

MASON COUNTY ACTION GROUP, INC.

Financial Statements

September 30, 2008

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Independent Auditor's Report

Board of Directors

Mason County Action Group, Inc.:

I have audited the accompanying statement of financial position of Mason County Action Group, Inc., (a West Virginia non-profit corporation) as of September 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. The financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion 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 opinion.

In my opinion the financial statements referred to above present fairly, in all material respects, the financial position of Mason County Action Group, Inc., as of September 30, 2008, the changes in its net assets and its cash flows for the years then ended in conformity with accounting principals generally accepted in the United States of America.

In accordance with *Government Audit Standards*, I have also issued my report dated May 22, 2009 on my consideration of Mason County Action Group, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Independent Auditor's Report, Continued

My audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of support, revenue and expenses (Schedule 1 through Schedule 4) are presented for purposes of additional analysis and are 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 my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in dark ink that reads "Alice M Harris CPA". The signature is written in a cursive, flowing style.

Alice M. Harris, CPA

May 22, 2009

MASON COUNTY ACTION GROUP, INC.**Statement of Financial Position****September 30, 2008****ASSETS**

Current assets:

Cash and cash equivalents	\$	42,852
Accounts receivable, net		129,383
Inventory		5,010
<u>Prepaid insurance</u>		10,151
Total current assets		<u>187,396</u>

Property and equipment:

Land		6,800
Buildings		118,404
Equipment		21,597
Vehicles		107,559
Leasehold improvements		69,081
<u>Less accumulated depreciation</u>		(224,447)
<u>Net property and equipment</u>		<u>98,994</u>

Total assets**286,390****LIABILITIES AND NET ASSETS**

Current liabilities:

Line of credit	\$	75,230
Accounts payable		31,642
Accrued payroll and related taxes		24,929
<u>Accrued annual leave</u>		19,591
Total current liabilities		<u>151,392</u>

Total liabilities

151,392

Net assets:

Unrestricted, undesignated		36,004
Invested in properly plant and equipment		<u>98,994</u>
		<u>134,998</u>
Temporarily restricted		-
<u>Permanently restricted</u>		-
Total net assets		<u>134,998</u>

Total liabilities and net assets**\$****286,390***See accompanying notes to financial statements.*

MASON COUNTY ACTION GROUP, INC.

Statement of Activities

Year ended September 30, 2008

	Un restricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:				
Federal grant awards	\$ 198,244	-	-	198,244
Other grants and fees	812,141	-	-	812,141
Program income	31,879	-	-	31,879
Contributions	21,063	-	-	21,063
Funraising	12,858	-	-	12,858
In-kind revenues	13,628	-	-	13,628
<u>Other income</u>	244	-	-	244
<u>Total support and revenue</u>	1,090,057	-	-	1,090,057
Expenses:				
Program expenses:				
In-Home services	553,033	-	-	553,033
Nutrition	232,874	-	-	232,874
Transportation	60,167	-	-	60,167
<u>Senior services</u>	39,748	-	-	39,748
Total program expenses	885,822	-	-	885,822
Supporting services:				
Management and general	155,763	-	-	155,763
<u>Fundraising</u>	6,605	-	-	6,605
<u>Total expenses</u>	1,048,190	-	-	1,048,190
Change in net assets	41,867	-	-	41,867
Net assets, beginning of year	93,131	-	-	93,131
<u>Net assets, end of year</u>	\$ 134,998	-	-	134,998

See accompanying notes to financial statements.

MASON COUNTY ACTION GROUP, INC.

Statement of Functional Expenses

Year ended September 30, 2008

	Personal care	Nutrition	Transportation	Senior services	Total program expenses	Management and general	Fundraising	Total expenses
Salaries and benefits	\$ 475,288	78,408	40,389	9,380	603,465	96,902	-	700,367
Office supplies, printing & postage	11,509	4,104	1,477	2,238	19,328	3,208	6,132	28,668
Utilities	23,086	9,800	7,288	588	40,762	914	-	41,676
Travel and meetings	32,206	405	906	92	33,609	3,491	51	37,151
Transportation	-	-	-	-	-	-	-	-
Food and disposable supplies	12	130,139	-	-	130,151	-	-	130,151
Legal and professional	1,000	-	-	-	1,000	9,650	-	10,650
Repairs and maintenance	7,649	2,438	167	1,080	11,334	33	-	11,367
Insurance	-	-	-	-	-	6,644	-	6,644
Other expenses	2,283	2,889	73	22,609	27,854	12,545	422	40,821
Interest expense	-	-	-	-	-	6,862	-	6,862
In-kind match	-	4,691	9,867	3,761	18,319	-	-	18,319
Depreciation	-	-	-	-	-	15,514	-	15,514
Total expenses	\$ 553,033	232,874	60,167	39,748	885,822	155,763	6,605	1,048,190

See accompanying notes to financial statements.

MASON COUNTY ACTION GROUP, INC.

Statement of Cash Flows

Year ended September 30, 2008

Cash flows from operating activities:

Change in net assets	\$	41,867
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		15,514
(Increase) decrease in:		
Accounts receivable		(45,456)
Inventory		(358)
Prepaid expenses and deposits		3,664
Increase (decrease) in:		
Accounts payable		14,755
Accrued payroll and related taxes		869
<u>Accrued annual leave</u>		<u>2,736</u>
<u>Net cash provided by operating activities</u>		<u>33,591</u>

Cash flows from investing activities:

Proceeds from sale of assets		-
<u>Cash paid for property and equipment purchases</u>		<u>(4,900)</u>
<u>Net cash used in investing activities</u>		<u>(4,900)</u>

Cash flows from financing activities

Advances on line of credit		-
<u>Repayment of line of credit</u>		<u>(21,535)</u>
<u>Net cash used in investing activities</u>		<u>(21,535)</u>

Increase in cash and cash equivalents 7,156

Cash and cash equivalents, beginning of year 35,696

Cash and cash equivalents, end of year \$ 42,852

Supplemental cash flow disclosures:

Cash paid for:		
Income taxes	\$	-
Interest		<u>6,862</u>

See accompanying notes to financial statements.

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The mission of Mason County Action Group, Inc., (a not-for-profit organization) is to provide services to low income individuals and families in Mason County, WV. The Organization also operates three senior citizens centers throughout Mason County.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States of America.

Basis of Presentation - The Organization has adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, an organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

- . Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- . Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the organization and/or passage of time.
- . Permanently restricted net assets - Net assets subject to donor imposed stipulations that they be maintained permanently by the organization. Generally, the donors of the assets permit the organization to use all or part of the income earned on related investments for general or specific purposes.

Contributions - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a donor-stipulated time restriction ends or a purpose restriction is accomplished, then the restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

Contributed Property and Equipment - Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, then the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Cash and Cash Equivalents - For purposes of the Statements of Cash Flows, Mason County Action Group, Inc., considers all highly-liquid investments purchased with maturities of three months or less to be cash and cash equivalents.

Income Tax Status - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Advertising - It is the policy of Mason County Action Group, Inc. to expense all advertising costs as incurred.

Functional expenses - The Organization allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are allocated according to their natural classification.

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, CONTINUED

Property and Equipment - All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Computer and office equipment	5 to 10
Furniture and fixtures	5 to 10
Buildings	27.5

Depreciation expense for the fiscal year ended September 30, 2008 was \$15,514.

The property, furniture and equipment acquired is owned by Mason County Action Group, Inc. while used in the program for which it was purchased or in future authorized programs. The funding sources, however, have a reversionary interest in the property, furniture and equipment purchased with grant funds; therefore, its disposition, as well as the ownership of any sale proceeds there from, is subject to funding source regulations.

Fair Value of Financial Instruments - Mason County Action Group, Inc. has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at September 30, 2008 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The estimated fair value of all financial instruments has been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

Inventory - Inventory consists of raw food and supplies and are stated at the lower of cost or market determined by the first-in-first-out method.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CONCENTRATIONS OF RISK DISCLOSURE

The Organization is economically dependent on grants from various federal, state and local governments for the operation of their programs. The Organization's ability to receive these grants is somewhat dependent on the national, state and local economy.

ACCOUNTS AND GRANTS RECEIVABLE

The Organization operates in the Point Pleasant, WV area and receives support from various sources, substantially all of whom are local individuals or government agencies. The receivable balance as of September 30, 2008 is shown net of an allowance for uncollectible accounts totaling \$5,000.

Line of Credit

The Organization entered into a line of credit arrangement with a local bank. Outstanding balances are payable on demand and accrue interest at 5.5% for 2008. The note is secured by all assets of the Organization. As of September 30, 2008, outstanding balances on the line of credit totaled \$75,230.

Interest expense paid during the year ended September 30, 2008 totaled \$6,862.

ACCRUED ANNUAL LEAVE

Accrued annual leave includes all obligations for vacation leave at the current rate of employee pay. Employees vest in earned but unused vacation leave up to a maximum of 120 hours. At September 30, 2008 the liability for accrued annual leave totaled \$19,591.

CONTINGENT LIABILITIES

The Organization's programs are generally funded from federal, state, and local sources, principal of which are programs of the U.S. Department of Health and Human Services and the U.S. Department of Agriculture. Federal and state grants received for specific purposes are subject to audit and review by grantor agencies. Such audits and reviews could result in requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grants. The amount, if any, of expenditures which may be disallowed by grantor agencies cannot be determined at this time, although management believes such amounts, if any, to be immaterial.

RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Organization manages these risks of loss through the purchase of various insurance policies.

MASON COUNTY ACTION GROUP, INC.
 Schedule of Support, Revenue and Expenses - In Home Services
 Year ended September 30, 2008

	General	Case Management	F.A.I.R	Homemaker	L.I.F.E Grant	Non Medicaid	Personal Care	Private Pay	Veteran's Admin.	Totals
Support and revenue:										
Federal grant awards	\$ -	-	-	-	-	-	-	-	-	-
Other grants and fees	-	-	12,180	172,289	214,917	120,133	206,195	2,446	19,909	748,069
Program income	-	11,660	-	-	-	-	-	-	-	11,660
Contributions	16,064	-	-	-	-	-	-	-	-	16,064
Fundraising	6,086	-	-	-	-	-	-	-	-	6,086
In-kind matching revenues	-	-	-	-	-	-	-	-	-	-
Other income	232	-	-	-	-	12	-	-	-	244
Total support & revenue	22,382	11,660	12,180	172,289	214,917	120,145	206,195	2,446	19,909	782,123
Expenses:										
Salaries and benefits	-	15,719	16,407	135,847	39,841	78,266	168,784	4,510	15,914	475,288
Office supplies, printing & postage	-	270	-	1,081	8,194	962	1,002	-	-	11,509
Utilities	-	1,173	-	2,438	15,114	1,942	2,419	-	-	23,086
Travel and meetings	-	23	166	4,306	22,436	1,834	2,721	57	663	32,206
Transportation	-	-	-	-	-	-	-	-	-	-
Food and disposable supplies	-	-	-	-	12	-	-	-	-	12
Legal and professional	-	-	-	-	1,000	-	-	-	-	1,000
Repairs and maintenance	-	7	-	115	7,308	104	115	-	-	7,649
Insurance	-	-	-	-	-	-	-	-	-	-
Other expenses	372	56	27	123	1,348	125	178	27	27	2,283
In-kind match	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-
Total direct expenses	372	17,248	16,600	143,910	95,253	83,233	175,219	4,594	16,604	553,033
Indirect cost allocation	-	3,850	3,354	28,702	19,235	16,495	35,081	772	3,068	110,557
Total expenses	372	21,098	19,954	172,612	114,488	99,728	210,300	5,366	19,672	663,590
Net program income (loss)	22,010	(9,438)	(7,774)	(323)	100,429	20,417	(4,105)	(2,920)	237	118,533

See accompanying notes to financial statements

MASON COUNTY ACTION GROUP, INC.
Schedule of Support, Revenue and Expenses - Nutrition Programs
Year ended September 30, 2008

	Title IIC	IIC Life	Totals
SUPPOlland revenue:			
Federal grant awards	\$ 113,434	-	113,434
State grant awards	15,012	35,689	50,701
Program income	19,593	-	19,593
Contributions	4,959	-	4,959
Funraising	6,772	-	6,772
In-kind matching revenues	-	-	-
<u>Other income</u>	-	-	-
<u>Total support & revenue</u>	159,770	35,689	195,459
Expenses:			
Salaries and benefits	76,910	1,498	78,408
Office supplies, printing & postage	4,104	-	4,104
Utilities	9,800	-	9,800
Travel and meetings	405	-	405
Transportation	-	-	-
Food and disposable supplies	130,139	-	130,139
Legal and professional	-	-	-
Repairs and maintenance	7,262	(4,824)	2,438
Insurance	-	-	-
Other expenses	2,889	-	2,889
In-kind match	4,691	-	4,691
<u>Depreciation</u>	-	-	-
Total direct expenses	236,200	(3,326)	232,874
Indirect cost allocation	17,718	1,004	18,722
Total expenses	253,918	(2,322)	251,596
<u>Net program income (loss)</u>	(94,148)	38,011	(56,137)

See accompanying notes to financial statements.

MASON COUNTY ACTION GROUP, INC.
Schedule of Support, Revenue and Expenses - Transportation Programs
Year ended September 30, 2008

	Transportation CSBG	Title IIB	Totals
Support and revenue:			
Federal grant awards	\$ 35,770	33,896	69,666
State grant awards	-	13,227	13,227
Program income	-	626	626
Contributions	-	40	40
Funraising	-	-	-
In-kind matching revenues	-	9,867	9,867
Other revenues	-	-	-
Total support & revenue	35,770	57,656	93,426
Expenses:			
Salaries and benefits	11,680	28,709	40,389
Office supplies, printing & postage	-	1,477	1,477
Utilities	-	7,288	7,288
Travel and meetings	202	704	906
Transportation	-	-	-
Food and disposable supplies	-	-	-
Legal and professional	-	-	-
Repairs and maintenance	-	167	167
Insurance	-	-	-
Other expenses	-	73	73
In-kind match	-	9,867	9,867
Depreciation	-	-	-
Total direct expenses	11,882	48,285	60,167
Indirect cost allocation	1,611	9,790	1,611
Total expenses	13,493	58,075	61,778
Net program income (loss)	22,277	(419)	31,648

See accompanying notes to financial statements.

Schedule of Support, Revenue and Expenses - Senior Services
Year ended September 30, 2008

	Elder Abuse	Title III D Medical Info. & Management	Budget Digest	Title III E Caregiver Services	Totals
Support and revenue:					
Federal grant awards	\$ 463	2,401	-	12,280	15,144
State grant awards	-	144	-	-	144
Program income	-	-	-	-	-
Contributions	-	-	-	-	-
Funraising	-	-	-	-	-
In-kind matching revenues	-	400	-	3,361	3,761
Other revenues	-	-	-	-	-
Total support & revenue	463	2,945	-	15,641	19,049
Expenses:					
Salaries and benefits	-	1,518	-	7,862	9,380
Office supplies, printing & postage	201	203	1,757	77	2,238
Utilities	-	-	-	588	588
Travel and meetings	92	-	-	-	92
Transportation	-	-	-	-	-
Food and disposable supplies	-	-	-	-	-
Legal and professional	-	-	-	-	-
Repairs and maintenance	-	-	1,080	-	1,080
Insurance	-	-	-	-	-
Other expenses	-	299	22,250	60	22,609
In-kind match	-	400	-	3,361	3,761
Depreciation	-	-	-	-	-
Total direct expenses	293	2,420	25,087	11,948	39,748
Indirect cost allocation	570	689	-	3,631	4,890
Total expenses	863	3,109	25,087	15,579	44,638
Net program income (loss)	(400)	(164)	(25,087)	62	(25,589)

See accompanying notes to financial statements.

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

To the Board of Directors of
Mason County Action Group, Inc.

I have audited the financial statements of Mason County Action Group, Inc., (a nonprofit organization) as of and for the year ended September 30, 2008, and have issued my report thereon dated May 22, 2009. [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.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Mason County Action Group's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mason County Action Group's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding 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, I identified certain deficiencies in internal control over financial reporting that I 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 reliably 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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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, CONTINUED

Segregation of Duties

The segregation of duties and responsibilities with persons who initiate transactions, record transactions, and reconcile the accounts these transactions affect is not desirable from a control point of view. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of transactions. The lack of segregation of duties could increase the risk that misstatements of transactions could go undetected. This situation is typical in an organization of your size. The most effective controls lie in the Board's level of monitoring and oversight of matters relating to the Organization's operations.

The lack of separation of control functions between personnel has the potential for misappropriation of assets, and possible misrepresentation in financial reporting, depending on the level of monitoring and oversight of the Board and its officers.

In addition to the steps already undertaken by the Board of Directors, the following additional controls should be considered:

- Monthly financial reports, including budget to actual comparisons, should be distributed to all Board members at the time of their regular meetings. A knowledgeable official should review the financial reports and allow other Board members to ask questions or seek additional clarification of information as they feel necessary to meet their fiduciary responsibilities.
- Each check written by the Organization requires two signatures. To mitigate the lack of ideal segregation of duties, one of the signatures should always be an approved Board officer. While that is the general policy now, I noted instances where the two required signatures were those of the Executive Director and the Assistant Director.

Grant Reporting Issues

Final financial reports were not filed to the Area Agency on Aging in a timely manner. Additionally, due to correcting entries posted by the Organization as part of the audit process, the final financial reports submitted to granting agencies no longer agree with the adjusted financial records of the Organization. Because of the number of audit corrections, the Organization will need to amend the final financial reports to agree with the final audited financial figures.

The Agency should make every effort to ensure that all year-end adjusting entries are posted to the general ledger prior to filing the final financial reports to ensure the accuracy of the information reported. Additionally, the reports need to be filed in a timely manner.

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, CONTINUED

Payroll Trust Tax Deposits

During the course of my audit, I noted a number of instances where the Organization paid penalties for lack of timely payment of federal payroll taxes withheld from employee's pay checks. Amounts withheld from employees are considered to be trust taxes by the Internal Revenue Service. As such, this money is collect by the Organization on behalf of the federal government. The monies collected are never available to the Organization for the payment of other expenses and must be paid to the government in a timely manner. In addition to penalties charged to the Organization, any individual involved in the decision not to timely pay these payroll taxes may also be held personally liable for these taxes, penalties, and interest.

Bank Reconciliation

During the course of my audit, I noted that monthly bank reconciliations were not always performed in a timely manner. Timely reconciliation of the Organization's cash accounts is perhaps the most important step in ensuring the accuracy of financial information. Without timely reconciliations, the Organization would not be sure as to their cash balances or whether all of the Organization's financial activity has been recorded.

I recommend that every effort be made to enter all cash related transactions in a contemporaneous manner and that bank reconciliation procedures be completed and reviewed within a few business days of receipt of the bank statements.

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.

My consideration of the 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, I believe the all of the significant deficiencies described above are material weaknesses.

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, CONTINUED

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mason County Action Group, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 audit committee, management, and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Alice M. Harris CPA". The signature is written in a cursive, flowing style.

Alice M. Harris, CPA
May 22, 2009