

MASON COUNTY ACTION GROUP, INC.

Financial Statements

September 30, 2012 and 2011

MASON COUNTY ACTION GROUP, INC.

Financial Statements

September 30, 2012 and 2011

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ALICE M. HARRIS, CPA, A.C.

CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

Board of Directors
Mason County Action Group, Inc.:

I have audited the accompanying statements of financial position of Mason County Action Group, Inc., (a West Virginia non-profit corporation) as of September 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years 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 audits.

I conducted my audits 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 audits provide 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, 2012 and 2011, 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 December 15, 2012 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.

Alice M. Harris, CPA

Alice M. Harris, CPA
December 15, 2012

MASON COUNTY ACTION GROUP, INC.

Statements of Financial Position

September 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 122,233	40,669
Accounts receivable, net	190,829	231,026
Inventory	4,182	4,755
Prepaid insurance	11,141	9,043
Total current assets	328,385	285,493
Property and equipment:		
Land	7,800	6,800
Buildings	135,804	135,804
Equipment	113,744	76,045
Vehicles	82,487	111,713
Leasehold improvements	92,079	81,504
	431,914	411,866
Less accumulated depreciation	(245,851)	(244,940)
Net property and equipment	186,063	166,926
Total assets	514,448	452,419
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit	\$ 46,346	55,722
Accounts payable	24,981	33,383
Accrued payroll and related taxes	52,768	56,355
Accrued annual leave	17,737	13,890
Due to funding sources	1,193	16,820
Total current liabilities	143,025	176,170
Total liabilities	143,025	176,170
Net assets:		
Unrestricted, undesignated	185,360	109,323
Invested in properly plant and equipment	186,063	166,926
	371,423	276,249
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	371,423	276,249
Total liabilities and net assets	\$ 514,448	452,419

See accompanying notes to financial statements.

MASON COUNTY ACTION GROUP, INC.
Statements of Activities
Years ended September 30, 2012 and 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue:								
Federal grant awards	\$ 142,462	-	-	142,462	140,375	-	-	140,375
Other grants and fees	1,383,216	-	-	1,383,216	1,242,462	-	-	1,242,462
Program income	52,098	-	-	52,098	11,741	-	-	11,741
Funraising	3,309	-	-	3,309	5,002	-	-	5,002
In-kind revenues	10,428	-	-	10,428	10,428	-	-	10,428
Other income	32,040	-	-	32,040	27,562	-	-	27,562
Total support and revenue	1,623,553	-	-	1,623,553	1,437,570	-	-	1,437,570
Expenses:								
Program expenses:								
In-Home services	962,445	-	-	962,445	913,657	-	-	913,657
Nutrition	198,837	-	-	198,837	236,363	-	-	236,363
Transportation	23,521	-	-	23,521	37,053	-	-	37,053
Senior services	56,421	-	-	56,421	55,828	-	-	55,828
Total program expenses	1,241,224	-	-	1,241,224	1,242,901	-	-	1,242,901
Supporting services:								
Management and general	286,806	-	-	286,806	156,398	-	-	156,398
Fundraising	349	-	-	349	1,498	-	-	1,498
Total expenses	1,528,379	-	-	1,528,379	1,400,797	-	-	1,400,797
Change in net assets	95,174	-	-	95,174	36,773	-	-	36,773
Net assets, beginning of year	276,249	-	-	276,249	239,476	-	-	239,476
Net assets, end of year	\$ 371,423	-	-	371,423	276,249	-	-	276,249

See accompanying notes to financial statements.

MASON COUNTY ACTION GROUP, INC.
Statement of Functional Expenses
Year ended September 30, 2012

		Personal care	Nutrition	Transportation	Senior services	Total program expenses	Management and general	Fundraising	Total expenses
Salaries and benefits	\$	815,679	75,133	19,839	21,479	932,130	200,921	-	1,133,051
Office supplies, printing & postage		14,845	-	-	2,083	16,928	1,074	349	18,351
Utilities		19,787	-	-	6,965	26,752	15,933	-	42,685
Travel and meetings		54,750	-	-	-	54,750	-	-	54,750
Transportation		8,825	-	3,682	-	12,507	1,424	-	13,931
Food and disposable supplies		-	123,704	-	-	123,704	-	-	123,704
Legal and professional		5,295	-	-	-	5,295	3,000	-	8,295
Repairs and maintenance		17,383	-	-	12,353	29,736	2,470	-	32,206
Insurance		11,078	-	-	-	11,078	23,463	-	34,541
Other expenses		14,803	-	-	3,113	17,916	9,168	-	27,084
Interest expense		-	-	-	-	-	1,599	-	1,599
In-kind match		-	-	-	10,428	10,428	-	-	10,428
Depreciation		-	-	-	-	-	27,754	-	27,754
Total expenses	\$	962,445	198,837	23,521	56,421	1,241,224	286,806	349	1,528,379

See accompanying notes to financial statements.

MASON COUNTY ACTION GROUP, INC.
Statement of Functional Expenses
Year ended September 30, 2011

		Personal care	Nutrition	Transportation	Senior services	Total program expenses	Management and general	Fundraising	Total expenses
Salaries and benefits	\$	776,885	95,409	27,492	42,959	942,745	92,951	-	1,035,696
Office supplies, printing & postage		15,184	-	-	994	16,178	3,637	1,498	21,313
Utilities		34,873	-	-	-	34,873	7,934	-	42,807
Travel and meetings		32,919	-	-	151	33,070	104	-	33,174
Transportation		6,957	-	9,561	-	16,518	-	-	16,518
Food and disposable supplies		193	140,954	-	-	141,147	-	-	141,147
Legal and professional		5,150	-	-	-	5,150	-	-	5,150
Repairs and maintenance		19,713	-	-	-	19,713	316	-	20,029
Insurance		10,772	-	-	-	10,772	19,073	-	29,845
Other expenses		11,011	-	-	1,296	12,307	2,559	-	14,866
Interest expense		-	-	-	-	-	3,019	-	3,019
In-kind match		-	-	-	10,428	10,428	-	-	10,428
Depreciation		-	-	-	-	-	26,805	-	26,805
Total expenses	\$	913,657	236,363	37,053	55,828	1,242,901	156,398	1,498	1,400,797

See accompanying notes to financial statements.

MASON COUNTY ACTION GROUP, INC.
Statements of Cash Flows
Years ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 95,174	36,773
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	27,754	26,805
(Increase) decrease in:		
Accounts receivable	40,197	(118,298)
Inventory	573	6,125
Prepaid expenses and deposits	(2,098)	(1,420)
Increase (decrease) in:		
Accounts payable	(8,402)	15,416
Accrued payroll and related taxes	(3,587)	12,841
Accrued annual leave	3,847	1,222
Due to funding source	(15,627)	-
Net cash provided by operating activities	137,831	(20,536)
Cash flows from investing activities:		
Proceeds from sale of assets	2,299	-
Cash paid for property and equipment purchases	(49,190)	(35,178)
Net cash used in investing activities	(46,891)	(35,178)
Cash flows from financing activities:		
Repayment of line of credit	(9,376)	(993)
Net cash used in investing activities	(9,376)	(993)
Increase (decrease) in cash and cash equivalents	81,564	(56,707)
Cash and cash equivalents, beginning of year	40,669	97,376
Cash and cash equivalents, end of year	\$ 122,233	40,669
Supplemental cash flow disclosures:		
Cash paid for:		
Income taxes	\$ -	-
Interest	1,665	3,268

See accompanying notes to financial statements.

MASON COUNTY ACTION GROUP, INC.
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.

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.

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.

MASON COUNTY ACTION GROUP, INC.
Notes to Financial Statements, Continued

NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES, CONTINUED

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).

For the year ended September 30, 2012, the Organization has determined that no income taxes are due for its activities. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. Management represents that the Organization is no longer subject to taxes through income tax examinations for years prior to 2009.

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 years ended September 30, 2012 was \$27,754 and \$26,805, respectively.

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, 2012 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.

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.

MASON COUNTY ACTION GROUP, INC.
Notes to Financial Statements, Continued

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.

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 5.25% for 2012. The note is secured by all assets of the Organization. As of September 30, 2012 and 2011, outstanding balances on the line of credit totaled \$46,346 and \$55,722, respectively.

Interest expense paid during the years ended September 30, 2012 and 2011 totaled \$1,665 and \$3,019, respectively.

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, 2012 and 2011 the liability for accrued annual leave totaled \$17,737 and \$13,890, respectively.

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, or expenditures which may be disallowed by grantor agencies totaled \$16,820 and is reported as a liability due to funding sources.

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.

EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 15, 2012, the date which the financial statements were available to be issued.

MASON COUNTY ACTION GROUP, INC.
Schedule of Support, Revenue and Expenses - In Home Services
Year ended September 30, 2012

	Mason County Commission	Case Management	Lighthouse	F.A.I.R	N.E.M.T	Homemaker	L.I.F.E Grant	Personal Care	Client Tracking	Private Pay	Veteran's Admin.	Totals
Support and revenue:												
Federal grant awards	\$ -	-	-	-	-	-	-	-	-	-	-	-
Other grants and fees	20,000	23,826	110,888	52,867	2,349	602,405	175,466	179,680	4,894	30,192	56,705	1,259,272
Program income	-	-	10,245	8,455	-	-	-	-	-	-	-	18,700
Funraising	-	-	-	-	-	-	-	-	-	-	-	-
In-kind matching revenues	-	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Total support & revenue	20,000	23,826	121,133	61,322	2,349	602,405	175,466	179,680	4,894	30,192	56,705	1,277,972
Expenses:												
Salaries and benefits	-	12,166	86,591	47,236	10,750	399,320	41,761	135,797	5,020	38,177	38,861	815,679
Office supplies, printing & postage	-	-	-	-	-	1,187	13,658	-	-	-	-	14,845
Utilities	-	-	-	-	-	-	19,787	-	-	-	-	19,787
Travel and meetings	-	-	3,130	3,071	-	25,529	10,052	10,791	-	1,444	733	54,750
Transportation	-	-	-	-	2,658	-	6,167	-	-	-	-	8,825
Food and disposable supplies	-	-	-	-	-	-	-	-	-	-	-	-
Legal and professional	-	-	-	-	-	-	5,295	-	-	-	-	5,295
Repairs and maintenance	-	-	-	-	-	-	17,383	-	-	-	-	17,383
Insurance	-	-	-	-	-	-	11,078	-	-	-	-	11,078
Other expenses	-	-	-	-	-	94	14,709	-	-	-	-	14,803
In-kind match	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Total direct expenses	-	12,166	89,721	50,307	13,408	426,130	139,890	146,588	5,020	39,621	39,594	962,445
Indirect cost allocation	-	3,587	22,539	12,369	2,300	115,911	12,024	38,425	-	10,254	10,474	227,883
Total expenses	-	15,753	112,260	62,676	15,708	542,041	151,914	185,013	5,020	49,875	50,068	1,190,328
Net program income (loss)	20,000	8,073	8,873	(1,354)	(13,359)	60,364	23,552	(5,333)	(126)	(19,683)	6,637	87,644

See accompanying notes to financial statements

MASON COUNTY ACTION GROUP, INC.
Schedule of Support, Revenue and Expenses - Nutrition Programs
Year ended September 30, 2012

	Title III C-1	Title III C-2	Totals
Support and revenue:			
Federal grant awards	\$ 49,654	33,103	82,757
State grant awards	48,548	35,213	83,761
Program income	21,539	9,720	31,259
Funraising	-	-	-
In-kind matching revenues	-	-	-
Other income	-	-	-
Total support & revenue	119,741	78,036	197,777
Expenses:			
Salaries and benefits	48,926	26,207	75,133
Office supplies, printing & postage	-	-	-
Utilities	-	-	-
Travel and meetings	-	-	-
Transportation	-	-	-
Food and disposable supplies	72,514	51,190	123,704
Legal and professional	-	-	-
Repairs and maintenance	-	-	-
Insurance	-	-	-
Other expenses	-	-	-
In-kind match	-	-	-
Depreciation	-	-	-
Total direct expenses	121,440	77,397	198,837
Indirect cost allocation	16,635	7,624	24,259
Total expenses	138,075	85,021	223,096
Net program income (loss)	(18,334)	(6,985)	(25,319)

See accompanying notes to financial statements.

MASON COUNTY ACTION GROUP, INC.
Schedule of Support, Revenue and Expenses - Transportation Programs
Year ended September 30, 2012

	Private Pay	Title III B	Totals
Support and revenue:			
Federal grant awards	\$ -	17,311	17,311
State grant awards	-	13,495	13,495
Program income	1,215	924	2,139
Funraising	-	-	-
In-kind matching revenues	-	-	-
Other revenues	-	-	-
Total support & revenue	1,215	31,730	32,945
Expenses:			
Salaries and benefits	-	19,839	19,839
Office supplies, printing & postage	-	-	-
Utilities	-	-	-
Travel and meetings	-	-	-
Transportation	-	3,682	3,682
Food and disposable supplies	-	-	-
Legal and professional	-	-	-
Repairs and maintenance	-	-	-
Insurance	-	-	-
Other expenses	-	-	-
In-kind match	-	-	-
Depreciation	-	-	-
Total direct expenses	-	23,521	23,521
Indirect cost allocation	-	6,098	6,098
Total expenses	-	29,619	29,619
Net program income (loss)	1,215	2,111	3,326

See accompanying notes to financial statements.

Schedule of Support, Revenue and Expenses - Senior Services
Year ended September 30, 2012

	Elder Abuse	Title III B Senior Services	Title III D Medical Info. & Management	Community Partners	S.H.I.P.	Other	Title III E Caregiver Services	Totals
Support and revenue:								
Federal grant awards	\$ 460	16,339	2,371	-	11,000	-	12,224	42,394
Other grants and fees	-	-	144	22,438	-	4,106	-	26,688
Program income	-	-	-	-	-	-	-	-
Funraising	-	-	-	-	-	3,309	-	3,309
In-kind matching revenues	-	5,935	418	-	-	-	4,075	10,428
Other revenues	-	-	-	-	-	32,040	-	32,040
Total support & revenue	460	22,274	2,933	22,438	11,000	39,455	16,299	114,859
Expenses:								
Salaries and benefits	-	14,815	-	-	6,474	190	-	21,479
Office supplies, printing & postage	-	-	567	-	-	-	1,516	2,083
Utilities	-	-	-	-	-	500	6,465	6,965
Travel and meetings	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-
Food and disposable supplies	-	-	-	-	-	-	-	-
Legal and professional	-	-	-	-	-	-	-	-
Repairs and maintenance	-	-	-	-	-	8,353	4,000	12,353
Insurance	-	-	-	-	-	-	-	-
Other expenses	-	-	1,948	-	-	-	1,165	3,113
In-kind match	-	5,935	418	-	-	-	4,075	10,428
Depreciation	-	-	-	-	-	-	-	-
Total direct expenses	-	20,750	2,933	-	6,474	9,043	17,221	56,421
Indirect cost allocation	-	2,117	-	-	-	-	-	2,117
Total expenses	-	22,867	2,933	-	6,474	9,043	17,221	58,538
Net program income (loss)	460	(593)	-	22,438	4,526	30,412	(922)	56,321

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, 2012, and have issued my report thereon dated December 15, 2012. 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.

Internal Control over Financial Reporting

Management of Mason County Action Group is responsible for establishing and maintaining effective 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected timely.

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. I did not identify any deficiencies in internal control over financial reporting that I considered to be material weaknesses, as defined above.

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

**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***

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.

Alice M. Harris, CPA

Alice M. Harris, CPA
December 15, 2012

**MASON COUNTY ACTION GROUP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2012**

STATUS OF PRIOR YEAR FINDINGS: None