

COUNCIL ON AGING OF WEST FLORIDA, INC.

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

DECEMBER 31, 2006

COUNCIL ON AGING OF WEST FLORIDA, INC.

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FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Council on Aging of West Florida, Inc.
Pensacola, Florida

We have audited the accompanying statement of financial position of the Council on Aging of West Florida, Inc., (a nonprofit organization), as of December 31, 2006, and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Council on Aging of West Florida, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Council on Aging of West Florida, Inc.'s December 31, 2005 financial statements (as adjusted as described in Note 9) and in our report dated July 21, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements were prepared for the purposes of complying with federal and state grantor agency requirements, as described in Note 1, and are not intended to be a complete presentation of the Council on Aging of West Florida, Inc.'s assets, liabilities, revenues and expenses.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Council on Aging of West Florida, Inc. as of December 31, 2006, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Board of Directors
Council on Aging of West Florida, Inc.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2007, on our consideration of the Council on Aging of West Florida, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Council on Aging of West Florida, Inc. taken as a whole. The schedule of functional expenses on page 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state projects is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular OMB A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and as required by Chapter 10.650, Rules of the Auditor General, and also is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Pensacola, Florida
July 23, 2007

COUNCIL ON AGING OF WEST FLORIDA, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006
With Comparative Totals for 2005

	2006			(Restated) 2005
	Unrestricted	Temporarily Restricted	Total	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 93,973	\$ 18,667	\$ 112,640	\$ 379,118
Investments	227,138	66,000	293,138	286,395
Promises to give	-	79,500	79,500	80,000
Grants and local support receivable	537,475	-	537,475	569,063
Prepaid expenses	12,780	-	12,780	24,111
Total current assets	<u>871,366</u>	<u>164,167</u>	<u>1,035,533</u>	<u>1,338,687</u>
Property and Equipment	966,839	-	966,839	819,490
Other Assets	<u>12,472</u>	<u>-</u>	<u>12,472</u>	<u>13,008</u>
Total Assets	<u>\$ 1,850,677</u>	<u>\$ 164,167</u>	<u>\$ 2,014,844</u>	<u>\$ 2,171,185</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Current portion of long-term debt	\$ 18,936	\$ -	\$ 18,936	\$ 16,937
Accounts payable	361,870	-	361,870	159,588
Accrued liabilities	150,540	-	150,540	262,826
Refundable advances	92,609	-	92,609	148,975
Deposits	16,668	-	16,668	8,102
Total current liabilities	<u>640,623</u>	<u>-</u>	<u>640,623</u>	<u>596,428</u>
Long-Term Debt	<u>384,738</u>	<u>-</u>	<u>384,738</u>	<u>274,665</u>
Total Liabilities	<u>1,025,361</u>	<u>-</u>	<u>1,025,361</u>	<u>871,093</u>
Net Assets	<u>825,316</u>	<u>164,167</u>	<u>989,483</u>	<u>1,300,092</u>
Total Liabilities and Net Assets	<u>\$ 1,850,677</u>	<u>\$ 164,167</u>	<u>\$ 2,014,844</u>	<u>\$ 2,171,185</u>

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

COUNCIL ON AGING OF WEST FLORIDA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2006
With Comparative Totals for Year Ended December 31, 2005

	2006		(Restated) 2005
	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue:			
Public support:			
Grants	\$ 3,930,843	\$ -	\$ 3,930,843
Local support	146,145	98,167	244,312
In-kind	84,826	-	84,826
Total public support	<u>4,161,814</u>	<u>98,167</u>	<u>4,259,981</u>
Revenue:			
Project income	145,082	-	145,082
Investment income	32,977	-	32,977
Miscellaneous income	72,690	-	72,690
Insurance proceeds	-	-	-
Total revenue	<u>250,749</u>	<u>-</u>	<u>250,749</u>
Net assets released from restrictions	<u>193,669</u>	<u>(193,669)</u>	<u>-</u>
Total public support and revenue	<u>4,606,232</u>	<u>(95,502)</u>	<u>4,510,730</u>
Expenses:			
Direct program services:			
Non-DOEA programs	1,120,860	-	1,120,860
Community service programs	1,530,591	-	1,530,591
Social services programs	673,379	-	673,379
Home service programs	1,187,401	-	1,187,401
Total direct program services	<u>4,512,231</u>	<u>-</u>	<u>4,512,231</u>
Support services:			
Management and general	<u>309,108</u>	<u>-</u>	<u>309,108</u>
Total expenses	<u>4,821,339</u>	<u>-</u>	<u>4,821,339</u>
Change in Net Assets	<u>(215,107)</u>	<u>(95,502)</u>	<u>(310,609)</u>
Net Assets			
Beginning of year as previously reported	1,040,423	259,669	1,300,092
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>
Beginning of year as restated	<u>1,040,423</u>	<u>259,669</u>	<u>1,300,092</u>
End of year	<u>\$ 825,316</u>	<u>\$ 164,167</u>	<u>\$ 989,483</u>

The accompanying notes are an integral
part of these financial statements

COUNCIL ON AGING OF WEST FLORIDA, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2006
With Comparative Totals for Year Ended December 31, 2005

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (310,609)	\$ 216,919
Adjustments to reconcile change in unrestricted net assets to net cash used in operating activities -		
Depreciation	66,036	35,868
Unrealized gain on investments	(25,278)	(12,988)
Changes in -		
Grants and local support receivable	32,088	(227,793)
Prepaid expenses	11,331	(19,049)
Other assets	536	(9,260)
Accounts payable	202,282	52,427
Accrued expenses	(112,286)	99,772
Refundable advances	(56,366)	66,109
Deposits	8,566	(2,210)
Net cash provided by (used in) operating activities	<u>(183,700)</u>	<u>199,795</u>
Cash Flows From Investing Activities:		
Proceeds from sales and maturities of investments	258,000	200,000
Purchase of investments	(239,465)	(151,694)
Purchase of property and equipment	(213,385)	(421,143)
Net cash used in investing activities	<u>(194,850)</u>	<u>(372,837)</u>
Cash Flows From Financing Activities:		
Draws from construction loan	119,398	291,602
Principal payments on construction loan	(7,326)	-
Net cash provided by financing activities	<u>112,072</u>	<u>291,602</u>
Net Change in Cash	(266,478)	118,560
Cash at Beginning of Year	<u>379,118</u>	<u>260,558</u>
Cash at End of Year	<u>\$ 112,640</u>	<u>\$ 379,118</u>

The accompanying notes are an integral
part of these financial statements

COUNCIL ON AGING OF WEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

The Council on Aging of West Florida, Inc., (the Council) was incorporated as a Florida not-for-profit corporation in 1972. The Corporation has no paid-in capital or shareholders and the affairs are conducted by the Board of Directors as elected by the general membership of the corporation.

The Council's primary purpose is to assist, encourage and promote the well-being of aging individuals in Escambia County. The Council is funded by grants and contracts with the Northwest Florida Area Agency of Aging, Inc., the State of Florida, Department of Elder Affairs, Department of Children and Families, the Corporation for National Community Service and United Way. The Council also receives local financial support from Escambia County, church groups, civic clubs, program participants, foundations and individuals.

Financially Interrelated Organizations:

Accounting principles generally accepted in the United States of America presume that combined financial statements for financially interrelated organizations are necessary for fair presentation. The Council and the Council on Aging Foundation of West Florida, Inc. (the Foundation) are financially interrelated organizations as defined by accounting principles generally accepted in the United States of America.

In order to comply with federal and state grantor agency reporting requirements, these financial statements present the financial position and the results of operations of the Council only, and do not include the financial position or results of operations of the Foundation.

Unaudited financial data for the Foundation for the year ended December 31, 2006 is summarized below:

Assets	\$	99,832
Liabilities	\$	-
Net Assets	\$	99,832
Revenues	\$	2,589
Expenses	\$	3,793

COUNCIL ON AGING OF WEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation:

The accompanying financial statements of the Council, which are presented on the accrual basis of accounting, have been prepared to focus on the Council as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Federal, state and local government grants are recorded as revenue when performance occurs under the terms of the grant agreements. Advances received from grantor agencies are recorded as refundable advances until public support revenue from local governments and government grants is recorded based upon the terms of the grantor allotment which generally provides that revenue is earned when the allowable costs of the specific grant provisions have been incurred or the performance of the services has been rendered. Amounts received by the Council in advance of the incurrence of allowable costs or performance of services are recorded as refundable advances until such allowable costs are incurred or services are rendered.

Contributions are recognized when a donor makes an unconditional promise to give to the Council. Contributions that are restricted by a donor are reported as increases in temporarily restricted net assets or permanently restricted net assets depending on the nature of the restrictions. When a time restriction expires or a purpose restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets.

Unrestricted net assets represent resources generated from operations, unrestricted donations, and lapse of temporary restrictions and are not subject to donor-imposed stipulations.

Use of Estimates:

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

Cash and Cash Equivalents:

Cash and cash equivalents include all highly-liquid investments purchased with an original maturity of ninety days or less.

Investments:

Authorized investments consist of long-term certificates of deposits and mutual funds. All investments are carried at fair value.

COUNCIL ON AGING OF WEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment:

Property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated market value on the date of contribution. Expenditures which equal or exceed \$500 that materially increase values, change capacities, or extend useful lives are capitalized. Repairs and maintenance costs are charged to operations when incurred.

Depreciation is computed using the straight-line method. Estimated useful lives of property and equipment range as follows:

Buildings and improvements	10 - 30 years
Furniture, fixtures and equipment	5 - 10 years
Vehicles	5 years

Public Support:

Public support revenue from local governments and government grants is recorded based upon the terms of the grantor allotment which generally provides that revenue is earned when the allowable costs of the specific grant provisions have been incurred or the performance of the services has been rendered. Such revenue is subject to audit by the grantor, and if the examination results in a deficiency of allowable expenses, the Council will be required to refund any deficiencies.

Income Taxes:

The Council is exempt from federal income taxes under Internal Revenue Service Code Section 501(c)(3). As a result, there is no provision for taxes in the accompanying financial statements.

In-Kind Support:

The Council records various types of in-kind support. Contributed professional services are recognized if the services received create or enhance long-lived assets or require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if the services were not provided by donation. Contributions of tangible assets are recognized at fair market value when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor and are treated as in-kind support for purposes of meeting state matching requirements. The amounts reported in the accompanying financial statements as in-kind support are offset by like amounts included in expenses.

General and Administration Expense Allocation:

Management and general expenses are allocated to various programs based on each program's percentage of direct salaries and wages to total direct salaries and wages.

COUNCIL ON AGING OF WEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Facilities Repair and Maintenance Expense Allocation:

Facilities repair and maintenance expenses are allocated to various programs based on each program's percentage of square footage occupied to total square footage of the facility.

Advertising Costs:

Advertising costs are expensed when incurred.

NOTE 2 - INVESTMENTS

Investments held at December 31, 2006 are listed below:

Investment:	
Certificates of deposit	\$ 42,879
Mutual funds	<u>250,259</u>
Total	<u>\$ 293,138</u>

NOTE 3 - PROMISES TO GIVE

Unconditional promises to give at December 31, 2006 consist of the following:

United Way	\$ 29,000
Escambia County	<u>50,500</u>
Total	<u>\$ 79,500</u>

Historically, differences between amounts recorded and collected from unconditional promises to give have been insignificant. Accordingly, no provision is made for uncollectible amounts.

COUNCIL ON AGING OF WEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2006 consist of the following:

Grants and contracts	\$ 526,035
Other	<u>11,440</u>
Total	<u><u>\$ 537,475</u></u>

Historically, differences between amounts recorded and collected have been insignificant. Accordingly, no provision is made for uncollectible accounts.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Land	\$ 47,197
Buildings and improvements	960,000
Vehicles	37,035
Equipment - general	53,290
Equipment - computers	101,234
Furniture and fixtures	<u>48,725</u>
	1,247,481
Accumulated depreciation	<u>(280,642)</u>
Total	<u><u>\$ 966,839</u></u>

Depreciation expense was \$66,036 for the year ended December 31, 2006.

**COUNCIL ON AGING OF WEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 6 - LONG-TERM DEBT

Long-term debt consists of the following:

Note payable to bank, due July 10, 2021, interest at 6.5%, interest only payments payable monthly beginning March 1, 2005, principal and interest payments payable monthly beginning August 1, 2006, secured by property, building, furniture and equipment	\$ 403,674
Less current portion	<u>18,936</u>
	<u><u>\$ 384,738</u></u>

Interest expense for the years ended December 31, 2006 was \$20,417.

Scheduled maturities on long-term debt are as follows:

2007	\$ 18,936
2008	19,996
2009	21,115
2010	22,298
2011	23,548
Thereafter	<u>297,782</u>
	<u><u>\$ 403,674</u></u>

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2006 are available for the following purposes:

Purpose Restrictions:	
Austin Trust - Benefit of elderly women	\$ 66,000
Time Restrictions:	
For periods after December 31, 2006	<u>98,167</u>
Total	<u><u>\$ 164,167</u></u>

COUNCIL ON AGING OF WEST FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Uninsured Cash Balances:

The Council's cash balances held by financial institutions are insured up to \$100,000 at each financial institution. At December 31, 2006, the Council had cash balances of \$151,425 held by financial institutions in excess of insured limits.

Dependency on Government Support:

The Council's services are funded primarily with grants from the United States Department of Health and Human Services and the State of Florida passed through the Florida Department of Elder Affairs and the Northwest Florida Area Agency on Aging. A reduction in the level of future support from these agencies could have a substantial effect on the Council's programs and activities. As of December 31, 2006, management is unaware of any such reduction in future support.

NOTE 9 - PRIOR PERIOD ADJUSTMENTS

The beginning balance of net assets was increased by a net amount of \$69,284 to reflect certain building improvements of \$135,680 previously excluded from property and equipment and certain compensated absences of \$66,396 previously excluded from accrued liabilities. The net effect of these adjustments was to increase the 2005 change in net assets by \$14,251.

SUPPLEMENTARY INFORMATION

**COUNCIL ON AGING OF WEST FLORIDA, INC.
COMBINED SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2006
With Comparative Totals for 2005**

	Program Expenses				Total Program Costs	Supporting Services Management and General	(Restated) 2005		
	Non- DOEA Programs	Community Service Programs	Social Service Programs	Home Service Programs			2006		Total Expenses
							Total Expenses	Expenses	
Salaries	\$ 168,752	\$ 353,258	\$ 350,392	\$ 8,405	\$ 880,807	\$ 344,971	\$ 1,225,778	\$ 1,155,210	
Payroll taxes and benefits	53,792	116,738	104,564	1,190	276,284	119,096	395,380	356,216	
Travel	14,032	39,747	15,118	1,052	69,949	9,467	79,416	70,498	
Education and training	1,270	326	740	-	2,336	2,018	4,354	-	
Communications/postage	4,942	11,607	4,952	14	21,515	15,694	37,209	34,446	
Utilities	2,598	13,524	3,072	-	19,194	7,794	26,988	24,803	
Advertising	2,802	4,437	2,467	-	9,706	12,388	22,094	37,351	
Insurance	7,158	19,060	6,954	-	33,172	26,629	59,801	52,477	
Maintenance and repair	3,066	9,233	4,291	356	16,946	11,495	28,441	51,979	
Printing/supplies	1,374	2,448	2,043	65	5,930	21,504	27,434	36,146	
Building costs	7,293	34,481	5,416	-	47,190	18,302	65,492	65,465	
Purchased equipment	682	1,452	2,194	-	4,328	924	5,252	11,097	
Professional fees	-	-	-	-	-	18,939	18,939	39,961	
Legal fees	-	-	-	-	-	1,275	1,275	-	
Accounting fees	-	-	-	-	-	98,622	98,622	25,611	
Subcontractors expenses	120,284	124,772	10,851	1,036,057	1,291,964	20,566	1,312,530	610,585	
Program supplies	2,094	10,267	238	-	12,599	6,725	19,324	18,672	
Depreciation	-	-	-	-	-	66,036	66,036	35,868	
Interest expense	-	-	-	-	-	20,417	20,417	-	
Food and food supplies	38,493	569,180	-	-	607,673	22,568	630,241	617,052	
Other volunteer expenses	430,754	35	(105)	(5)	430,679	4,413	435,092	518,098	
Other miscellaneous expenses	13,144	27,814	3,251	2,275	46,484	104,119	150,603	87,577	
Disaster related expenses	-	-	-	90,621	90,621	-	90,621	566,909	
Disaster access expenses	-	-	-	-	-	-	-	1,050	
Disaster debris removal	-	-	-	-	-	-	-	473,803	
Disaster home repairs	-	-	-	-	-	-	-	848,123	
Disaster insurance deductibles	-	-	-	-	-	-	-	643,872	
Disaster food loss reimbursements	-	-	-	-	-	-	-	114,925	
Totals	872,530	1,338,379	516,438	1,140,030	3,867,377	953,962	4,821,339	6,497,794	
Allocation of Management and General Expenses	248,330	192,212	156,941	47,371	644,854	(644,854)	-	-	
Allocation of Facilities Repair and Maintenance Expenses	4,603	10,672	4,018	74	19,367	(19,367)	-	-	
Total Expenses	\$ 1,120,860	\$ 1,530,591	\$ 673,379	\$ 1,187,401	\$ 4,512,231	\$ 309,108	\$ 4,821,339	\$ 6,497,794	

**COUNCIL ON AGING OF WEST FLORIDA, INC.
COMBINING SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2006**

	Non-DOEA Programs										Total
	Foster Grandparents	Retired		Senior		Senior Companions-Relief		Private Pay		Private Pay Adult Day Health Care	
		Senior Volunteers	Senior Companions	Senior Companionship	Senior Companions-Relief	Home Delivered Meals	Meals	Health Care			
Salaries	\$ 35,099	\$ 40,060	\$ 34,346	\$ 2,558	\$ 5,358	\$ 23,112	\$ 28,219	\$ 168,752			
Payroll taxes and benefits	12,644	12,874	11,496	728	1,527	6,264	8,259	53,792			
Travel	3,301	1,795	2,455	198	246	5,346	691	14,032			
Education and training	382	165	711	-	12	-	-	1,270			
Communications/postage	808	1,675	610	201	143	311	1,194	4,942			
Utilities	394	682	358	107	54	240	763	2,598			
Advertising	662	1,007	583	18	35	66	431	2,802			
Insurance	1,206	1,297	1,183	83	204	366	2,819	7,158			
Maintenance and repair	981	646	681	142	71	178	367	3,066			
Printing/supplies	162	778	185	42	13	43	151	1,374			
Building costs	780	1,743	702	162	175	291	3,440	7,293			
Purchased equipment	-	406	-	-	-	-	276	682			
Subcontractors expenses	65,893	-	31,439	2,439	3,857	-	16,656	120,284			
Program supplies	215	240	194	20	42	7	1,376	2,094			
Interest expense	-	-	-	-	-	-	-	-			
Food and food supplies	1,024	-	1,024	120	240	32,864	3,221	38,493			
Other volunteer expenses	230,399	38,392	147,893	2,405	11,665	-	-	430,754			
Other miscellaneous expenses	8,138	3,420	1,011	229	206	33	107	13,144			
Disaster related expenses	-	-	-	-	-	-	-	-			
Totals	362,088	105,180	234,871	9,452	23,848	69,121	67,970	872,530			
Allocation of Management and General Expenses	116,612	33,972	64,048	-	8,339	13,807	11,552	248,330			
Allocation of Facilities Repair and Maintenance Expenses	633	1,493	637	-	149	78	1,613	4,603			
Total Expenses	\$ 478,700	\$ 139,152	\$ 298,919	\$ 9,452	\$ 32,187	\$ 82,928	\$ 79,522	\$ 1,120,860			
Total Units						4,416	3,402				

**COUNCIL ON AGING OF WEST FLORIDA, INC.
COMBINING SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2006**

	Community Service Programs							Total
	Congregate Meals	Home Delivered Meals	Nutrition Education	Outreach	Recreation	Transportation	Adult Daycare/ Adult Day Healthcare/ Facility-Based Respite	
Salaries	\$ 109,929	\$ 99,747	\$ -	\$ 10,333	\$ 11,894	\$ 13,539	\$ 107,816	\$ 353,258
Payroll taxes and benefits	30,289	36,234	-	2,461	3,033	4,544	40,177	116,738
Travel	4,065	31,951	7	331	902	343	2,148	39,747
Education and training	177	-	-	-	-	-	149	326
Communications/postage	4,141	1,270	-	118	80	142	5,856	11,607
Utilities	7,145	1,823	-	165	237	200	3,954	13,524
Advertising	638	810	1	61	18	18	2,891	4,437
Insurance	2,652	2,589	-	322	423	265	12,809	19,060
Maintenance and repair	2,556	1,191	6	116	176	154	5,034	9,233
Printing/supplies	543	391	1	192	36	38	1,247	2,448
Building costs	13,457	1,776	-	199	273	256	18,520	34,481
Purchased equipment	34	-	-	-	-	-	1,418	1,452
Subcontractors expenses	75	-	-	-	-	2,507	122,190	124,772
Program supplies	1,659	212	-	4	288	5	8,099	10,267
Interest expense	-	-	-	-	-	-	-	-
Food and food supplies	225,246	329,371	-	-	-	-	14,563	569,180
Other volunteer expenses	(40)	(99)	-	-	-	-	174	35
Other miscellaneous expenses	4,499	1,537	-	192	5,261	15,035	1,290	27,814
Disaster related expenses	-	-	-	-	-	-	-	-
Totals	407,065	508,803	15	14,494	22,621	37,046	348,335	1,338,379
Allocation of Management and General Expenses	52,291	53,726	137	3,623	9,023	14,354	59,058	192,212
Allocation of Facilities Repair and Maintenance Expenses	520	746	-	110	74	74	9,148	10,672
Total Expenses	\$ 459,356	\$ 562,529	\$ 152	\$ 18,117	\$ 31,644	\$ 51,400	\$ 407,393	\$ 1,530,591
Total Units	50,761	127,308	-	359	38,356	8,928	33,369	

**COUNCIL ON AGING OF WEST FLORIDA, INC.
COMBINING SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2006**

	Social Service Programs				Home Service Programs			
	Case Aid	Case Management	Screening and Assessment	Total	Chore	Companionship	Emergency Alert Response	Homemaker
Salaries	\$ 45,486	\$ 256,542	\$ 48,364	\$ 350,392	\$ -	\$ -	\$ -	\$ -
Payroll taxes and benefits	9,673	81,631	13,260	104,564	8	-	-	-
Travel	1,355	11,593	2,170	15,118	539	-	28	50
Education and training	5	729	6	740	-	-	-	-
Communications/postage	611	3,691	650	4,952	-	-	1	2
Utilities	241	2,359	472	3,072	-	-	-	-
Advertising	326	1,701	440	2,467	-	-	-	-
Insurance	616	5,501	837	6,954	-	-	-	-
Maintenance and repair	627	3,180	484	4,291	2	-	24	42
Printing/supplies	70	1,871	102	2,043	-	-	4	8
Building costs	461	3,993	962	5,416	-	-	-	-
Purchased equipment	110	1,952	132	2,194	-	-	-	-
Subcontractors expenses	5,212	5,639	-	10,851	-	244,558	26,790	231,722
Program supplies	12	208	18	238	-	-	-	-
Interest expense	-	-	-	-	-	-	-	-
Food and food supplies	-	-	-	-	-	-	-	-
Other volunteer expenses	(18)	(54)	(33)	(105)	-	-	-	-
Other miscellaneous expenses	967	2,194	90	3,251	24	-	-	-
Disaster related expenses	-	-	-	-	-	-	-	-
Totals	65,754	382,730	67,954	516,438	573	244,558	26,847	231,824
Allocation of Management and General Expenses	12,714	125,771	18,456	156,941	1,094	10,732	-	11,347
Allocation of Facilities Repair and Maintenance Expenses	361	2,819	838	4,018	-	74	-	-
Total Expenses	\$ 78,468	\$ 508,501	\$ 86,410	\$ 673,379	\$ 1,667	\$ 255,290	\$ 26,847	\$ 243,171
Total Units	910	9,577	1,135					

**COUNCIL ON AGING OF WEST FLORIDA, INC.
COMBINING SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2006**

	Material Aid		Personal Care		In-home Respite		Special Medical Equipment		Disaster Program		Total Program Expenses	
		\$		\$		\$		\$		\$		\$
Salaries	-	-	-	-	-	-	-	-	8,405	8,405	-	8,405
Payroll taxes and benefits	-	-	-	-	-	-	-	-	1,182	1,182	-	1,190
Travel	-	-	37	39	-	34	-	-	325	325	-	1,052
Education and training	-	-	-	-	-	-	-	-	-	-	-	2,336
Communications/postage	-	-	1	1	1	1	1	1	8	8	14	21,515
Utilities	-	-	-	-	-	-	-	-	-	-	-	19,194
Advertising	-	-	-	-	-	-	-	-	-	-	-	9,706
Insurance	-	-	-	-	-	-	-	-	-	-	-	33,172
Maintenance and repair	-	-	31	32	32	29	29	29	196	196	356	16,946
Printing/supplies	-	-	6	6	6	5	5	5	36	36	65	5,930
Building costs	-	-	-	-	-	-	-	-	-	-	-	47,190
Purchased equipment	-	-	-	-	-	-	-	-	-	-	-	4,328
Subcontractors expenses	-	-	157,713	280,977	280,977	94,297	94,297	94,297	-	-	1,036,057	1,291,964
Program supplies	-	-	-	-	-	-	-	-	-	-	-	12,599
Interest expense	-	-	-	-	-	-	-	-	-	-	-	-
Food and food supplies	-	-	-	-	-	-	-	-	-	-	-	607,673
Other volunteer expenses	-	-	-	-	-	-	-	-	(5)	(5)	(5)	430,679
Other miscellaneous expenses	658	-	-	-	-	1,593	1,593	1,593	-	-	2,275	46,484
Disaster related expenses	-	-	-	-	-	-	-	-	90,621	90,621	90,621	90,621
Totals	658	-	157,788	281,055	281,055	95,959	95,959	95,959	100,768	100,768	1,140,030	3,867,377
Allocation of Management and General Expenses	-	-	3,691	13,261	13,261	7,246	7,246	7,246	-	-	47,371	644,854
Allocation of Facilities Repair and Maintenance Expenses	-	-	-	-	-	-	-	-	-	-	74	19,367
Total Expenses	658	-	161,479	294,316	294,316	103,205	103,205	103,205	100,768	100,768	1,187,401	4,512,231

OTHER REPORTS AND SCHEDULES

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

Board of Directors
Council on Aging of West Florida, Inc.
Pensacola, Florida

We have audited the financial statements of Council on Aging of West Florida, Inc., (the Council) as of and for the year ended December 31, 2006, and have issued our report thereon dated July 23, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the previous paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential, will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. We noted one significant deficiency which is described as findings 06-1, in the Schedule of Findings and Questioned Costs on page 10.

Board of Directors
Council on Aging of West Florida, Inc.
Pensacola, Florida

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above as finding 06-1 is a material weakness.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors and management of the Council and applicable governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.



Pensacola, Florida
July 23, 2007

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Council on Aging of West Florida, Inc.
Pensacola, Florida

Compliance

We have audited the compliance of the Council on Aging of West Florida, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, and the requirements described in the *Executive Office of the Governor's State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state projects for the year ended December 31, 2006. Council on Aging of West Florida, Inc.'s major federal programs and state projects 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 and state projects is the responsibility of Council on Aging of West Florida, Inc.'s management. Our responsibility is to express an opinion on Council on Aging of West Florida, Inc.'s compliance based on our audit.

We conducted our 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, require that we 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 and state project occurred. An audit includes examining, on a test basis, evidence about Council on Aging of West Florida, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Council on Aging of West Florida, Inc.'s compliance with those requirements.

Board of Directors
Council on Aging of West Florida, Inc.
Pensacola, Florida

In our opinion, Council on Aging of West Florida, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended December 31, 2006.

Internal Control Over Compliance

The management of Council on Aging of West Florida, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered Council on Aging of West Florida, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program and a state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Council on Aging of West Florida, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control. We noted one significant deficiency which is described as findings 06-1, in the Schedule of Findings and Questioned Costs on page 10.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described above as finding 06-1 is a material weakness.

Board of Directors
Council on Aging of West Florida, Inc.
Pensacola, Florida

This report is intended for the information and use of Council on Aging of West Florida, Inc., the State of Florida, and applicable federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Saltmarsh Cleveland & Lund

Pensacola, Florida
July 23, 2007

**COUNCIL ON AGING OF WEST FLORIDA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2006**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed through State of Florida Department of Elder Affairs: Child and Adult Care Food Program	10.558	N/A	\$ 13,934
Passed through Northwest Florida Area Agency on Aging: Nutrition Services Incentive Program	10.570	AU006-E	111,391
<u>U.S. Department of Housing and Urban Development</u>			
Passed through City of Pensacola: Community Development Block Grant	14.218	N/A	86,577
Passed through Escambia County: Community Development Block Grant	14.218	N/A	50,030
			<u>136,607</u>
<u>U.S. Department of Homeland Security</u>			
Emergency Food and Shelter National Board Program	83.523	N/A	11,240
<u>U.S. Department of Health and Human Services</u>			
Passed through State of Florida Department of Elder Affairs/ Passed through Northwest Florida Area Agency on Aging: Special Programs for the Aging:			
Title III-B, Grants for Supportive Services and Senior Centers	93.044	AA-006-E	263,317
Title III-Part C, Nutrition Services	93.045	AA-006-E	547,400
National Family Caregiver Support	93.052	N/A	10,724
Title IV and Title II, Discretionary Projects	93.048	ADD05-E	168,583
<u>Corporation for National and Community Service</u>			
Retired and Senior Volunteer Program	94.002	06SRSFL012	49,288
Foster Grandparent Program	94.011	06SFSFL004	335,388
Senior Companion Program	94.016	06SFSFL002	223,516
			<u>608,192</u>
Total Federal Awards			<u>\$ 1,871,388</u>

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

COUNCIL ON AGING OF WEST FLORIDA, INC.
 SCHEDULE OF EXPENDITURES OF STATE PROJECTS
 YEAR ENDED DECEMBER 31, 2006

<u>State Grantor/Pass-through Grantor/Project Title</u>	<u>CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<u>Department of Children and Families</u>			
Community Care for Disabled Adults	65.008	RPQ000002	\$ 6,442
<u>State Grants and Aids Appropriations</u>			
Tobacco Settlement Trust Funds:			
Community Care for the Elderly	65.010	AC006-E	891,850
Alzheimers Disease Initiative - Respite Services	65.004	AZ006-E	290,019
Relief	65.006	AR006-E	25,498
			<u>1,207,367</u>
<u>State Grants and Aids Appropriations</u>			
General Revenues:			
Home Care for the Elderly - Case Management	65.001	AH006-E	23,727
Home Care for the Elderly - Subsidies	65.001	AH005-E	178,103
			<u>201,830</u>
Total State Projects			<u>\$ 1,415,639</u>

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

**COUNCIL ON AGING OF WEST FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
YEAR ENDED DECEMBER 31, 2006**

A. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses an unqualified opinion on the financial statements of the Council on Aging of West Florida, Inc..
2. We noted one significant deficiency relating to the audit of the financial statements that are reported in the Independent Auditor's Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. This significant deficiency is reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the Council on Aging of West Florida, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. We noted one significant deficiency relating to the audit of the major federal award programs and state projects that are reported in the Independent Auditor's Report on Compliance and Internal Control Over Compliance Applicable to each Major Federal Program and State Project. This significant deficiency is reported as a material weakness.
5. The auditor's report on compliance for major federal award programs and state projects for the Council on Aging of West Florida, Inc. expresses an unqualified opinion.
6. Audit findings relative to the major federal programs and state projects for the Council on Aging of West Florida, Inc. are reported in Parts C and D of this schedule.
7. The programs tested as major programs/projects were:

Federal Program

Older Americans Act Disaster Program (CFDA No. 93.048).

Aging Cluster: Special Programs for the Aging

Title III Part B - Grants for Supportive Services and Senior Centers (CFDA No. 93.044).

Title III Part C - Nutrition Services (CFDA No. 93.045).

State Project

Community Care for the Elderly (CSFA No. 65.010).

8. The threshold for distinguishing Type A and B programs was \$300,000 for major federal programs, and \$100,000 for major state projects.
9. Council on Aging of West Florida, Inc. was determined to be a high-risk auditee pursuant to OMB Circular A-133.

COUNCIL ON AGING OF WEST FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
YEAR ENDED DECEMBER 31, 2006
(Continued)

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

Financial Reporting System

Finding: 06-1

We noted that the Council's financial reporting system was not operating effectively in fiscal year 2006. Specifically, the following conditions were noted:

- The Council does not currently have an individual on staff with the necessary expertise to prepare its financial statements in accordance with generally accepted accounting principles, or to prevent, detect and correct any material misstatements or missing disclosures therein. As a result, we have proposed audit adjustments and prepared the Council's financial statements in connection with our audit. Management has accepted our proposed audit adjustments and full responsibility for the financial statements. The most significant audit adjustments included a \$135,680 increase in beginning net assets to reflect building improvements and an \$80,647 decrease in beginning net assets to reflect certain compensated absences.
- The ending balances in the old accounting system were not properly rolled forward into the new accounting system and the general ledger was not updated in an accurate or timely manner. Accordingly, many transactions were coded to the wrong programs, interim financial reports were not prepared in an accurate or timely manner, and the initial trial balance provided to us for audit did not agree to the general ledger. Also, bank accounts were not being reconciled to a meaningful general ledger balance during the year.

Management has made changes in the accounting department to begin addressing these problems. As part of these changes, we recommend that the Council hire an individual with the necessary accounting skills to prepare the financial statements and to prevent, detect and correct any material misstatements or missing disclosures therein, or consider engaging a CPA firm to perform these functions.

Although management is addressing these problems, an effective system of internal controls should include monitoring procedures that identify and prevent these problems before they occur. We recommend that the Council continue to review and enhance its procedures for monitoring the effectiveness of the financial reporting system.

Management Response:

Management concurs with this finding. The staff person directly responsible for fiscal management is no longer with the agency. The Vice President of Operations and Finance will assume many of the duties traditionally tasked to a Controller. In addition, we have secured the services of the CPA firm O'Sullivan Creel to address and correct the problems addressed in these comments; revise our accounting procedures and internal controls and insure that accounting records for 2007 are correct and current. Furthermore, this CPA firm will monitor, on a monthly basis, the work of the Vice President of Operations and Finance so that we can identify problem areas before they occur.

**COUNCIL ON AGING OF WEST FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
YEAR ENDED DECEMBER 31, 2006
(Continued)**

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS

None

D. FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS

None

**COUNCIL ON AGING OF WEST FLORIDA, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2006**

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

FINDING 05-1: FINANCIAL REPORTING SYSTEM

Condition: We noted that the Council's financial reporting system was not operating effectively in fiscal year 2005. The general ledger was not updated in an accurate or timely manner and misreporting of expenses to the wrong programs was not corrected until year-end. Consequently, this affected the accuracy of interim financial statement and routine financial monitoring procedures such as budgetary comparisons were not effective or timely. Additionally, certain grant accounts did not properly reflect advances previously received from the grantor which resulted in certain grant reimbursements being received by the Council prematurely.

Recommendation: We recommended that the Council review its procedures for monitoring the effectiveness of the financial reporting system. Persons with suitable skills and knowledge should be identified to monitor the various financial reports and requests for grant payments.

Current Status: Condition in part still exists. See Finding 06-1 in Schedule of Findings and Questioned Costs.

FINDING 05-2: SEGREGATION OF DUTIES

Condition: We noted the accounting manager records bank deposits into the accounting system after taking the deposit to the bank.

Recommendation: We recommended that the responsibility for making bank deposits be assigned to someone independent of recording cash receipts in the general ledger.

Current Status: The recommendation was followed and no similar condition was noted during the 2006 audit.

FINDING 05-3: FILE MAINTENANCE

Condition: Eight participant files of 40 files tested did not include documentation of compliance with age requirements and six participant files of 40 tested did not include documentation of applicant's ability to pay co-pay assessments.

Recommendation: We recommended that the Council monitor and review participant files to determine whether all required documentation is being maintained.

Current Status: The recommendation was followed and no similar condition was noted during the 2006 audit.