was offset by the \$106,313 of capital outlay expenditures made with money from the Council's General Fund.

Revenues

The combined fund revenues increased \$337,794 this year versus last year, as shown in the table below.

	FY 04	FY 03	Increase/ (Decrease)	
			Amount	Percent
Property Taxes	\$ 642,036	\$ 589,425	\$ 52,611	8.93%
Intergovernmental	989,616	713,687	275,929	38.66%
Public Support	80,217	96,119	(15,902)	-16.54%
Interest Income	8,084	10,327	(2,243)	-21.72%
Program Service Fees	44,838	19,221	25,617	133.28%
Special Events	2,115	0	2,115	
Miscellaneous	1,033	1,366	(333)	-24.38%
Total Revenues	<u>\$ 1,767,939</u>	<u>\$ 1,430,145</u>	<u>\$ 337,794</u>	<u>23.62%</u>

The increase in property taxes is a function of an increasing property tax base in St. Tammany Parish.

The increase in Intergovernmental revenue is primarily due to the Council receiving \$152,730 of federal matching funds under a capital assistance program for the elderly and disabled in FY 2004 as well as receiving \$103,587 from an FTA Public Transportation grant for nonurbanized areas.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

The increase in Program Service Fees was primarily due to an increase of \$18,688 in revenues received for contracted transportation services and \$8,667 of entry fees for participants in the Senior Olympic Games. Note that \$12,258 of the \$18,688 increase in contracted transportation fees related to fees from January to June 2003 that were not billed and collected until FY 2004, so the increase for the fiscal year for this service was only \$6,430.

Public support shows a decrease this year compared to last year because (1) the Council did not receive as much unrestricted public support this year and (2) entry fees for the Senior Olympic Games were not separately accounted for last year as they were this year, so they were included with public support last year and as program service fees this year.

Expenditures

Total expenditures increased by \$385,957 this year, as shown in the table below.

	FY 04	FY 03	Increase/ (Decrease)	
			Amount	Percent
Personnel	\$ 577,039	\$ 515,311	\$ 61,728	11.98%
Fringe	93,124	82,933	10,191	12.29%
Travel	47,495	41,372	6,123	14.80%
Operating Services	266,281	217,146	49,135	22.63%
Operating Supplies	82,318	90,413	(8,095)	-8.95%
Other Costs	29,902	16,098	13,804	85.75%
Meals	278,634	266,104	12,530	4.71%
Full Service Contracts	92,566	70,665	21,901	30.99%
Utility Assistance	13,740	15,047	(1,307)	-8.69%
Capital Outlay	259,043	40,892	218,151	533.48%
Intergovernmental	21,325	19,529	1,796	9.20%
	<u>\$ 1,761,467</u>	<u>\$ 1,375,510</u>	<u>\$ 385,957</u>	<u>28.06%</u>

With the exception of capital outlay expenditures, the majority of the increases in each of the expenditure types are due to the Council expanding its transportation services. In April 2003 the Council entered into a contract with the Louisiana Department of Transportation and Development (DOTD) and the St. Tammany Parish Government (the Parish) to expand its transportation services to rural areas of the Parish. Accordingly, all expenses across the board were increased to meet the demands of the new program. The Council received \$103,587 in grant revenues received from DOTD and the Parish for transit services provided through the new public transportation grant.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

The capital outlay expenditures increased significantly because the Council added six new vehicles to its fleet in FY 2004. The cost of a van ranged from \$32,675 to \$68,130.

AN ANALYSIS OF THE GENERAL FUND BUDGET

The Council's budget was amended twice during the fiscal year with the Board of Director's approving the final amendment on May 20, 2004. The amendment effectively approved any expenditure that had already been incurred that exceeded its original budgeted amount. The primary reasons for amending the budget are to account for unanticipated changes in both revenues and expenditures and to prevent compliance violations under the Council's grants from GOEA.

A schedule of the original and amended budgets for the General Fund can be found in the Supplementary Financial Information Required by GASB Statement 34 section of this report beginning on page 66.

When reviewing the budget versus actual schedule for the General Fund, the reader will note that, *when the actual results are compared to the final budget, the Council had a net favorable variance of \$47,586.* This net favorable variance can be attributed primarily to better than expected revenues and lower than expected transfers to the special revenue funds. The General Fund revenues received were \$11,525 greater than expected and the favorable variance for funds transferred out was \$36,731.

When comparing the original budget to the final budget the most significant adjustment related to property tax revenues. A \$51,325 adjustment was made to increase our expectations for property tax revenues based on information we had received during the year from the assessor's office. On the expenditure side, we increased the budget for capital outlays by \$81,000 to account for the additional vans we had to buy to expand our transportation services.

The explanations above account for the most significant variances. The remaining favorable and unfavorable variances within the General Fund are within the expectations of management and can be reviewed on page 66.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

AN ANALYSIS OF CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of the year, the Council had \$300,212 in capital assets net of accumulated depreciation. This amount is a net increase over last year of \$161,951.

	Capital Assets, Net of Depreciation		
	<u>June 30, 2004</u>	<u>June 30, 2003</u>	Increase (Decrease)
Vehicles	\$ 277,376	\$ 109,906	\$ 167,470
Office Furniture & Equip.	5,646	9,122	(3,476)
Comp. Equip. & Software	2,056	2,742	(686)
Recreation Equipment	-	-	-
Leasehold Improvements	12,839	13,670	(831)
Nutrition Equipment	2,295	2,821	(526)
	<u>\$ 300,212</u>	<u>\$ 138,261</u>	<u>\$ 161,951</u>

During FY 2004 COAST acquired six vehicles to add to its transportation fleet. These were the only capital additions for FY 2004. The total cost of the six vehicles was \$250,043. In FY 2004 two vehicles, with an initial cost of \$50,397 were sold. These vehicles did not have any remaining book value at the time they were sold. Depreciation expense for the year was \$97,092 and at year-end the total accumulated depreciation was \$343,796.

At year-end the COAST fleet consisted of 16 vehicles including both FTA and privately owned. COAST has plans to acquire 2 additional vehicles in FY 2005.

The Council has no long-term debt related to its capital assets and does not like to incur any as a matter of financial stewardship.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

COAST expects to receive about 47% of its FY 2005 funding from federal and state agencies and about 40% from property taxes with the remainder coming from local public and private support. For FY 2005, management expects a slight increase in total revenues received from the property tax. In addition, while management does have plans to acquire two new vehicles under the FTA Capital Assistance Program for the Elderly and Persons With Disabilities during FY 2005, the total capital outlay for FY 2005 is expected to be significantly less than in FY 2004. Accordingly, management has prepared a budget for FY 2005 with the objective of meeting our FY 2004 units of service in each program with

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

plans to increase services in the Council's nutrition programs. The FY 2005 budget will allow room for increases in other areas as well if the demand arises. The initial budget for FY 2005 projects \$1,606,742 of expenditures. There are no plans to terminate any programs in FY 2005. As of this writing the potential to add a Federal Alzheimer's Demonstration Project in January is possible. If awarded the total grant would be \$79,300. The budget would be amended to include this new program once awarded.

CONTACTING THE COUNCIL'S MANAGEMENT

Our financial report is designed to provide government agencies and the general public an overview of the Council's finances and to demonstrate accountability for the money that it receives. If you have any questions about this report or wish to ask for more information, you should contact Jimmy Corkern, Jr., Executive Director, P.O. Box 171, (physical address - 623 Plaza Street), Covington, Louisiana, 70434; (985) 892-0377; coast@coastseniors.org.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
St. Tammany Council on the Aging, Inc.
Covington, Louisiana

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Tammany Council on the Aging, Inc., Covington, Louisiana, (the Council) as of and for the year ended June 30, 2004, which collectively comprise the Council's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Council's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Council as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1c to the financial statements, the Council has implemented a new financial reporting model, as required by the provisions of GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 23, 2004, on my consideration of the Council's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The Management's Discussion and Analysis on pages 1 through 14 and budgetary comparison schedules on pages 66 through 70 are supplementary information required by accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board. The accompanying Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds and the Comparative Schedule of Capital Assets and Changes in Capital Assets are presented for purposes of additional analysis as required by the Governor's Office of Elderly Affairs. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. None of the required supplementary financial information is required to be a part of the Council's basic financial statements. However, all of this supplementary information has been subjected to the auditing procedures I applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Baton Rouge, Louisiana,
September 23, 2004.



Neil G. Ferrari, CPA

GOVERNMENT-WIDE FINANCIAL STATEMENTS

EXHIBIT A

STATEMENT OF NET ASSETS
 St. Tammany Council on the Aging, Inc.
 Covington, Louisiana
 June 30 , 2004

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash	\$ 490,493
Short-term investments	75,000
Receivables:	
City of Slidell	21,000
City of Mandeville	2,500
St. Tammany Parish Government	68,805
Property Taxes - St. Tammany Parish Sheriff	10,773
Various entities for transportation services	3,729
Miscellaneous	969
Prepaid expenses	12,492
Deposits - matching funds for van purchases	13,407
Total current assets	<u>699,168</u>
Capital assets, net of accumulated depreciation	300,212
Other Assets:	
Long-term investments	75,000
Deposit - security deposit for main office lease	1,400
Total Assets	<u>1,075,780</u>
LIABILITIES	
Current Liabilities:	
Accounts payable to various vendors	56,523
Payroll taxes withheld and accrued	12,283
Other payroll withholdings and related expenses	4,727
Deferred revenue - Resource Festival	1,530
Compensated absences - unpaid accumulated vacation leave	10,754
Total current liabilities	<u>85,817</u>
NET ASSETS	
Invested in Capital Assets	300,212
Restricted for:	
Hadden Hall Senior Citizen Activities	10,643
Utility Assistance	5,623
Unrestricted	<u>673,485</u>
Total Net Assets	<u>\$ 989,963</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

EXHIBIT B

STATEMENT OF ACTIVITIES

St. Tammany Council on the Aging, Inc.
Covington, Louisiana
For the year ended June 30, 2004

Functions/Programs	Program Revenues					Net (Expense) Revenue and Increase (Decrease) in Net Assets
	Direct Expenses	Indirect Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities						
Health, Welfare & Social Services:						
Supportive Services:						
Transportation of the elderly	\$ 500,137	\$ 157,297	\$ 23,913	\$ 206,640	\$ 152,730	\$ (274,151)
Homemaker	30,609	441	0	27,857	0	(3,193)
Legal	10,000	0	0	5,564	0	(4,436)
Information and Assistance	6,305	2,296	0	1,642	0	(6,959)
Outreach	5,131	1,766	0	1,360	0	(5,537)
Recreation	6,912	3,929	0	565	0	(10,276)
Medic Alert	21,464	4,292	281	4,933	0	(20,542)
Utility Assistance	17,697	6,619	0	15,615	0	(8,701)
Nutrition Services:						
Congregate Meals	201,150	23,617	0	175,982	0	(48,785)
Home Delivered Meals	278,540	52,008	0	140,212	0	(190,336)
Disease Prevention and Health Promotion	6,885	2,614	0	6,831	0	(2,668)
Family Caregiver Support	68,676	9,221	0	49,578	0	(28,319)
Senior Center Operations	55,657	20,857	0	0	0	(76,514)
Senior Olympics	16,394	5,526	8,667	9,608	0	(3,645)
Senior Citizen Activities	13,426	0	0	14,502	0	1,076
Interest & Finance Charges	97	0	0	0	0	(97)
Administration	335,503	(290,483)	0	45,020	0	0
Total governmental activities	\$ 1,574,583	\$ 0	\$ 32,861	\$ 705,909	\$ 152,730	\$ (683,083)
General Revenues:						
Grants and contributions not restricted to specific programs					166,092	
State Revenue Sharing					29,488	
Property Taxes, net of \$21,325 retained by the Parish					620,711	
Interest Income					8,051	
Miscellaneous					2,115	
Special Item - Gain on Sale of Vehicles					1,029	
Total general revenues and special items					827,486	
Increase (Decrease) in net assets						144,403
Net assets - beginning of the year						845,560
Net assets - end of the year						\$ 989,963

The accompanying notes to the basic financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

**FUND BALANCE SHEET
GOVERNMENTAL FUNDS
St. Tammany Council on the Aging, Inc.
Covington, Louisiana
June 30, 2004**

	General Fund	Title III B	Title III C-1	Title III C-2	Section 5311	Non- Major Funds	Total Governmental Funds
ASSETS							
Cash	\$ 417,037	\$ 26,022	\$ 14,378	\$ 18,482	\$ 0	\$ 14,574	\$ 490,493
Investments	150,000	0	0	0	0	0	150,000
Receivables:							
City of Slidell	21,000	0	0	0	0	0	21,000
City of Mandeville	2,500	0	0	0	0	0	2,500
St. Tammany Parish Government	0	0	0	0	68,805	0	68,805
Property Taxes - St. Tammany Parish Sheriff	10,773	0	0	0	0	0	10,773
Various entities for transportation services		3,729	0	0	0	0	3,729
Miscellaneous	969	0	0	0	0	0	969
Prepaid expenditures	12,492	0	0	0	0	0	12,492
Deposits - matching funds for van purchases	13,407	0	0	0	0	0	13,407
Deposit - security deposit for main office lease	1,400	0	0	0	0	0	1,400
Due from other governmental funds	68,805	0	0	0	0	0	68,805
Total Assets	\$ 698,383	\$ 29,751	\$ 14,378	\$ 18,482	\$ 68,805	\$ 14,574	\$ 844,373
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable to various vendors	1,895	20,357	12,860	15,130	0	6,281	56,523
Payroll taxes withheld and accrued	54	6,621	1,208	2,685	0	1,715	12,283
Other payroll withholdings and related expenses	22	2,773	310	667	0	955	4,727
Deferred revenue - Resource Festival	1,530	0	0	0	0	0	1,530
Due to other governmental funds	0	0	0	0	68,805	0	68,805
Total Liabilities	3,501	29,751	14,378	18,482	68,805	8,951	143,868
Fund Balances							
Reserved, reported in:							
General Fund:							
Prepaid expenditures	12,492	0	0	0	0	0	12,492
Encumbrances - van purchase commitments	13,407	0	0	0	0	0	13,407
Security deposit for main office	1,400	0	0	0	0	0	1,400
Unreserved/Undesignated, reported in:							
General Fund	667,583	0	0	0	0	0	667,583
Special Revenue Funds	0	0	0	0	0	5,623	5,623
Total Fund Balances	694,882	0	0	0	0	5,623	700,505
Total Liabilities and Fund Balances	\$ 698,383	\$ 29,751	\$ 14,378	\$ 18,482	\$ 68,805	\$ 14,574	
Amounts reported for governmental activities in the statement of net assets are different because:							
- Compensated absences are not paid for out of current financial resources and therefore are not reported as liabilities in the governmental funds							(10,754)
- Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds							300,212
Net Assets of Governmental Activities							<u>\$ 989,963</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

**St. Tammany Council on the Aging, Inc.
Covington, Louisiana
For the year ended June 30, 2004**

	General Fund	Title III B	Title III C-1	Title III C-2	Section 5311	Nonmajor Funds	Total Governmental Funds
REVENUES							
Intergovernmental:							
Governor's Office of Elderly Affairs	\$ 39,246	\$ 159,278	\$ 86,229	\$ 124,407	\$ 0	\$ 271,151	\$ 680,311
Louisiana Dept. of Transportation & Development	0	0	0	0	0	152,730	152,730
St. Tammany Parish Government	0	0	0	0	103,587	0	103,587
State Revenue Sharing	29,488	0	0	0	0	0	29,488
City of Slidell	21,000	0	0	0	0	0	21,000
City of Mandeville	2,500	0	0	0	0	0	2,500
Property Taxes	642,036	0	0	0	0	0	642,036
Public Support (Restricted):							
Client contributions	0	4,075	18,993	15,805	0	0	38,873
Sponsorships & Donations for Senior Olympics	9,575	0	0	0	0	0	9,575
Various utility companies	0	0	0	0	0	13,486	13,486
Various fund-raisers for Hadden Hall	10,781	0	0	0	0	0	10,781
Other donors	3,471	431	0	0	0	0	3,902
Public Support (Unrestricted):							
General public donations	3,600	0	0	0	0	0	3,600
Program Service Fees (charges for services):							
Transportation	0	36,171	0	0	0	0	36,171
Entry Fees for Senior Olympics	8,667	0	0	0	0	0	8,667
Interest Income	8,084	0	0	0	0	0	8,084
Special Events - Resource Festival & Spring Frolic	2,115	0	0	0	0	0	2,115
Miscellaneous	1,033	0	0	0	0	0	1,033
Total revenues	781,596	199,955	105,222	140,212	103,587	437,367	1,767,939
EXPENDITURES							
Health, Welfare, & Social Services:							
Current:							
Personnel	2,561	309,199	58,805	112,838	0	93,636	577,039
Fringe	469	51,715	8,230	16,176	0	16,534	93,124
Travel	89	4,967	4,881	33,251	0	4,307	47,495
Operating Services	15,933	189,321	10,473	19,116	0	31,438	266,281
Operating Supplies	17,263	51,176	1,342	3,000	0	9,537	82,318
Other Costs	2,588	15,343	1,418	3,123	0	7,430	29,902
Full Service	8,744	39,435	0	0	0	44,387	92,566
Meals	0	0	138,415	140,219	0	0	278,634
Utility Assistance	0	0	0	0	0	13,740	13,740
Capital Outlay	106,313	0	0	0	0	152,730	259,043
Intergovernmental	21,325	0	0	0	0	0	21,325
Total expenditures	173,285	661,156	223,564	327,723	0	373,739	1,761,467
Excess of revenues over (under) expenditures	606,311	(461,201)	(118,342)	(187,511)	103,587	63,628	6,472
OTHER FINANCING SOURCES (USES)							
Operating transfers in	0	461,201	118,342	187,511	0	30,647	797,701
Operating transfers out	(599,585)	0	0	0	(103,587)	(94,529)	(797,701)
Proceeds from sales of vehicles	1,029	0	0	0	0	0	1,029
Net increase (decrease) in fund balances	7,755	0	0	0	0	(254)	7,501
FUND BALANCE (DEFICIT)							
Beginning of year	687,127	0	0	0	0	5,877	693,004
End of year	<u>\$ 694,882</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,623</u>	<u>\$ 700,505</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

EXHIBIT E

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental
Funds to the Statement of Activities**

**St. Tammany Council on the Aging, Inc.
Covington, Louisiana**

For the year ended June 30, 2004

Net Increase (Decrease) in Fund Balances - Total Governmental Funds	\$	7,501
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This reconciling amount is the amount by which capital outlays (\$259,043) exceeds depreciation (\$97,092) in the current period.

161,951

Governmental funds record revenues using the modified accrual basis of accounting, meaning that the revenue must be measurable and available. There were some program service fees (\$12,258) and reimbursements under the Section 5311 grant (\$16,399) that were not available at June 30, 2004; accordingly, they were recorded as revenues in the fund financial statements in this fiscal year. However, revenues are recognized in the Statement of Activities using the full accrual basis of accounting; accordingly, these revenues were earned in last fiscal year and would have been recorded in the Statement of Activities last year if the Council were required to present one.

(28,657)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences - accumulated vacation leave		3,608
Increase (Decrease) of Net Assets of Governmental Activities	\$	<u>144,403</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**St. Tammany Council on the Aging, Inc.
Covington, Louisiana
June 30, 2004**

Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies

The accounting and reporting policies of St. Tammany Council on the Aging, Inc. (the Council) conform to the accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The following is a summary of certain significant accounting policies used by the Council:

a. Purpose of the Council on Aging:

The purpose of the Council is to collect facts and statistics and make special studies of conditions pertaining to the employment, financial status, recreation, social adjustment, mental and physical health or other conditions affecting the welfare of the aging people in St. Tammany Parish; to keep abreast of the latest developments in these fields of activity throughout Louisiana and the United States; to interpret its findings to the citizens of the parish and state; to provide for the mutual exchange of ideas and information on the parish and state level; to conduct public meetings; to make recommendations for needed improvements and additional resources; to promote the welfare of aging people; to coordinate and monitor services of other local agencies serving the aging people of the parish; to assist and cooperate with the Governor's Office of Elderly Affairs (GOEA) and other departments of state and local government serving the elderly, and; to make recommendations relevant to the planning and delivery of services to the elderly of the Parish.

Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies - (Continued)

a. Purpose of the Council on Aging: - (Continued)

Specific services provided by the Council to the elderly residents of St. Tammany Parish include providing congregate and home delivered meals, nutritional education, case management, information and assistance, outreach, material aid, home repairs, medication management, medic alert units, in-home respite, personal care, sitter services, support groups, public education, senior centers, utility assistance, homemakers, recreation, legal assistance, wellness, and transportation. The Council also provides transportation services to the general public of the St. Tammany Parish.

b. Reporting Entity:

In 1964, the State of Louisiana passed Act 456 authorizing the charter of a voluntary council on aging for the welfare of the aging people in each parish of Louisiana. In 1979, the Louisiana Legislature created the Governor's Office of Elderly Affairs (GOEA) (La. R.S. 46:931) with the specific intention to administer and coordinate social services and programs for the elderly population of Louisiana through sixty-four parish voluntary councils on aging.

Before a council on aging can begin operations in a specific parish, its application for a charter must receive approval from GOEA pursuant to Louisiana Revised Statute (La. R.S.) 46:1602. Each council on aging in Louisiana must comply with the state laws that apply to quasi-public agencies as well as the policies and regulations established by GOEA.

St. Tammany Council on the Aging, Inc. (the Council) is a legally separate, non-profit, quasi-public corporation. The Council received its charter from the Governor of the State of Louisiana on April 4, 1967 and subsequently incorporated on September 5, 1968 under the provisions of Title 12, Chapter 2 of the Louisiana Revised Statutes.

Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies - (Continued)

b. Reporting Entity: - (Continued)

A board of directors, consisting of 15 voluntary members, who serve three-year terms, governs the Council. Each member may serve no more than two consecutive terms. Any board member who has served two consecutive terms is ineligible to serve on the board of directors for one year. Reasonable efforts are made to maintain a board of directors whose composition will be representative of the population of St. Tammany Parish. Nominations to fill expiring terms of board members are made in August to the Council's Membership Committee that will consider and screen the nominations. The Membership Committee nominates who it believes to be the best-qualified persons to the full board. The members of the Council elect board members at their annual membership meeting in September. Any adult citizen of St. Tammany Parish may register to be a "member" of the Council. Membership fees are not charged.

Based on the criteria set forth in GASB Statement 14, *The Financial Reporting Entity*, the Council is not a component unit of another primary government nor does it have any component units that are related to it. In addition, based on the criteria set forth in this statement, the Council has presented its financial statements as a special purpose, stand-alone government; accordingly, it is applying the provisions of Statement 14 as if it were a primary government.

**Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies -
(Continued)**

c. New Accounting Standards Adopted

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. For the fiscal year that began July 1, 2003, the Council was required to adopt a new financial reporting model to comply with the provisions of Statement 34. In addition to Statement No. 34, GASB also issued other statements that have been adopted and their requirements have been reflected in this year's financial statements. Those other statements are: Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Statement No. 40, *Deposit and Investment Risk Disclosures*. As a result, certain significant changes have occurred that may materially affect the comparability of these financial statements with those issued in previous years. Significant changes include the following:

For the first time the financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Council's overall financial position and results of operations.
- Governmental-Wide Financial Statements prepared using full accrual basis accounting for all of the Council's activities.
- A change in the fund financial statements to focus on the major governmental funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

**Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies -
(continued)**

d. Basis of Presentation of the Basic Financial Statements:

The Council's basic financial statements consist of "government-wide" financial statements on all activities of the Council, which are designed to report the Council as a whole entity, and "fund" financial statements, which purpose are to report individual major governmental funds and combined nonmajor governmental funds.

Both the government-wide and fund financial statements categorize primary activities as either "governmental" or "business" type. The Council's functions and programs have all been categorized as "governmental" activities. The Council does not have any business-type activities, fiduciary funds, or any component units that are fiduciary in nature. Accordingly, the government-wide financial statements do not include any of these activities or funds.

Government-Wide Financial Statements:

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities for all activities of the Council. As a general rule, the effect of interfund activity has been eliminated from these statements. The government-wide presentation focuses primarily on the sustainability of the Council as an entity and the change in its net assets (financial position) resulting from the activities of the current fiscal year. Governmental activities generally are supported by intergovernmental revenues and property tax revenues.

In the government-wide Statement of Net Assets only one column of numbers has been presented. The amounts are presented on a consolidated basis and represent only governmental type activities.

The Statement of Net Assets has been prepared on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Council's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

**Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies -
(continued)**

d. Basis of Presentation of the Basic Financial Statements - (continued)

The Government-Wide Statement of Activities reports both the gross and net cost of each of the Council's functions and significant programs. Many functions and programs are supported by general government revenues like intergovernmental revenues, property taxes, and unrestricted public support, particularly if the function or program has a net cost. The Statement of Activities begins by presenting gross direct and indirect expenses that include depreciation, and then reduces the expenses by related program revenues, such as charges for services, operating and capital grants, and contributions, to derive the net cost of each function or program. Program revenues must be directly associated with the function or program to be used to directly offset its cost. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

Direct expenses reported in the Statement of Activities are those that are clearly identifiable with a specific function or program, whereas, the Council allocates its indirect expenses among various functions and programs in accordance with OMB Circular A-87. The Statement of Activities shows this allocation in a separate column labeled "indirect expenses." GOEA provides administrative grant funds to help the Council pay for a portion of its indirect costs. As a result, only the indirect costs in excess of the GOEA administrative funds are allocated to the Council's other functions and programs.

In the Statement of Activities, charges for services represent program revenues obtained by the Council when it renders services that are provided by a specific function or program to people or other entities. Contributions, property taxes, grants, interest income, and miscellaneous revenues that are not properly included among program revenues are reported instead as general revenues in this statement. Special items, if any, are significant transactions within the control of management that are either unusual in nature or infrequent in occurrence and are separately reported below general revenues.

**Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies -
(continued)**

d. Basis of Presentation of the Basic Financial Statements - (continued)

Fund Financial Statements:

The fund financial statements present financial information that is very similar to that which was included in the general-purpose financial statements issued by governmental entities before Statement No. 34 required the format change.

The daily accounts and operations of the Council continue to be organized using funds and account groups. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain governmental functions or activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are reported by generic classification within the financial statements.

The Council uses governmental fund types. The focus of the governmental funds' measurement (in the fund statements) is on determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on net income. An additional emphasis is placed on major funds within the governmental fund types. A fund is considered major if it is the primary operating fund of the Council or if its total assets, liabilities, revenues, or expenditures are at least 10% of the corresponding total for all funds of that category or type. The nonmajor funds are summarized by category or fund type into a single column in the fund financial statements.

Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies - (continued)

d. Basis of Presentation of the Basic Financial Statements - (continued)

Governmental fund equity is called the fund balance. Fund balance is further classified as reserved and unreserved, with unreserved being further split into designated and undesignated. Reserved means that the fund balance is not available for expenditure because resources have already been expended (but not consumed), or a legal restriction has been placed on certain assets that makes them only available to meet future obligations. Designated fund balances result when management tentatively sets aside or earmarks certain resources to expend in a designated manner. In contrast to reserved fund balances, designated amounts can be changed at the discretion of management.

The following is a description of the governmental funds of the Council:

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.

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 brief descriptions of the programs that comprise the Council's General Fund:

Local

The Council receives revenues that are not required to be accounted for in a specific program or fund. Accordingly, these revenues have been recorded in the local program of the General Fund. These funds are mostly unrestricted, which means they may be used at management's discretion. Expenditures to acquire fixed assets, and expenditures for costs not allowed by another program due to budget limitations or the nature of the expenditure, are generally recorded in the local program. Because these funds are mostly unrestricted, they are often transferred to other programs and funds to eliminate deficits in cases where the expenditures of the other programs and funds exceeded their revenues.

Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies - (continued)

d. Basis of Presentation of the Basic Financial Statements - (continued)

PCOA

PCOA funds are appropriated for the Council by the Louisiana Legislature and remitted to the Council via the Governor's Office of Elderly Affairs (GOEA). The Council may use these "Act 735" funds at its discretion in any program provided the program is benefiting people who are at least 60 years old. In fiscal year 2004, the Council transferred its PCOA funds to Title III C-1 fund to provide additional funds to pay for program expenditures.

Senior Center Activities

The Council operates centers in Slidell, Lacombe, Covington, Mandeville, Folsom, Bush, and Pearl River. The participants at some of these centers generate solicit public support through activities to help offset the costs of their activities which are not paid for by GOEA's primary grant for senior centers. The types of activities used to raise these funds consist of craft sales, raffles, dances, recycling aluminum cans, and refreshment sales. The revenues and related expenditures for senior center activities are maintained separately within the Council's general ledger.

Senior Olympic Games

During the year, the Council sponsored the Senior Olympic Games for the elderly of St. Tammany Parish. The event was held from April 17 and to May 2, 2004. Public support for this program was provided from various business and non-profit entities of St. Tammany Parish. Approximately 461 people participated in the senior games. The Council intends to hold this event each year.

Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies - (continued)

d. Basis of Presentation of the Basic Financial Statements - (continued)

The Council has established several special revenue funds. The following are brief descriptions of the purpose of each special revenue fund and their classification as either a major or nonmajor governmental fund:

Major Governmental Funds:

Title III B Fund

The Title III B Supportive Services Fund accounts for funds that are used to provide various units of supportive social services to the elderly. GOEA has established the criteria for a qualifying unit of service for each Title III program. Specific supportive social services, along with the number of units provided during the fiscal year, are as follows:

Service	Units
Homemaker	1,728
Legal Assistance	285
Material Aid	1,364
Outreach	295
Recreation	7,281
Transportation	35,868
Utility Assistance	186
Medic Alert	912
Information & Assistance	927
Crime Prevention	201

Revenues generated by providing transportation services (\$36,171) have been reported within this fund as program service fees. These revenues have been used to offset the costs associated with generating the service revenues.

Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies - (continued)

d. Basis of Presentation of the Basic Financial Statements - (continued)

Title III C-1 Fund

The Title III C-1 Fund accounts for funds that are used to provide nutritional, congregate meals to people age 60 or older in strategically located centers throughout St. Tammany Parish. The Council maintains meal sites in Slidell, Mandeville, Covington, Lacombe, Folsom, Bush, and Pearl River. During the year, the Council served 63,060 meals to people eligible to participate in this program.

Title III C-2 Fund

Title III C-2 Fund accounts for funds that are used to provide nutritional meals to homebound people who are age 60 or older. Using Title III C-2 funds, the Council served 62,209 meals during the year to people eligible to participate in this program.

Section 5311 Fund

The Section 5311 Fund was established to account for funds under the U.S. Department of Transportation's Public Transportation for Nonurbanized Areas - Section 5311 Program. The Louisiana Department of Transportation and Development (DOTD) receives these funds for the State of Louisiana and passes them through to the Council via the St. Tammany Parish Government. Funds earned and received by the Council are based on actual operating costs of providing transportation services to rural residents within St. Tammany Parish. As part of calculating the operating costs of this program, the Council may apportion some of the in-kind contributions it receives as allowable transportation expenses. This provision results in the Council receiving cash reimbursement for costs that did not require the Council to spend cash. Section 5311 funds are generally used as operating transfers to help pay for costs incurred in providing transportation services under the Council's Title III B transportation program.

Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies - (continued)

d. Basis of Presentation of the Basic Financial Statements - (continued)

Nonmajor Governmental Funds:

Title III C Area Agency Administration (AAA) Fund

The Title III C Area Agency Administration Fund is used to account for a portion of the indirect costs of administrating the Council's programs. Each fiscal year GOEA provides the Council with funds to help pay for the costs of administering the Council's special programs for the aging. The amount of funding is not enough to pay for all the indirect costs. As a result, the Council will allocate its indirect costs to this fund first. Once the GOEA funds are completely used, any indirect costs, in excess of the funds provided by GOEA, are distributed to other funds and programs using a formula based on the percentage each program's direct costs bears to direct costs for all programs. Indirect costs are not allocated to all funds because program restrictions may prohibit or limit the payment of administrative type costs.

Title III D Fund

The Title III D Fund accounts for funds used for wellness, which includes disease prevention and health promotion activities. During the year 4,764 units of wellness type services and 759 units of medication management services were provided to eligible participants in this program.

**Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies -
(continued)**

d. Basis of Presentation of the Basic Financial Statements - (continued)

Title III E Fund

The Title III E Fund accounts for funds relating to the National Family Caregiver Support program. The National Family Caregiver Support program is designed to provide multifaceted systems of support services for family caregivers and for grandparents or older individuals who are relative caregivers. This program targets older, low-income individuals. Specific types of services that can be provided by this program include: Adult Day Care, Adult Health Care, Material Aid, Case Management, Personal Care, Counseling, Support Groups, Respite Care, Sitter Service, and Information and Assistance. Eligible participants include (1) adult family members, or another adult person, who provides uncompensated in-home and community care to an older person who needs supportive services or (2) grandparents, or a person 60 year of age or older, who is related to a child by blood or marriage and (1) lives with the child, (2) is the primary caregiver, and (3) has a legal relationship to the child or is raising the child informally. During the year, the Council provided 153 units of information and assistance, 1,869 units of in-home respite, 190 units of material aid, 238.50 units of personal care, 284 units of sitter service, 52.50 units of support group services, and 58.50 units of public education under this program.

Senior Center Fund

The Senior Center Fund accounts for the administration of Senior Center program funds appropriated by the Louisiana Legislature to GOEA, which in turn "passes through" the funds to the Council. The purpose of this program is to provide a community service center at which elderly people can receive supportive social services and participate in activities which foster their independence, enhance their dignity, and encourage their involvement in and with the community. The primary senior center for St. Tammany Parish is located in Slidell. In addition, satellite senior centers are located in Covington, Lacombe, Mandeville, Pearl River, Folsom, and Bush. Senior Center funds can be used at management's discretion to support any of the Council's programs that benefit the elderly. Accordingly, management transferred a portion of this year's Senior Center funds to help pay for the costs of providing Title III B supportive services to people who used the senior centers.

Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies - (continued)

d. Basis of Presentation of the Basic Financial Statements - (continued)

NSIP Fund

The NSIP Fund is used to account for the administration of Nutrition Services Incentive Program (NSIP) funds provided by the Administration on Aging, U.S. Department of Health and Human Services, to GOEA, which in turn "passes through" the funds to the Council. GOEA distributes NSIP funds to each parish council on aging in Louisiana based on how many meals each council on aging served in the previous year in relation to the total meals served statewide by all councils. Using this formula, the Council receives from GOEA approximately 58.3 cents per congregate and home-delivered meal it serves. The primary purpose of the NSIP reimbursement is to provide money to buy food that will be used in the preparation of congregate and home-delivered meals under nutrition service programs. The food that is purchased for these purposes must be of United States origin or be commodities from the United States Department of Agriculture.

FTA Fund

The FTA Fund is used to account for the acquisition of vehicles purchased in part with federal funds under the U.S. Department of Transportation, Federal Transit Administration's (FTA) capital assistance program for the elderly and persons with disabilities. The Louisiana Department of Transportation and Development (DOTD) coordinates the receipt and disbursement of the FTA funds and the required matching funds from the Council. Five vans were received under this program during the fiscal year. Also, at year-end there is an outstanding agreement with DOTD for the Council to acquire two more vans under this program. Management expects to receive the vans in fiscal year 2005.

**Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies -
(continued)**

d. Basis of Presentation of the Basic Financial Statements - (continued)

Supplemental Senior Center Fund

The Louisiana Legislature appropriated additional money for various councils on aging throughout the state to be used to supplement the primary grant for senior centers. The Council was one of the parish councils to receive a supplemental grant of \$3,825. The money received by this fund during the year was transferred to the Title III C-1 Fund to supplement the nutrition services provided by these funds. The Governor's Office of Elderly Affairs provided these funds to the Council.

Audit Fund

The Audit Fund accounts 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. Audit expenditures are charged to this fund up to the amount of the GOEA subsidy (\$3,191). The excess audit costs (\$12,609) have been distributed to other funds and programs using the Council's indirect cost allocation formula.

Utility Assistance Fund

The Utility Assistance Fund accounts for the administration of utility assistance programs that are sponsored by local utility companies. The companies collect contributions from service customers and remit the funds to the parish councils on the aging to provide assistance to the elderly for the payment of utility bills. The contributions can only be used to pay for direct services. No indirect or administration expenses can be paid for with these funds. The Council's general policy is to provide utility assistance of up to \$100 per eligible person per instance, not to exceed two instances per year. During the year, the Council was able to provide 186 instances of assistance to 143 different people with these funds.

Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies - (continued)

e. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

- **Government-wide Financial Statements - Accrual Basis**

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

- **Fund Financial Statements - Modified Accrual Basis**

Governmental fund level financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. A current financial resources measurement focus means that only current assets and current liabilities are generally included on the fund balance sheet. The operating statements of the funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Council considers revenues to be available if they are collected within 60 days of the current fiscal year end. Expenditures are generally recorded under the modified accrual basis of accounting when the related liability is incurred, if measurable, except for the following: (1) unmatured principal and interest on long-term debt, if any, are recorded when due, and (2) claims, judgments, and compensated absences are recorded as expenditures when paid with expendable available financial resources. Depreciation is a cost that is not recognized in the governmental funds.

Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies - (continued)

f. Interfund Activity

In the fund financial statements, interfund activity is reported as either loans or transfers. Loans between funds are reported as interfund receivables (due from) and payables (due to) as appropriate. Transfers represent a permanent reallocation of resources between funds. In other words, they are not expected to be repaid.

Transfers between funds are netted against one another as part of the reconciliation of the change in fund balances in the fund financial statements to the change in net assets in the government-wide financial statements.

g. Cash and Cash Equivalents

Cash includes amounts in interest-bearing and non-interest-bearing demand deposits, and petty cash. Cash equivalents include amounts in time deposits and time investments with original maturities of 90 days or less. Cash and cash equivalents are reported at their carrying amounts that equal their fair values. During the fiscal year, the Council did not have any cash equivalents.

h. Receivables

The financial statements for the Council do not contain an allowance for uncollectible receivables because management believes all amounts will be collected. However, if management becomes aware of information that would change its assessment about the collectibility of any receivable, management would write off the receivable as a bad debt at that time.

Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies - (continued)

i. Investments

GASB Statement 31 requires the Council to report its investments at fair value in the balance sheet, except for investments in non-participating interest-earning contracts, such as, non-negotiable certificates of deposit with redemption terms that do not consider market rates. This type of investment is reported using a cost-based measure, provided that the fair market value of the contract is not significantly affected by the impairment of the credit standing of the issuer or other factors. At year-end the Council had \$150,000 of this type of investment.

Investments, which include securities traded on a national or international exchange, are valued based on their last reported sales price. Investments that do not have an established market are reported at estimated fair value. The Council did not own any investments of this type at year-end.

j. Prepaid Expenses/Expenditures

Prepaid expenses include amounts paid in advance for goods and services. Prepaid expenses are shown as either current or other assets on the government-wide Statement of Net Assets, depending on when management expects to realize their benefits.

In the fund financial statements, the Council has elected not to include amounts paid for future services as expenditures until those services are consumed. This method of accounting for prepaid expenditures helps assure the Council's management that costs incurred will be reported in accordance with the Council's cost reimbursement grants. These types of grants do not permit the Council to obtain reimbursement for qualified expenditures until the goods and services relating to them are consumed. As a result, the prepaid expenditures are shown as an asset on the balance sheet of the fund financial statements until they are consumed. In addition, a corresponding amount of the fund balance of the General Fund has been reserved to reflect the amount of fund balance not currently available for expenditure.

**Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies -
(continued)**

k. Capital Assets

The accounting and reporting treatment used for capital assets depends on whether the capital assets are reported in the government-wide financial statements or the fund financial statements.

Government-Wide Financial Statements

Capital assets are long-lived assets that have been purchased or acquired with an original cost of at least \$1,000 and that have an estimated useful life of greater than one year. When purchased or acquired, these assets are recorded as capital assets in the government-wide statement of Net Assets. If the asset was purchased, it is recorded in the books at its cost. If the asset was donated, then it is recorded at its estimated fair market value at the date of donation. Capital assets will also include major repairs to equipment and vehicles that significantly extend the asset's useful life. Routine repairs and maintenance are expensed as incurred.

For capital assets recorded in the government-wide financial statements, depreciation is computed and recorded using the straight-line method for the asset's estimated useful life. The Council follows a guideline issued by the State of Louisiana's Office of Statewide Reporting and Accounting to establish the useful lives of the various types of capital assets that are depreciated and the method used to calculate annual depreciation. Using this guideline, the estimated useful lives of the various classes of depreciable capital assets are as follows:

Equipment - other than computers	6 to 10 years
Vehicles	5 to 9 years
Computer equipment	5 years
Leasehold improvements	20 years

When calculating depreciation, the State's guideline assumes that capital assets will not have any salvage value and that a full year's worth of depreciation will be taken in the year the capital assets are placed in service or disposed.

Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies - (continued)

k. Capital Assets - (Continued)

Fund Financial Statements

In the fund financial statements, capital assets used in the Council's operations are accounted for as capital outlay expenditures of the governmental fund that provided the resources to acquire the assets. Depreciation is not computed or recorded on capital assets for purposes of the fund financial statements.

l. Non-Current (Long-term) Liabilities

The accounting treatment of non-current liabilities depends on whether they are reported in the government-wide or fund financial statements. In the government-wide financial statements, all non-current liabilities that will be repaid from governmental resources are reported as liabilities in the government-wide statements. In the fund financial statements, non-current liabilities for governmental funds are not reported as liabilities or presented anywhere else in these statements.

m. Unpaid Compensated Absences

The Council's policies for vacation leave permit employees to accumulate earned but unused vacation leave. Accordingly, a liability for the unpaid vacation leave has been recorded in the government-wide statements. Management has estimated the current and long-term portions of this liability based on the Council's policy as it relates to accruing (earning) and using vacation leave. Accordingly, all amounts earned and unused as of year-end are considered a current liability for purposes of the Statement of Net Assets.

The amount accrued as the compensated absence liability was determined using the number of vested vacation hours for each employee multiplied by the employee's wage rate in effect at the end of the year. An amount is added to this total for Social Security and Medicare taxes.

Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies - (continued)

m. Unpaid Compensated Absences - (Continued)

In contrast, the governmental funds in the fund financial statements report only compensated absence liabilities that are payable from expendable available financial resources to the extent that the liabilities mature (or come due for payment). Vacation leave does not come due for payment until an employee makes a request to use it or terminates employment with the Council. Accordingly, payments for vacation leave will be recorded as fund expenditures in the various governmental funds in the year in which they are paid or become due on demand to terminated employees. As a result, no amounts have been accrued as fund liabilities as of year-end in the fund financial statements. The differences in the methods of accruing compensated absences creates a reconciling item between the fund and government-wide financial statement presentations.

The Council's sick leave policy does not provide for the vesting of sick leave thereby requiring the employee to be paid for any unused leave upon termination of employment. Accordingly, no amounts have been accrued as unpaid compensated absences in the government-wide financial statements relative to sick leave.

n. Advances From Funding Agency

Advances from funding agency represent unexpended balances of grants awarded to the Council that are required to be returned to the funding agency at the end of the grant period. Grant funds due back to the funding agency are recorded as a liability when the amount due becomes known, normally when a final accounting is submitted to the funding agency.

Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies - (continued)

o. Deferred Revenue

The Council reports deferred revenues on both the Statement of Net Assets (government-wide) and the Balance Sheet of the fund financial statements. Deferred revenues arise when the Council receives resources before it has a legal claim to them, as when grant monies are received before the occurrence of qualifying expenditures. In subsequent periods, when the Council has a legal claim to the resources, the liability for deferred revenue is removed from the Statement of Net Assets and the Balance Sheet, whichever the case might be, and the revenue is recognized.

p. Deferred Property Tax Revenue

Deferred property tax revenue represents taxes expected to be collected but not within 60 days after the end of the Council's fiscal year for which the taxes were levied.

q. Net Assets in the Government-wide Financial Statements

In the government-wide Statement of Net Assets, the Net Asset amount is classified and displayed in three components:

- Invested in capital assets – This component consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. At year-end the Council did not have any borrowings that were related to capital assets.
- Restricted net assets – This component consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies - (continued)

q. Net Assets in the Government-wide Financial Statements - (Continued)

- Unrestricted net assets – This component consists of all other net assets that do not meet the definition of "restricted" or "invested in capital assets."

When both restricted and unrestricted resources are available for use in a specific program or for a specific purpose, the Council's policy to use restricted resources first to finance its activities, except for nutrition services. When providing nutrition services, revenues earned by the Council under its NSIP contract with GOEA can only be used to pay for the raw food component of each meal that is bought and served to a person eligible to receive a meal under one of the nutrition programs. The Council's management has discretion as to how and when to use the NSIP revenues when paying for nutrition program costs. Quite often, unrestricted resources are available for use that must be consumed or they will have to be returned to the grantor agency. In such cases it is better for management to elect to apply and consume the unrestricted resources before using the restricted resources. As a result, in this case, the Council will depart from its usual policy of using restricted resources first.

r. Fund Equity – Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund Balance may be further classified as reserved and unreserved, with unreserved further split into designated and undesignated. Reserved means that the Council has "reserved" portions of its fund balance that are not available for expenditure because resources have already been expended (but not consumed), or a legal restriction has been placed on certain assets which make them only available to meet future obligations.

Designated fund balances result when the Council's management intends to expend certain resources in a designated manner. Designations of fund balances can be changed at the discretion of the Council's Board of Directors. There were no designated fund balances at year-end.

**Note 1 - Purpose of the Council on Aging and Summary of Significant Accounting Policies -
(continued)**

s. Management's Use of Estimates

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

t. Allocation of Indirect Expenses

The Council reports all direct expenses by function and programs of functions in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function or program. Indirect expenses are recorded as direct expenses of the Administration function. GOEA provides funds to partially subsidize the Council's Administration function. The unsubsidized net cost of the Administration function is allocated using a formula that is based primarily on the relationship the direct cost a program bears to the direct cost of all programs. There are some programs that cannot absorb any indirect expense allocation according to their grant or contract restrictions.

u. Elimination and Reclassifications

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Note 2 - Revenue Recognition

Revenues are recorded in the government-wide financial statements when they are earned under the accrual basis of accounting.

Revenues are recorded in the fund financial statements using the modified accrual basis of accounting. In applying the susceptible to accrual concept using this basis of accounting, intergovernmental grant revenues, program service fees (charges for services), and interest income are usually both measurable and available. However, the timing and amounts of the receipts of public support, fund-raisers, and miscellaneous revenues are often difficult to measure; therefore, they are generally recorded as revenue in the period received.

Note 3 - Revenue Recognition - Property Tax

During fiscal year 2000, the Council began receiving funds from a property tax that was adopted by the voters of St. Tammany Parish to provide money to finance the Council's operations. The St. Tammany Parrish Assessor began assessing the property tax on November 15, 1999, and will continue to do so each November 15 for ten years. The tax will be based upon the assessed (appraised) value, less homestead exemptions, on all real and business personal property located within the Parish. The 1st day of January preceding the annual levy date (Nov. 15th) will be used as the date to value the property subject to tax.

The gross assessed value as of January 1, 2003, of the certified roll was \$1,024,183,320, after applying supplemental and reduction adjustments. After applying homestead exemptions and other reductions of \$387,199,500 the net assessed value upon which the Council's property tax was computed was \$636,983,820. One mill is the maximum amount the Council may legally elect to assess property owners each year. The Council elected to have the Parish assess this full mill for tax year 2003. Accordingly, management has estimated the gross amount of property tax payable, excluding back tax settlements, to the Council for this fiscal year to be approximately \$636,984.

Note 3 - Revenue Recognition - Property Tax - (continued)

Property taxes are due on November 15 and are considered delinquent if not paid by December 31. Most of the property taxes are collected during the months of December, January, and February. The St. Tammany Parish Sheriff acts as the collection agent for property taxes.

Property taxes are recorded as receivables and deferred revenues at the time the tax levy is billed. As the Sheriff collects the taxes, he forwards them to the Council on Aging where they are recorded as revenues in accordance with the modified accrual basis of accounting. The Council also accrues as current year revenues any property taxes it receives within 60 days of year-end because it considers those amounts to be measurable and available. Accordingly, property tax collections of \$10,773 during July and August 2004 were accrued as this year's revenues. No amounts have been presented as deferred property tax revenues in this year's statements because management considers any amount to be immaterial.

Based on information available to management at the time these financial statements were prepared, management estimates substantially all property taxes due from the 2003 tax assessment will be collected. Accordingly, management has not recorded an estimate for uncollectible property taxes.

Property tax revenues include amounts withheld by the Sheriff to make "on-behalf payments for fringe benefits," which represent the Council's pro rata share of retirement plan contributions for other governmental units. See Note 12.

Note 4 - Cash

As described in Louisiana law, the Council is classified as a quasi-public entity. Accordingly, the Council is not required to comply with Louisiana laws relating to the collateralization of bank deposits. However, it is the Council's policy to follow state law in an effort to minimize risks associated with bank deposits that exceed those currently covered by FDIC insurance.

The Council maintains a consolidated operating bank account, which is available for use by all funds. The purpose of this consolidated account is to reduce administration costs and facilitate cash management. The consolidated account also allows those funds with available cash resources to temporarily cover any negative cash balances in other funds. The Council also maintains another demand deposit account for making payroll disbursements and two savings accounts.

The combined carrying amount of the Council's cash, including \$900 of petty cash at year-end, was \$490,493, whereas the related bank balances totaled \$565,492 (\$538,498 at Hibernia National Bank, \$7,760 at Central progressive Savings, and \$19,234 at St. Tammany Homestead). The primary difference in these amounts relates to checks written on demand deposit accounts that have not yet cleared the bank accounts. At year-end, \$126,994 of the bank balances were covered 100% by federal depository insurance. The remaining \$438,498, which is on deposit at Hibernia Bank, is uninsured but the bank has collateralized this amount by pledging securities, which are being held at the Federal Reserve Bank in New Orleans on behalf of the Council.

Note 5 - Investments

The Council's primary purpose for investing is to earn interest income on money that management has determined to be in excess of immediate cash needs. Although it is not required by law to comply with the State of Louisiana's investment laws, the Council's management has elected to follow Louisiana Revised Statute 33:2955, which sets forth a list of the types of investments in which a political subdivision may invest its temporarily idle funds.

Note 5 - Investments - (Continued)

At year-end, the Council had invested idle cash in two non-negotiable, certificates of deposit as follows:

<u>Bank</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Maturity</u>
Central Progressive Bank	2.90%	\$75,000	10/02/04
Central progressive Bank	3.15%	<u>75,000</u>	10/02/05
 Total Investments		 <u>\$150,000</u>	

\$100,000 of the \$150,000 was covered by FDIC insurance, whereas the remaining \$50,000 was collateralized by securities pledged by Central Progressive Bank, which are being held by First National Banker's Bank on behalf of the Council.

Note 6 - Prepaid Expenditures/Expenses and Vehicle Purchase Deposits

At year-end, prepaid expenditures in the Fund Balance Sheet and prepaid expenses in the Statement of Net Assets consisted of prepaid insurance premiums that will be consumed in FY 2005. The amount of the prepaid insurance premiums was \$12,492.

The Council had also deposited the its share of "matching" funds (\$13,408) towards the purchase of two vans under an FTA contract administered by the Louisiana Department of Transportation and Development (DOTD).

**Exhibit F
(Continued)**

Note 7 - Changes in Capital Assets and Accumulated Depreciation

A summary of changes in capital assets and accumulated depreciation is as follows:

<u>Capital Assets Being Depreciated</u>	<u>Balances 7/1/2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances 6/30/2004</u>
Vehicles	\$ 384,843	\$ 259,043	\$ (50,397)	\$ 593,489
Office furniture and equipment	22,304	0	0	22,304
Computer equipment and software	4,438	0	0	4,438
Recreation equipment	1,900	0	0	1,900
Leasehold improvements	16,612	0	0	16,612
Nutrition equipment	5,265	0	0	5,265
Total Capital Assets	<u>435,362</u>	<u>259,043</u>	<u>(50,397)</u>	<u>644,008</u>
Less Accumulated Depreciation:				
Vehicles	\$ 274,937	\$ 91,573	\$ (50,397)	\$ 316,113
Office furniture and equipment	13,182	3,476	0	16,658
Computer equipment and software	1,696	686	0	2,382
Recreation equipment	1,900	0	0	1,900
Leasehold improvements	2,942	831	0	3,773
Nutrition equipment	2,444	526	0	2,970
Total Accumulated Depreciation	<u>297,101</u>	<u>97,092</u>	<u>(50,397)</u>	<u>343,796</u>
Capital Assets, Net of Depreciation	<u>\$ 138,261</u>	<u>\$ 161,951</u>	<u>\$ 0</u>	<u>\$ 300,212</u>

Donated assets represent \$16,099 of the \$644,008 year-end total.

Note 7 - Changes in Capital Assets - (Continued)

Depreciation was charged to governmental activities as follows:

Administration	\$	4,162
Supportive Services:		
Transportation		90,241
Senior Center Operations		75
Senior Citizens Activities		756
Nutrition Services:		
Home delivered meals		1,332
Congregate meals		526
Total depreciation expense for governmental activities	\$	97,092

Note 8 - Fund Balances - Fund Financial Statements

At year-end, one special revenue fund had a remaining fund balance. Usually, the fund balances of the special revenue funds are cleared out at year-end to comply with the administration and accounting policies of the grantor agencies that have awarded the Council certain grants. However, there are exceptions to these policies.

The Council has \$5,623 of utility assistance contributions that remain unspent as of year-end. The donors restrict these contributions for specific purposes. Accordingly, management separately accounts for them in a special revenue fund to ensure accountability. Utility assistance fund balances are common amongst council on aging entities. Utility assistance is a supportive service rendered under the Council's Title III B program. Rather than commingle the accounting of the receipts and disbursements of the utility assistance within the Title III B Fund, GOEA prefers that councils on aging use a separate fund that can facilitate the monitoring of the Title III B activity separately from the utility assistance activities.

Note 9 - In-Kind Contributions

The Council received a variety of in-kind contributions during the year, but does not record the fair value of them in its government-wide and fund financial statements, except for the donation of capital assets. In the case of a donation of a capital asset, accounting principles for governmental entities require the fair value of a donated capital asset be recorded in the Statement of Activities at the time of acquisition. However, these same principles do not permit the recording of the fair value of capital assets (or other in-kind contributions) in the fund financial statements because of the measurement focus of such statements.

The Council received the following in-kind contributions during the year for its senior centers and meal sites, which management estimates the aggregate in-kind value to be \$80,300.

- The Covington senior center was furnished by the City of Covington without charge for rent and utilities.
- The Slidell Senior Center is furnished by the City of Slidell for an annual cost of \$1 for rent.
- The Lacombe meal site is furnished by the St. Tammany Parish School Board for an annual cost of \$1 for rent.
- The Mandeville meal site is furnished by the City of Mandeville without charge for rent and utilities.
- The Town of Pearl River furnishes the Pearl River meal site without charge for rent. Further, the Council is only responsible for paying one-half of the utility bills.
- The Bush meal site is furnished by the Bush Fifth Ward Recreation District for an annual cost of \$1 for rent.
- The Masonic Hall furnished the Folsom meal site without charge for rent.

Note 9 - In-Kind Contributions - (Continued)

The Council also received other in-kind donations as follows:

- The Council was provided, at no charge, two part-time workers through the Senior Community Services Employment Program administered by The Catholic Charities Agency of the Diocese of Baton Rouge.
- Other in-kind contributions consisted of the time donated by volunteer workers to help with home delivered meals, to assist at senior centers and meal sites, and to help with the Senior Olympic Games.
- The Council received contributions of some small items of furniture and equipment, none of which were worth more than \$1,000 individually.
- The St. Tammany Parish Government provided in-kind support in the Council's public transportation program that was valued at \$2,271 by the Parish.

Note 10 - Encumbrances (Purchase Commitment)

The Council has received a grant from the U.S. Department of Transportation, Federal Transit Administration (FTA) to acquire two vans through a capital assistance program administered by the Louisiana Department of Transportation and Development (DOTD). Under the terms of this grant, the Council must pay for 20% of the cost of the vans. Accordingly, the Council on Aging remitted the required matching funds (\$13,408) for the vans before year-end. Management expects the vans to be delivered in fiscal year 2005.

Note 11 - Deferred Compensation Plan

The Council and its qualified employees participate in the Louisiana Deferred Compensation Plan, which is a nonqualified deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Great-West Life and Annuity Insurance Company administers the plan. The Plan is available to all Council employees who have worked at least six months. Participation is not mandatory. The plan permits participating employees to defer up to the lesser of (1) 100% of their taxable compensation or (2) \$12,000 (\$14,000 if over 50 years of age) per year. In addition, the Council will "match" any amount a participant defers up to 4% of the participant's salary. All amounts contributed to the plan by the employees and the Council are non-forfeitable thereby making them 100% vested by the employees. During the fiscal year, \$7,247 was contributed to the plan via employee salary deferrals. Matching amounts contributed by the Council were \$6,478. The Plan does not meet the definition of a fiduciary fund; accordingly, the Council has not reported any amounts in these financial statements. The Council does not guarantee the benefits of any amounts contributed to the Great-West Life and Annuity Insurance Company.

Note 12 - On-Behalf Payments For Fringe Benefits

Because the Council is one of several governmental agencies receiving proceeds from a property tax assessment, state law requires the Council to bear a pro-rata share of the pension expense relating to the public employees of St. Tammany Parish who participate in the Parochial Employees Retirement System. The Council's pro-rata share of the required contribution was \$21,325 that was withheld by the Sheriff from property tax collections to satisfy the Council's obligation. The amount withheld by the Sheriff has been included as an "intergovernmental" expenditure of the General Fund in these financial statements. As described in Note 3, the Council has also increased its property tax revenues by the same amount of the intergovernmental expenditure. None of the Council's employees participate in or benefit from any pension plan relating to this expenditure.

Note 13 - Changes in Accumulated Unpaid Vacation Leave

For purposes of the Statement of Net Assets, the Council has presented all of its accumulated unpaid vacation leave as a current asset. This is because vested amounts will all be used before the end of the next fiscal year. In contrast, no liability for vacation leave has been presented in the Balance Sheet of the fund financial statements because vacation leave does not become a liability until the employee has made a request to use it or terminates employment with the Council. The following is a schedule of changes that occurred in the Council's vacation leave account during the fiscal year.

Balance July 1, 2003	\$ 14,362
Net decrease in vested leave	<u>(3,608)</u>
Unpaid balance at June 30, 2004	<u>\$ 10,754</u>

Note 14 - Board of Directors' Compensation

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member. However, board members can request reimbursements for out-of-pocket costs expenses in accordance with the Council's travel reimbursement policy when traveling on behalf of the Council.

Note 15 - Income Tax Status

The Council, a non-profit corporation, is exempt from federal income taxation under Section 501 (c) (3) of the Internal Revenue Code, and as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax.

The Council does not file a Form 990 because it has been determined to be an "affiliate of a governmental unit" within the meaning of Section 4 of Revenue Procedure 95-48, 1995-2 C.B. 418.

Note 16 - Judgments, Claims, and Similar Contingencies

There is no litigation pending against the Council at year-end. Furthermore, the Council's management believes that any potential lawsuits would be adequately covered by the Council's insurance or resolved without any material impact upon the Council's financial statements.

Note 17 - Contingencies-Grant Programs

The Council participates in a number of state and federal grant programs, which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Council has not complied with the rules and regulations governing the grants, refunds of any money received and the collectibility of any related receivable at year-end might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and the Council.

Note 18 - Economic Dependency

The Council receives a significant amount of its revenue through grants administered by the Governor's Office of Elderly Affairs (GOEA) and the Louisiana Department of Transportation and Development (DOTD). The grant amounts are appropriated each year by the federal and state governments. If significant budget cuts are made at the federal and/or state level, the amount of funds the Council receives could be reduced significantly 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 fiscal year 2005 as compared to the amounts the Council received in fiscal year 2004.

Note 19 - Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; officer and directors' liability; business interruption; 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. There have been no significant reductions in coverage from the prior year. No settlements were made during the current or prior three fiscal years that exceeded the Council's insurance coverage.

The Council's management has not purchased commercial insurance or made provision to cover or reduce the risk of loss, as a result of certain acts of God, like floods or earthquakes.

Note 20 - Lease and Rental Commitments

The Council leases its main office at 623 Plaza Drive, Covington, Louisiana. The monthly rent for the lease of this facility was \$2,350 from July 1, 2003 through January 31, 2004. Beginning February 1, 2004 the monthly rent increased to \$2,475. The lease expired January 31, 2004 but the lessor and the Council agreed to extend the Council's option to lease the premises through January 31, 2007. During the three-year period, the Council has the option to continue the lease for an additional year or discontinue the lease on the anniversary date of each lease year (January 31). Terms of the lease required the Council to make a security deposit of \$1,400 at the inception of the lease, which was March 5, 2001. Other terms of the lease require the Council maintain liability insurance of at least \$300,000 that names the lessor as an additional insured. The Council is also responsible for paying the utilities. However, the lessor is responsible for repairs to the building.

On July 30, 1994, the Council entered into a 20 year lease with the City of Slidell whereby the Council will rent from the City for \$1.00 per year a building referred to as the Slidell Senior Citizens Center at 610 Cousin Street, Slidell, LA. The Council has the right to renew this lease for 10 additional years under the same terms and conditions. Either party may terminate the lease with 120 days written notice. The City will be responsible for any repair requiring labor and material of \$501 or more. The Council is responsible for normal operating costs, including water, telephone, utility, janitorial, and minor repair costs. The City will provide property and liability insurance.

Note 20 - Lease and Rental Commitments - (Continued)

On December 1, 1993, the Council entered into a one-year lease with the St. Tammany Parish School Board whereby the Council will rent from the School Board for \$1.00 per year a building at 27561 St. Joseph Street in LaCombe, Louisiana. The Council uses this building as a meal site for the elderly. There is a provision in the lease that at the end of each year it will automatically renew itself for another term of one year at the same rental and under the same terms. The renewal provision will continue indefinitely except that either party may cancel the lease upon thirty days notice. The Council is responsible for all repairs and utilities, whereas the School Board will pay for property taxes and insurance.

On March 8, 1996, the Council entered into a five-year lease with American Legion Post No. 16 to use a building located at 106 S. Jahncke Avenue, Covington, Louisiana, as a senior citizens center. The facility is commonly referred to as "Hadden Hall". Terms of the lease do not require the Council to pay any rent, however, the Council is responsible for paying all operational costs, including utilities, repairs, maintenance, and insurance coverage on the building, its contents, and against liability. The senior citizens who regularly use Hadden Hall hold dances and other activities to raise money to pay for the costs of operating this facility. In August 2004, the Council began using Hadden Hall as the official meal-site for its Covington clients.

On October 17, 2001, the Council entered into a 5-year lease with the A.U. Peterson Lodge #455 F & AM (the Lodge) to rent at no charge a building referred to as the Masonic Hall (the Hall) at 13120 Cleveland Street, Folsom, Louisiana. The Council has the right to renew this lease for 5 additional years under the same terms and conditions. Either party may terminate the lease with 30 days advance written notice. The Council will be responsible for making repairs or modifications to the Hall that are needed in order for the Council to serve the senior citizens. The Council must obtain approval from the Lodge to make any repairs or modifications. The Lodge is responsible for paying all utility bills, except that the Lodge can require the Council to pay for any utility costs that exceed the usual amount. Also, the Council can, at its cost, install a telephone system. The Council and Lodge are both responsible for maintaining property and liability insurance coverage relating to their respective uses of the facility. The Council uses the Center as a meal site for elderly residents in the Folsom area.

Note 20 - Lease and Rental Commitments - (Continued)

On September 25, 2001, the Council entered into an agreement with the City of Covington to use a building referred to as the "Covington Community Center" as a satellite senior center facility. The center is located at 1320 North Columbia Street in Covington. The City is not charging the Council any rent, but the City is paying for the utilities and facility maintenance. The Council is responsible for providing one million dollars of liability insurance coverage for its activities, participants, and volunteers. The agreement does not set a specific length of time for the Council to use this facility, but either party is required to provide the other party at least a 90 day written notice of any intention to terminate the agreement. In August 2004, the Council discontinued using this facility and moved the activities conducted at this facility to Hadden Hall.

On September 19, 2000, the Council entered into a 5-year lease with the Bush Fifth Ward Recreation, Inc. (BFWR) whereby the Council will rent from BFWR for \$1.00 per year a building referred to as the Bush Recreation Center at 81605 Highway 41, Bush, Louisiana. The Council has the right to renew this lease for 5 additional years under the same terms and conditions. Either party may terminate the lease with 30 days written notice. BFWR is responsible for making repairs to the Center once it is notified by the Council. The Council may make modifications to the Center with the written approval by BFWR. BFWR is responsible for all utility bills with the exception of a telephone service that the Council may install. The Council is also billed for the extra cost of a larger trash dumpster, which was obtained to meet the Council's needs. The Council is responsible for maintaining personal property and liability insurance coverage in addition to the coverage obtained by BFWR. The Council uses the Center as a meal site for elderly residents in the Bush area.

Rent expenditures/expenses relating to the Council's use of the aforementioned buildings were \$28,825 for the fiscal year.

Note 21 - Related Party Transactions

There were not any related party transactions during the year.

Note 22 - Interfund Transfers

Operating transfers to and from are listed by fund for the fiscal year as follows:

	Operating Transfers	
	In From	Out To
General Fund:		
Title III B Fund	\$ 0	\$ 337,670
Title III C-1 Fund	0	43,757
Title III C-2 Fund	0	187,511
Nonmajor Funds:		
Title III D Fund	0	2,593
Title III E Fund	0	28,054
Total General Fund	\$ 0	\$ 599,585
Title III B Fund:		
General Fund	\$ 337,670	\$ 0
Section 5311 Fund	103,587	0
Nonmajor Funds:		
Senior Center Fund	19,944	0
Total Title III B Fund	\$ 461,201	\$ 0
Title III C-1 Fund:		
General Fund	\$ 43,757	\$ 0
Nonmajor Funds:		
Supplemental Sr. Center Fund	3,825	0
NSIP Fund	70,760	0
Total Title III C-1 Fund	\$ 118,342	\$ 0
Title III C-2 Fund:		
General Fund	\$ 187,511	\$ 0
Total III C-2 Fund	\$ 187,511	\$ 0
Section 5311 Fund:		
Title III B Fund	\$ 0	\$ 103,587
Total Section 5311 Fund	\$ 0	\$ 103,587
Nonmajor Funds:		
General Fund	\$ 30,647	\$ 0
Senior Center Fund:		
Title III B Fund	0	19,944
Supplemental Sr. Center Fund:		
Title III C-1 Fund	0	3,825
NSIP Fund:		
Title IIIC-1 Fund	0	70,760
Total for Nonmajor Funds	\$ 30,647	\$ 94,529
Grand Totals	\$ 797,701	\$ 797,701

Note 22 - Interfund Transfers - (Continued)

Transfers are used (a) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend the, and (b) to shift unrestricted revenues collected in the General Fund and certain Special Revenue Funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 23 - Interfund Receivables and Payables

Because the Council receives its grant revenues primarily on a cost reimbursement basis, it has to pay for costs using its General Fund money and then request reimbursement under the various grant programs. As a result, the manner in which cash is spent and received creates short-term interfund loans. A summary of these interfund loans at year-end is as follows:

	Due From Other Funds	Due To Other Funds
General Fund:		
Major Funds:		
Section 5311 Fund	\$ 68,805	\$ 0
Major Funds:		
Section 5311:		
General Fund	0	68,805
Total	\$ 68,805	\$ 68,805

Note 24 - FTA - Public Transportation For Nonurbanized Areas - Section 5311

The Louisiana Department of Transportation and Development (DOTD) contracts with the St. Tammany Parish Government to provide rural public transportation services to the people of St. Tammany Parish under a Section 5311 grant. St. Tammany Parish is considered to be part rural and part urban. Rural costs are determined based on where the passenger is picked up and the actual miles each van in the Council's fleet transports a rural type passenger. The Council is a subrecipient of the grant in that it provides the services for the St. Tammany Parish Government. The Council earned and received \$103,787 under the "Section 5311" grant during the period April 1, 2003 through June 30, 2004. Total rural transportation costs incurred by the Council were approximately \$212,674 during this 15-month period. These costs were funded as follows:

**Exhibit F
(Continued)**

Note 24 - FTA - Public Transportation For Nonurbanized Areas - Section 5311 - (Continued)

Section 5311	\$ 103,587
Title III B - federal	29,267
Title III B - state funds	13,194
Cash Fares and Donations	1,698
Contract Fees	9,417
Local funds-property taxes	53,240
In-kind contributions	<u>2,271</u>
Total rural transportation costs	<u>\$ 212,674</u>

Note 25 - Change In Accounting Principle

As stated in Note 1c, the Council was required to implement GASB Statement 34 for this fiscal year. As a result of the required implementation, the Council had to determine a "net asset" amount as of June 30, 2003 to present in this year's Statement of Activities. To determine the net asset amount, the Council started with its total governmental fund balances at June 30, 2003 and made some adjustments to that total to convert the fund balance amount to a net asset amount. The conversion details are as follows:

Total fund balances of governmental funds at June 30, 2003	\$ 693,004
Less: Unpaid compensated absences at June 30, 2003	(14,362)
Add: Cost of capital assets at June 30, 2003	435,362
Less: Accumulated depreciation at June 30, 2003	(297,101)
Add: Program service fees & grant revenues earned in FY 2003	<u>28,657</u>
Net assets at June 30, 2003	<u>\$ 845,560</u>

**SUPPLEMENTARY FINANCIAL INFORMATION REQUIRED BY
GASB STATEMENT 34**

Budgetary Comparison Schedule - General Fund

**St. Tammany Council on the Aging, Inc.
Covington, Louisiana**

For the year ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>GAAP Basis</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
REVENUES				
Intergovernmental:				
Governor's Office of Elderly Affairs	\$ 33,787	\$ 39,246	\$ 39,246	\$ 0
State Revenue Sharing	29,500	29,500	29,488	(12)
City of Slidell	21,000	21,000	21,000	0
City of Mandeville	2,500	2,500	2,500	0
Property Taxes	570,000	621,325	642,036	20,711
Public Support - restricted	20,000	23,000	23,827	827
Public Support - unrestricted	12,000	12,000	3,600	(8,400)
Program Service Fees	10,000	12,000	8,667	(3,333)
Interest Income	10,000	7,500	8,084	584
Special Events - Resource Festival & Spring Frolic	2,000	2,000	2,115	115
Miscellaneous	0	0	1,033	1,033
Total Revenues	710,787	770,071	781,596	11,525
EXPENDITURES				
Current:				
Personnel	7,355	6,064	2,561	3,503
Fringe	1,240	990	469	521
Travel	301	263	89	174
Operating Services	16,142	14,614	15,933	(1,319)
Operating Supplies	23,311	16,760	17,263	(503)
Other Costs	10,722	10,746	2,588	8,158
Full Service	8,800	6,000	8,744	(2,744)
Capital Outlays	15,824	96,824	106,313	(9,489)
Intergovernmental	20,000	21,325	21,325	0
Total Expenditures	103,695	173,586	175,285	(1,699)
Excess of revenues over expenditures	607,092	596,485	606,311	9,826
OTHER FINANCING SOURCES (USES)				
Transfers in	0	0	0	0
Transfers out	(574,823)	(636,316)	(599,585)	36,731
Proceeds from sales of vehicles	0	0	1,029	1,029
Total other financing sources and uses	(574,823)	(636,316)	(598,556)	37,760
Net increase (decrease) in fund balance	\$ 32,269	\$ (39,831)	7,755	\$ 47,586
FUND BALANCE				
Beginning of year			687,127	
End of year			\$ 694,882	

See notes to required supplementary information.

Budgetary Comparison Schedule - Title III B Fund

**St. Tammany Council on the Aging, Inc.
Covington, Louisiana
For the year ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u> <u>Basis</u>	<u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES				
Intergovernmental:				
Governor's Office of Elderly Affairs	\$ 159,278	\$ 159,278	\$ 159,278	\$ 0
Program Service Fees	16,500	38,000	36,171	(1,829)
Public Support	3,500	3,600	4,506	906
Total Revenues	<u>179,278</u>	<u>200,878</u>	<u>199,955</u>	<u>(923)</u>
EXPENDITURES				
Current:				
Personnel	325,202	306,278	309,199	(2,921)
Fringe	55,673	49,995	51,715	(1,720)
Travel	6,327	5,977	4,967	1,010
Operating Services	146,602	199,218	189,321	9,897
Operating Supplies	50,886	49,975	51,176	(1,201)
Other Costs	7,419	9,596	15,343	(5,747)
Full Service	37,574	37,574	39,435	(1,861)
Total Expenditures	<u>629,683</u>	<u>658,613</u>	<u>661,156</u>	<u>(2,543)</u>
Excess of expenditures over revenues	<u>(450,405)</u>	<u>(457,735)</u>	<u>(461,201)</u>	<u>(3,466)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	450,405	457,735	461,201	3,466
Transfers out	0	0	0	0
Total other financing sources and uses	<u>450,405</u>	<u>457,735</u>	<u>461,201</u>	<u>3,466</u>
Net increase (decrease) in fund balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>
FUND BALANCE				
Beginning of year			0	
End of year			<u>\$ 0</u>	

See notes to required supplementary information.

Budgetary Comparison Schedule - Title III C-1 Fund

**St. Tammany Council on the Aging, Inc.
Covington, Louisiana
For the year ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u>	<u>Final Budget</u>
			<u>Basis</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
REVENUES				
Intergovernmental:				
Governor's Office of Elderly Affairs	\$ 86,229	\$ 86,229	\$ 86,229	\$ 0
Public Support - client contributions	20,000	20,000	18,993	(1,007)
Total Revenues	<u>106,229</u>	<u>106,229</u>	<u>105,222</u>	<u>(1,007)</u>
EXPENDITURES				
Current:				
Personnel	61,920	59,365	58,805	560
Fringe	10,609	9,690	8,230	1,460
Travel	3,874	3,227	4,881	(1,654)
Operating Services	12,734	13,284	10,473	2,811
Operating Supplies	2,894	1,864	1,342	522
Other Costs	1,141	1,340	1,418	(78)
Full Service	0	0	0	0
Meals	139,100	139,000	138,415	585
Total Expenditures	<u>232,272</u>	<u>227,770</u>	<u>223,564</u>	<u>4,206</u>
Excess of expenditures over revenues	<u>(126,043)</u>	<u>(121,541)</u>	<u>(118,342)</u>	<u>3,199</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	126,043	121,541	118,342	(3,199)
Transfers out	0	0	0	0
Total other financing sources and uses	<u>126,043</u>	<u>121,541</u>	<u>118,342</u>	<u>(3,199)</u>
Net increase (decrease) in fund balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>
FUND BALANCE				
Beginning of year			<u>0</u>	
End of year			<u>\$ 0</u>	

See notes to required supplementary information.

Budgetary Comparison Schedule - Title III C-2 Fund

**St. Tammany Council on the Aging, Inc.
Covington, Louisiana
For the year ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u>	<u>Final Budget</u>
			<u>Basis</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
REVENUES				
Intergovernmental:				
Governor's Office of Elderly Affairs	\$ 124,407	\$ 124,407	\$ 124,407	\$ 0
Public Support - client contributions	20,000	17,000	15,805	(1,195)
Total Revenues	<u>144,407</u>	<u>141,407</u>	<u>140,212</u>	<u>(1,195)</u>
EXPENDITURES				
Current:				
Personnel	120,024	117,187	112,838	4,349
Fringe	20,553	19,129	16,176	2,953
Travel	34,458	33,848	33,251	597
Operating Services	23,881	26,861	19,116	7,745
Operating Supplies	5,643	4,444	3,000	1,444
Other Costs	2,531	3,086	3,123	(37)
Full Service	0	0	0	0
Meals	139,100	139,000	140,219	(1,219)
Total Expenditures	<u>346,190</u>	<u>343,555</u>	<u>327,723</u>	<u>15,832</u>
Excess of expenditures over revenues	<u>(201,783)</u>	<u>(202,148)</u>	<u>(187,511)</u>	<u>14,637</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	201,783	202,148	187,511	(14,637)
Transfers out	0	0	0	0
Total other financing sources and uses	<u>201,783</u>	<u>202,148</u>	<u>187,511</u>	<u>(14,637)</u>
Net increase (decrease) in fund balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>
FUND BALANCE				
Beginning of year			<u>0</u>	
End of year			<u>\$ 0</u>	

See notes to required supplementary information.

Budgetary Comparison Schedule - Section 5311 Fund

**St. Tammany Council on the Aging, Inc.
Covington, Louisiana
For the year ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>GAAP Basis</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
REVENUES				
Intergovernmental:				
St. Tammany Parish Government	\$ 133,000	\$ 80,000	\$ 103,587	\$ 23,587
Total Revenues	133,000	80,000	103,587	23,587
EXPENDITURES				
Current:				
Personnel	0	0	0	0
Fringe	0	0	0	0
Travel	0	0	0	0
Operating Services	0	0	0	0
Operating Supplies	0	0	0	0
Other Costs	0	0	0	0
Total Expenditures	0	0	0	0
Excess of revenues over expenditures	133,000	80,000	103,587	23,587
OTHER FINANCING SOURCES (USES)				
Transfers in	0	0	0	0
Transfers out	(133,000)	(80,000)	(103,587)	(23,587)
Total other financing sources and uses	(133,000)	(80,000)	(103,587)	(23,587)
Net increase (decrease) in fund balance	\$ 0	\$ 0	0	\$ 0
FUND BALANCE				
Beginning of year			0	
End of year			\$ 0	

See notes to required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ST. TAMMANY COUNCIL ON THE AGING, INC. COVINGTON, LOUISIANA

FOR THE YEAR ENDED JUNE 30, 2004

NOTE 1 - BUDGETARY REPORTING

The budget information presented in this section of required supplementary information applies to "major" governmental funds for which annual budgets were adopted. Budgetary information for "nonmajor" funds has not been included anywhere in these financial statements.

The Council follows these procedures in establishing the budgetary data that has been presented as required supplementary information in these financial statements.

- The Governor's Office of Elderly Affairs (GOEA) notifies the Council each year as to the funding levels for its programs.
- Management projects property tax revenues based on past trends and data available at the Parish Assessor's office to form expectations of future revenues.
- The revenue information supplied by GOEA and the Parish Assessor are considered by management along with revenue projections of grants from other agencies, program service fees, public support (including client contributions), interest income, and other miscellaneous sources.
- Expenditure projections are developed using historical information and changes to the upcoming year that management is aware of at the time of budget preparation.
- Once the information has been obtained to project revenues and expenditures, the Council's executive director prepares a proposed budget based on the projections. The proposed budget is reviewed and approved by the Council's Finance Committee before it is submitted to the Board of Directors for approval.
- The Board of Directors reviews and adopts the budget for the next fiscal year at a regularly scheduled board meeting held before May 31 of the current fiscal year.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(Continued)

- The adopted budget is forwarded to GOEA for compliance approval.
- Unused budget amounts lapse at the end of each fiscal year (June 30). However, if a grant or contract is not completed by June 30, management will automatically re-budget funds in the next fiscal year to complete the grant or contract. An example where this might occur is when vehicles are acquired under federal matching programs. The "match" might be made in one year and the vehicles delivered in another year.
- The budget is prepared on a modified accrual basis, consistent with the basis of accounting, for comparability of budgeted and actual revenues and expenditures.
- Budgeted amounts included in the accompanying financial statements include the original adopted budget amounts and all subsequent amendments. Budget amendments are sent to GOEA and approved by that agency. During the fiscal year, management amended its budget twice. The Council's Board of Directors approved the final budget amendment at a regularly scheduled meeting on May 20, 2004, using a procedure similar to the one used to approve the original budget. The budget amendment was sent to GOEA for compliance approval and was subsequently approved.
- Actual amounts are compared to budgeted amounts periodically during the fiscal year as a management control device.
- The Council may transfer funds between line items in its budget as often as required but must obtain compliance approval from the Governor's Office of Elderly Affairs (GOEA) for funds received under grants from this agency. As part of its grant compliance, GOEA requires the Council to amend its budget in cases where actual costs for a particular line item exceed the budgeted amount by more than 10%.
- Expenditures cannot exceed budgeted revenues on an individual fund level, unless a large enough fund balance exists to absorb the budgeted operating deficit.
- The Council is not required by state or local law to prepare a budget for every program or activity it conducts. Accordingly, some activities may not be budgeted, particularly if they are deemed to be immaterial by management.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(Continued)**

NOTE 2 - GENERAL FUND'S BUDGETED OPERATING DEFICIT:

The budgeted operating deficit in the General Fund for fiscal year 2004 is primarily due to the Council adding and replacing vans in its fleet of vehicles. The Council added six new vans during the fiscal year and to pay for them it had to use some of its fund balance. The fund balance was sufficient to absorb the operating deficit for FY 2004; accordingly, to budget an operating deficit for this purpose did not violate any law or Council policy.

**SUPPLEMENTARY INFORMATION REQUESTED BY
THE GOVERNOR'S OFFICE OF ELDERLY AFFAIRS**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS**

St. Tammany Council on the Aging, Inc.
Covington, Louisiana

For the year ended June 30, 2004

	Title III D		Title III E		Senior Center		NSIP		FTA		Supple. Senior Center		Audit		Utility Assistance		Totals			
	AAA	C-1	D	E	III	Center	Center					Center	Center							
REVENUES																				
Intergovernmental:																				
Governor's Office of Elderly Affairs	\$	41,829	\$	6,831	\$	49,578	\$	95,137	\$	70,760	\$	0	\$	3,825	\$	3,191	\$	0	\$	271,151
Louisiana Dept. of Transportation & Development		0		0		0		0		152,730				0		0				152,730
Public Support (Restricted):																				
Client contributions		0		0		0		0		0				0		0				0
Various utility companies		0		0		0		0		0				0		13,486				13,486
General public donations		0		0		0		0		0				0		0				0
Total revenues		41,829		6,831		49,578		95,137		70,760		152,730		3,825		3,191		13,486		437,367

EXPENDITURES

Health, Welfare, & Social Services:

Current:

Personnel	18,495	6,187	20,953	48,001	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	93,636
Fringe	3,019	872	3,032	9,611	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	16,534
Travel	802	502	805	2,198	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4,307
Operating Services	14,921	1,589	3,102	11,826	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	31,438
Operating Supplies	2,317	117	4,799	2,304	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9,537
Other Costs	2,275	157	554	1,253	0	0	0	0	0	0	0	0	0	3,191	0	0	0	0	0	7,430
Full Service	0	0	44,387	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	44,387
Meals	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Utility Assistance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	13,740	0	0	0	13,740
Capital Outlay	0	0	0	0	0	0	0	0	0	152,730	0	0	0	0	0	0	0	0	0	152,730
Total expenditures		41,829		9,424		77,632		75,193		152,730		152,730		3,825		3,191		13,740		373,739

Excess of revenues over (under) expenditures

OTHER FINANCING SOURCES (USES)

Operating transfers in	0	2,593	28,054	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	30,647
Operating transfers out	0	0	0	(19,944)	(70,760)	0	(3,825)	0	0	0	0	0	0	0	0	0	0	0	0	(94,529)

Net increase (decrease) in fund balances

FUND BALANCE (DEFICIT)

Beginning of year	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5,877
End of year	\$	0	\$	0	\$	0	\$	0	\$	0	\$	0	\$	0	\$	0	\$	0	\$	5,623

**COMPARATIVE SCHEDULE OF CAPITAL ASSETS
AND CHANGES IN CAPITAL ASSETS**

**St. Tammany Council on the Aging, Inc.
Covington, Louisiana
For the year ended June 30, 2004**

	<u>Balance June 30, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
<u>Capital Assets</u>				
Vehicles	\$ 384,843	\$ 259,043	\$ (50,397)	\$ 593,489
Office furniture & equipment	22,304	0	0	22,304
Computer equipment	4,438	0	0	4,438
Recreation equipment	1,900	0	0	1,900
Leasehold improvements	16,612	0	0	16,612
Nutrition equipment	5,265	0	0	5,265
Total capital assets	<u>\$ 435,362</u>	<u>\$ 259,043</u>	<u>\$ (50,397)</u>	<u>\$ 644,008</u>
<u>Investment in Capital Assets</u>				
Property acquired with funds from -				
FTA	\$ 176,815	\$ 152,730	\$ (39,582)	\$ 289,963
Local Funds:				
Van Fundraisers	54,844	0	(10,815)	44,029
General Fund	175,156	106,313	0	281,469
Covington - Hadden Hall	1,125	0	0	1,125
Slidell Senior Center Building Fund	11,323	0	0	11,323
In-kind Donations	16,099	0	0	16,099
Total investment in capital assets	<u>\$ 435,362</u>	<u>\$ 259,043</u>	<u>\$ (50,397)</u>	<u>\$ 644,008</u>

SUPPLEMENTARY FINANCIAL INFORMATION REQUIRED BY OMB CIRCULAR A-133

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**ST. Tammany Council on the Aging, Inc.
Covington, Louisiana
For the year ended June 30, 2004**

FEDERAL GRANTOR/PASS-THROUGH GRANTORS/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	GRANT YEAR ENDED	PROGRAM OR AWARD AMOUNT	FEDERAL REVENUE RECOGNIZED	FEDERAL EXPENDITURES
<u>U.S. Department of Health and Human Services - Administration on Aging</u>					
Passed through the Governor's Office of Elderly Affairs:					
Aging Cluster of Special Programs for the Aging:					
Title III, Part B - Grant for Supportive Services and Senior Centers	93.044	6/30/2004	\$ 95,401	\$ 95,401	\$ 95,401
Subtotal CFDA #93.044			95,401	95,401	95,401
Title III, Part C - Nutrition Services:	93.045	6/30/2004			
Area Agency Administration Component			31,372	31,372	31,372
Part C-1 - Congregate Meals Component			86,229	86,229	86,229
Part C-2 - Home Delivered Meals Component			60,847	60,847	60,847
Subtotal CFDA #93.045			178,448	178,448	178,448
Nutrition Services Incentive Program	93.053	6/30/2004	70,760	70,760	70,760
Total Aging Cluster (CFDAs 93.044, 93.045 & 93.053)			344,609	344,609	344,609
Other Special Programs for the Aging:					
Title III, Part D - Disease Prevention and Health Promotion Services	93.043	6/30/2004	6,831	6,831	6,831
Title III, Part E - National Family Caregivers Support Program	93.052	6/30/2004	38,481	38,481	38,481
Totals for U.S. Department of Health and Human Services - Administration on Aging			389,921	389,921	389,921
<u>U.S. Department of Transportation, Federal Transit Administration</u>					
Passed through the Louisiana Department of Transportation and Development:					
Capital Assistance Program for the Elderly and Persons With Disabilities: (State project #736-99-1068) (Federal project # LA-16-0029)	20.513	N/A	63,295	63,295	63,295
Capital Assistance Program for the Elderly and Persons With Disabilities: (State project # 736-99-1161) (Federal project # LA-03-0101)	20.513	N/A	89,435	89,435	89,435
Public Transportation Discretionary Capital Assistance for the Urbanized and/or Nonurbanized Area: (State project # 736-99-1274) (Federal project # LA-03-0107)	20.500	N/A	53,630	0	0
Passed through the Louisiana Department of Transportation and Development:					
Passed through the St. Tammany Parish Government:					
Formula Grants for Other Than Urbanized Areas (Section 5311): (State project # 741-52-0001) (Federal project # LA-18-X019)	20.509	6/30/2004	133,334	103,587	103,587
Totals for U.S. Department of Transportation, Federal Transit Administration			339,694	256,317	256,317
Total federal grants			\$ 729,615	\$ 646,238	\$ 646,238

The accompanying notes are an integral part of this schedule.

Note A - Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the St. Tammany Council on the Aging, Inc. and has been prepared using the modified accrual basis of accounting as contemplated under generally accepted accounting principles and which is the same basis of accounting used for presenting the fund financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

Note B - The St. Tammany Council on the Aging, Inc. did not pass-through any of its federal awards to a subrecipient during the year.

Note C - No federal awards were expended in the form of non-cash assistance during the fiscal year.

NEIL G. FERRARI

CERTIFIED PUBLIC ACCOUNTANT

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MEMBER OF THE
SOCIETY OF LOUISIANA CPAs

MEMBER OF THE
AMERICAN INSTITUTE OF CPAs

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

To the Board of Directors,
St. Tammany Council on the Aging, Inc.
Covington, Louisiana

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of St. Tammany Council on the Aging, Covington, Louisiana, (the Council) as of and for the year ended June 30, 2004, which collectively comprise the Council's basic financial statements and have issued my report thereon dated September 23, 2004. I conducted my 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.

Compliance

As part of obtaining reasonable assurance about whether the Council'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 the Council's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. 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 material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the Council's finance committee, board of directors, management, federal awarding and pass-through entities, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Baton Rouge, Louisiana,
September 23, 2004.



Neil G. Ferrari, CPA

NEIL G. FERRARI

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

To the Board of Directors,
St. Tammany Council on the Aging, Inc.
Covington, Louisiana

Compliance

I have audited the compliance of St. Tammany Council on the Aging, Inc., Covington, Louisiana, (the Council) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The Council's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Council's management. My responsibility is to express an opinion on the Council's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Council's compliance with those requirements.

In my opinion, St. Tammany Council on the Aging, Inc., Covington, Louisiana, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

In my opinion, St. Tammany Council on the Aging, Covington, Louisiana, 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 the Council'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 the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that 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. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the Council's finance committee, board of directors, management, federal awarding and pass-through entities, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Baton Rouge, Louisiana,
September 23, 2004.

Neil Ferrari, CPA

Neil G. Ferrari, CPA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**St. Tammany Council on the Aging, Inc.
Covington, Louisiana**

For the year ended June 30, 2004

A.SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the St. Tammany Council on the Aging, Inc.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of St. Tammany Council on the Aging, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for St. Tammany Council on the Aging, Inc. expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs are as follows:

U.S. Department of Transportation, Federal Transit Administration:
 - Formula Grants for Other Than Urbanized Areas - CFDA # 20.509
 - Capital Assistance Programs for Elderly Persons and Persons with Disabilities - CFDA # 20.513
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. St. Tammany Council on the Aging, Inc. was determined to be a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(continued)

B. FINANCIAL STATEMENT FINDINGS

There is nothing to report in this section.

C. MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS

There is nothing to report in this section.

D. MANAGEMENT LETTER

The auditor did not issue a management letter this year, but he did orally report some findings to the board of directors and he also offered some recommendations.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

St. Tammany Council on the Aging, Inc.
Covington, Louisiana

For the Year June 30, 2004

Financial Statement Findings

There were no findings reported for this section in last year's audit report.

Major Federal Award Program Findings and Questioned Costs

There were no findings reported for this section in last year's audit report.

Management Letter

Internal Control Weaknesses

IC-1: Various Procedural Breakdowns Were Noted in the Council's System of Internal Control

Auditor's Findings/Resolutions - During last year's audit, the auditor noted a variety of procedural breakdowns in the Council's system of internal control. Examples, of what the auditor found, along with their resolutions, are as follows:

1. **Finding:** The indirect cost pool was not properly "cleared out" at the end of the year and this caused minor reporting errors in the final reports filed with GOEA. **Resolution:** The indirect pool was properly "cleared out" this year.
2. **Finding:** In 2 instances out of 30 disbursements examined, the auditor noted where the Executor Director did not sign the purchase requisition. **Resolution:** The auditor noted one instance in 34 disbursements he examined this year where a requisition had not been properly prepared. There was no effect on any program and the expenditure was appropriate.
3. **Finding:** In 2 instances out of 30 disbursements examined, the auditor noted where the purchase requisition was dated after the date of purchase. **Resolution:** There were no similar instances found by the auditor this year.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Continued)

4. **Finding:** In 2 instances out of 30 disbursements examined, the auditor noted where the purchase requisition was for an amount less than what was actually paid. **Resolution:** There were no similar instances found by the auditor this year.
5. **Finding:** In 4 instances out of 30 disbursements examined, the auditor noted where the coding or allocation of the expenditures was not correct or could have been better. **Resolution:** The auditor also found 4 instances where we had not coded/classified the expenditure correctly out of 34 expenditures he examined. Although we have tried to pay better attention to eliminating this finding, our volume of transactions is significant; accordingly, coding and classification errors are bound to happen. None of the errors were significant or affected any program materially.
6. **Finding:** The auditor noted instances where invoices were not always marked "paid." **Resolution:** The auditor noted no similar instances this year in his review of 34 expenditures.
7. **Finding:** The Nutrition Project Director (NPD) had not been verifying the meal count to the delivery slips. Also, his schedule of meals ordered was not being reconciled to the Bateman billing each month. **Resolution:** The NPD was counseled about not verifying the meal count to the delivery slips and reconciling the Bateman bill each month. The form used to perform the reconciliation was revised to make the process easier to do. No further problems were noted relating to this finding.
8. **Finding:** The transportation department was not preparing the monthly billing timely for services the Council provides to local entities. Several months of billings were sent late or had not been prepared. **Resolution:** We hired a new director for the transportation department and he has caught up on the billing and we now prepare and submit our transportation bills timely.
9. **Finding:** The Section 5311 monthly reports had not been completed correctly and filed on time. **Resolution:** We had our auditor train us on how to properly complete the Section 5311 monthly reports. We prepared and filed all late reports before the state's cut-off deadline and we were able to obtain reimbursement for all 15 months of the grant period. We now file our reports on time each month.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
(Continued)

10. **Finding:** There were instances where the auditor requested documentation but it could not be located at all or it was difficult to locate.

Resolution: The auditor reported one instance out of 34 where he was not furnished an invoice. However, the nature of the expenditure was such that it was obviously an item the Council had to purchase. We believe we have improved in this area, but we also recognize the high volume of transactions could pose a risk that an invoice might get misplaced occasionally.

11. **Finding:** The auditor noted some classification errors in bookkeeping that probably would have been caught if the books were reviewed more thoroughly each month.

Resolution: The auditor mentioned he encountered some classification errors again this year. We believe we have improved in this area because our bookkeeper is more experienced now than last year. We believe that the number of errors in classification will continue to decrease as she gets more experience. None of the instances mentioned by the auditor affected our financial statements materially or any program materially.

IC-2 - Fraud Prevention and Detection

Auditor's Finding - The auditor found that the Council was not taking a proactive approach to preventing and detecting fraud within its organization. He alerted management to various areas where fraud could occur in a typical council on aging. He did not specifically identify any instances of fraud but wanted to encourage management to be more responsive and alert in this area.

Management's Corrective Action: The Council's board appointed a specific person to be the auditor liaison to discuss matters with him on a confidential basis. The board has developed and adopted new policies and procedures to strengthen management's ability to prevent and detect fraud. Management believes that the Council has taken the action intended by the auditor and considers this matter resolved. Management will continue to be alert to areas where it can be proactive in preventing and detecting fraud.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

(Continued)

IC-3 - Journal Entries

Auditor's Finding - The accounting department was preparing journal entries but not allowing the Council's executive director a chance to review and document his approval of the journal entries.

Management's Corrective Action: The Council's executive director is reviewing all journal entries but has not been documenting his approval of them. He will try to remember to document his review and approval in the future.

MANAGEMENT'S CORRECTIVE ACTION PLAN

**St. Tammany Council on the Aging, Inc.
Covington, Louisiana**

June 30, 2004

To the following oversight agencies for audit:

Federal: U.S. Department of Health and Human Services - Administration on Aging.

State: Legislative Auditor of the State of Louisiana; and Governor's Office of Elderly Affairs.

St. Tammany Council on the Aging, Inc., Covington, Louisiana, respectfully submits the following corrective action plan for the year ended June 30, 2004.

Name and address of independent public accounting firm: Neil G. Ferrari, CPA, 14481 Old Hammond Highway, Suite 4, Baton Rouge, Louisiana, 70816.

Audit period: For the year ended June 30, 2004.

Financial Statement Findings

There were no material findings reported by the auditor as financial statement findings.

Major Federal Awards Program Findings and Questioned Costs

There were no material findings or questioned costs reported by the auditor relating to major federal award programs.

Management Letter

The auditor did not issue a management letter this year, however, he did orally report to management some minor findings and he offered recommendations to correct them.

If there are any questions regarding this corrective action plan, please call Jimmy Corkern, the Council's Executive Director, at (985) 892-0377.