

# Spencer CPA & Associates, P.L.L.C.

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PO Box 2560  
Buckhannon, WV 26201  
(304)472-1928

235 N. River Avenue  
Weston, WV 26452  
(304)269-2269

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Member: American Institute of Certified Public Accountants • WV Society of Certified Public Accountants

**THE HARDY COUNTY COMMITTEE ON AGING, INC.**

**INDEPENDENT AUDITORS' REPORT AND  
RELATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2009**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The Hardy County Committee on Aging, Inc.  
Moorefield, West Virginia

We have audited the accompanying statement of financial position of The Hardy County Committee on Aging, Inc. (a nonprofit organization) as of September 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Hardy County Committee on Aging, Inc. as of September 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 29, 2010, on our consideration of The Hardy County Committee on Aging, Inc.'s internal control over financial reporting and 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 considered in assessing the results of our audit.

*Spencer CPA & Associates, PLLC*

Buckhannon, West Virginia  
June 29, 2010

**THE HARDY COUNTY COMMITTEE ON AGING, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2009**

**ASSETS**

Cash and cash equivalents	\$ 316,226
Certificates of deposits	133,361
Investments	19,962
Grants receivable	15,004
Accounts receivable	43,851
Supplies inventory	4,369
Prepaid expenses	5,772
Property and equipment, net	<u>2,632,372</u>

**TOTAL ASSETS** **\$ 3,170,917**

**LIABILITIES**

Mortgage payable	\$ 974,926
Accounts payable	17,402
Accrued OPEB liability	23,654
Accrued compensation	<u>73,028</u>

**TOTAL LIABILITIES** **1,089,010**

**NET ASSETS**

Unrestricted	1,837,600
Permanently restricted	<u>244,307</u>

**TOTAL NET ASSETS** **2,081,907**

**TOTAL LIABILITIES AND NET ASSETS** **\$ 3,170,917**

The accompanying notes are an integral part of this statement.

**THE HARDY COUNTY COMMITTEE ON AGING, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	Unrestricted Net Assets	Permanently Restricted Net Assets	Total (Memorandum Only)
<b>SUPPORT</b>			
Contributions	\$ 118,871	\$	\$ 118,871
Federal monies	130,519		130,519
State monies	275,524		275,524
NSIP monies	5,028		5,028
Program service fees	218,810		218,810
Interest income	2,259	1,211	3,470
Investment return		(8,839)	(8,839)
Rental income (net)	105,660		105,660
Net assets, expiration of time restrictions	(5,832)	5,832	
<b>TOTAL SUPPORT</b>	850,839	(1,796)	849,043
<b>EXPENSES</b>			
Program services	(713,419)		(713,419)
Management and general	(167,156)		(167,156)
<b>TOTAL EXPENSES</b>	(880,575)		(880,575)
<b>DECREASE IN NET ASSETS BEFORE INCOME TAXES</b>	(29,736)	(1,796)	(31,532)
<b>PROVISION FOR INCOME TAXES</b>	(4,725)		(4,725)
<b>DECREASE IN NET ASSETS</b>	(34,461)	(1,796)	(36,257)
<b>NET ASSETS, BEGINNING OF YEAR</b>	1,872,061	246,103	2,118,164
<b>NET ASSETS, END OF YEAR</b>	\$ 1,837,600	\$ 244,307	\$ 2,081,907

The accompanying notes are an integral part of this statement.

**THE HARDY COUNTY COMMITTEE ON AGING, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

FUNCTIONAL EXPENSES	Program Services									Support Services	Total all	
	LIFE Program	Title XIX	Community Care	Federal Title III-B Program	Federal Title III-D Program	Federal Title III-E Program	Elder Abuse	Federal Title III-C Programs	Other Programs	Total Program Services	Management & General	Accounts (Memorandum Only)
Personnel/manpower	\$ 84,126	\$ 124,519	\$ 45,069	\$ 45,307	\$	\$ 5,429	\$	\$ 110,010	\$ 96,974	\$ 511,434	\$ 81,796	\$ 593,230
Travel	588	25,309	15,325						37,117	78,339		78,339
Printing and supplies	1,181	2,237	2,334	35	1,104		268	455		7,614	8,397	16,011
Rawfood								38,213		38,213		38,213
Disposables								9,042		9,042		9,042
Caregiver support						1,906				1,906		1,906
Contract services	6,875									6,875	1,525	8,400
Transportation								10,698		10,698	6,794	17,492
Communications and utilities	13,416			3,056				4,794		21,266	191	21,457
Other	4,325	1,920	1,850	70		2,042		8,371	9,454	28,032	43,869	71,901
Depreciation											24,584	24,584
<b>Total Functional Expenses</b>	<b>\$ 110,511</b>	<b>\$ 153,985</b>	<b>\$ 64,578</b>	<b>\$ 48,468</b>	<b>\$ 1,104</b>	<b>\$ 9,377</b>	<b>\$ 268</b>	<b>\$ 181,583</b>	<b>\$ 143,545</b>	<b>\$ 713,419</b>	<b>\$ 167,156</b>	<b>\$ 880,575</b>

The accompanying notes are an integral part of this statement.

**THE HARDY COUNTY COMMITTEE ON AGING, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**Increase and (Decrease) in Cash and Cash Equivalents**

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in net assets	\$	(36,257)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation		75,564
Unrealized loss on investment		8,839
(Increase) decrease in assets:		
Grants receivable		(1,006)
Accounts receivable		(17,102)
Supplies inventory		9,712
Prepaid expense		(2,575)
Increase (decrease) in liabilities:		
Accounts payable		(1,450)
Accrued compensation		8,846
Accrued OPEB liability		23,654

NET CASH PROVIDED BY OPERATING ACTIVITIES 68,225

CASH FLOWS FROM FINANCING ACTIVITIES:

    Payments on mortgage payable (56,070)

NET CASH USED IN FINANCING ACTIVITIES (56,070)

CASH FLOWS FROM INVESTING ACTIVITIES:

    Increase in certificates of deposit (375)

    Purchases of property and equipment (65,806)

NET CASH USED IN INVESTING ACTIVITIES (66,181)

NET DECREASE IN CASH AND CASH EQUIVALENTS (54,026)

CASH AND CASH EQUIVALENTS, BEGINNING 370,252

CASH AND CASH EQUIVALENTS, ENDING \$ 316,226

SUPPLEMENTAL DISCLOSURE:

Cash paid during the year for:

    Interest paid \$ 69,387

    Income taxes paid \$ 4,725

The accompanying notes are an integral part of this statement.

**THE HARDY COUNTY COMMITTEE ON AGING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

Note 1. Summary of Significant Accounting Policies

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

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

Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

Grants Receivable

Contributions/grants are recognized when the donor/grantor makes a promise to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor/grantor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. The Organization uses the allowance method to determine collectibility of grants receivable. As of September 30, 2009, all grants receivable are deemed collectible.

Accounts Receivable

Accounts receivable represent amounts owed to the Organization for services provided to clients of the Organization under contracts with the West Virginia Department of Health and Human Resources - Medicaid Waiver and Community Care Programs. In addition, the Organization uses the allowance method for accounting for bad debts whereby an allowance for doubtful accounts is established based on the realization of the accounts receivable at year end. As of September 30, 2009, all accounts receivable are deemed collectible.

Supplies Inventory

Supplies inventory represents raw food, disposables and supplies purchased under the Title III-C grant and are recorded at lower of cost (first-in, first-out basis) or market.



**THE HARDY COUNTY COMMITTEE ON AGING, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 1. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment of the Organization is recorded at historical cost. The Organization uses the straight line method of depreciating fixed assets over their estimated useful lives. Certain equipment purchased with grant monies as identified on the statement of financial position must have approval from the grantor agency to dispose of such equipment and the method of disposition. The Organization has adopted a capitalization policy in the amount of \$500.

Income Taxes

The Organization is exempt from income taxes under the provisions of Internal Revenue Code Section 501(c)(3) in reference to its Senior services and activities provided to the public. However, the Organization does engage in and operate an unrelated business activity, as defined by the Internal Revenue Code, and therefore is required to pay, and does pay, federal and state income taxes on that activity.

Interest Expense

All interest expense incurred during the period has been expensed on the statement of activities.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash and cash equivalents.

Grant Monies

Grant monies are received in three ways:

- 1 - On a cost reimbursement basis for which the Organization requests reimbursement for monies already spent. This is utilized for the LIFE program.
- 2 - On an as needed basis in which the Organization requests monies that it feels it will need in the immediate future; this is utilized for Title III-B, Title-III-E, Title III-D, SHIP, and Elder Abuse grants. Upon completion of a grant year, any unexpended money has to be approved for carryover to the next year, but if approval is denied, the money has to be reimbursed to the grantor.
- 3 - Title III-C monies are received on a meal reimbursement basis but not to exceed the total grant award. Upon completion of the grant year, any unexpended monies are restricted for future Title III-C program operating expenses.

Total federal and state grant revenues for the year ended September 30, 2009 was \$411,071.

**THE HARDY COUNTY COMMITTEE ON AGING, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 1. Summary of Significant Accounting Policies (Continued)

Grant Monies (Continued)

Operating expenditures made against federal and state grants are subject to audit by the grantor agency. These agencies may subsequently make adjustments to the grant as originally awarded due to their audit findings.

Memorandum Totals

The accompanying financial statements reflect totals of all net assets and activities. The totals are shown for memorandum purposes only and do not reflect the elimination of interagency activities using principles of consolidation.

Note 2. Investments

Investments are stated at fair value and consist of common stock. Fair values and appreciation (depreciation) at September 30, 2009 are summarized below:

	<u>Cost</u>	<u>Fair Value</u>	<u>Appreciation (Depreciation)</u>
Investment, permanently restricted	\$ 4,513	\$ 19,962	\$ 15,449

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended September 30, 2009:

Net unrealized loss, permanently restricted	<u>\$ (8,839)</u>
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Note 3. Grants Receivable

Grants receivable consisted of the following at September 30, 2009:

LIFE grant	\$ 6,090
Elder abuse grant	268
Title III-C grant	7,818
Title III-D grant	828
	<u>\$ 15,004</u>

Note 4. Property and Equipment, net

Property and equipment consisted of the following at September 30, 2009:

Land	\$ 703,180
Building	2,309,319
Office equipment	295,606
	<u>3,308,105</u>
Less accumulated depreciation	675,733
Net property and equipment	<u>\$ 2,632,372</u>

**THE HARDY COUNTY COMMITTEE ON AGING, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 5. Retirement Program

Certain employees are eligible to be included in the Organization's retirement program. The employee contributes 4.5% of his/her gross wages which is combined with 9.5% contributed by The Hardy County Committee on Aging, Inc. The covered employees are eligible to draw benefits upon retirement. Service contributions, by the Organization, to the retirement program of \$19,390 are included in personnel/manpower costs on the respective statement of functional expenses.

Note 6. Lease Agreements

A lease agreement was entered into on January 12, 1987 between the Organization and the Henkel Addition Park for lot 12 of said Addition on Spring Avenue. This lease specifies that the lease term is for 99 years and the total lease amount was \$99 paid in full at the signing of the lease.

It was further agreed to that an attractive building would be erected along with a sign designating the property as the Henkel Addition Park and that the Organization would bear the cost of such sign. At the time of dissolution of the Organization, or for all practical purposes should it be unable to continue to serve the public, the lease shall become null and void, and all improvements and appurtenances placed on the property will become the property of Henkel Addition Park.

In accordance with the lease agreement, a brick building was constructed during 1989 with the majority of the monies contributed by the Hardy County Commission, through a Small Cities Block Grant from the State of West Virginia, and the remainder by The Hardy County Committee on Aging, Inc. Since a recent appraisal is not available for the land and building, a fair rental value was unable to be calculated and recorded as contributed support and rent expense in these financial statements.

Note 7. Long-Term Debt, Mortgage Payable

Long-term debt, mortgage payable, consisted of the following at September 30, 2009:

\$1,100,000, mortgage, dated May 18, 2007; 6.9% interest rate, payable in monthly installments of \$10,455, including principal and interest. Balloon payment due May 18, 2017, secured by deed of trust on Medical Building. \$ 974,926

Maturities of long-term debt, mortgage payable at September 30, 2009 are as follows:

Year ending September 30,	2010	\$ 60,064
	2011	64,342
	2012	68,924
	2013	73,833
	Other	707,763
		<u>\$ 974,926</u>

**THE HARDY COUNTY COMMITTEE ON AGING, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

Note 8. Permanently Restricted Assets

The statement of financial position includes the following assets which have been permanently restricted by the Circuit Court of Hardy County, West Virginia dated March 15, 1975 in reference to the Last Will and Testament of Edgar A. Hawse, deceased, for the development of a rest and retirement center.

Cash and cash equivalents	\$ 54,040
Certificates of deposit	51,226
Investment	19,962
Receivable	87,805
Land	31,274
Total permanently restricted assets	<u>\$ 244,307</u>

Note 9. Income Taxes

The provision for federal and state income taxes consists of the following at September 30, 2009:

Current taxes	\$ 4,725
Deferred taxes	<u>          </u>
	<u>\$ 4,725</u>

There is no provision for deferred income taxes as depreciation lives and methods are not materially different for reporting and income tax purposes.

Note 10. Rental Income, Net

The Organization rents space to five tenants on month to month operating leases. Rental income, net, consists of the following for the year ended September 30, 2009:

Rental income	\$ 239,446
Less: Mortgage interest	69,387
Depreciation	50,980
Repairs and maintenance	<u>13,419</u>
	<u>\$ 105,660</u>

**SUPPLEMENTAL INFORMATION**

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## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors  
The Hardy County Committee on Aging, Inc.  
Moorefield, West Virginia

Our report on our audit of the basic financial statements of The Hardy County Committee on Aging, Inc. for the year ended September 30, 2009 appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of revenues and receipts and expenditures-life funds 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 our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Spencer CPA & Associates, PLLC*

Buckhannon, West Virginia  
June 29, 2010

**THE HARDY COUNTY COMMITTEE ON AGING, INC.**  
**SCHEDULE OF REVENUES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u>Other Programs</u>	<u>Title XIX</u>	<u>Community Care</u>	<u>Federal Title III-B Program</u>	<u>Federal Title III-D Program</u>	<u>Federal Title III-E Program</u>	<u>Elder Abuse</u>	<u>Federal Title III-C Programs</u>	<u>SHIP</u>	<u>E.A. Hawse</u>	<u>Total all Accounts (Memorandum Only)</u>
<b>GRANT REVENUES</b>											
Federal monies	\$	\$	\$	\$ 27,566	\$ 894	\$ 7,033	\$ 268	\$ 87,758	\$ 7,000	\$	\$ 130,519
State monies through Area Agency on Aging				16,040				52,700			68,740
Life Monies	88,444			4,862	158	2,344					95,808
Other state monies	111,344							6,996			118,340
NSIP monies								5,028			5,028
<b>Total Grant Revenues</b>	<b>199,788</b>			<b>48,468</b>	<b>1,052</b>	<b>9,377</b>	<b>268</b>	<b>152,482</b>	<b>7,000</b>		<b>418,435</b>
<b>OTHER REVENUES</b>											
Program service fees	7,898	137,860	40,974					32,076			218,808
Local monies	111,508										111,508
Interest income	2,259									1,211	3,470
Investment return										(8,838)	(8,838)
Rental income (net)	105,660										105,660
<b>Total Other Revenues</b>	<b>227,325</b>	<b>137,860</b>	<b>40,974</b>					<b>32,076</b>		<b>(7,627)</b>	<b>430,608</b>
<b>Total Revenues</b>	<b>\$ 427,113</b>	<b>\$ 137,860</b>	<b>\$ 40,974</b>	<b>\$ 48,468</b>	<b>\$ 1,052</b>	<b>\$ 9,377</b>	<b>\$ 268</b>	<b>\$ 184,558</b>	<b>\$ 7,000</b>	<b>\$ (7,627)</b>	<b>\$ 849,043</b>

The accompanying independent auditors' report on supplemental information  
is an integral part of this schedule.

**THE HARDY COUNTY COMMITTEE ON AGING, INC.**  
**SCHEDULE OF RECEIPTS AND EXPENDITURES-LIFE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Award Period	Direct Services							Total Life Awards
	Award-Life FY2009, #2904	Federal Title III-C Program	Total Direct Life Awards	Federal Title III-B Program	Federal Title III-D Program	Federal Title III-E Program		
October, 2008	\$ 10,307	\$ 15,152	\$ 25,459	\$ 4,862	\$ 158	\$ 2,344	\$ 32,823	
November, 2008	10,173	11,916	22,089				22,089	
December, 2008	9,440	14,129	23,569				23,569	
January, 2009	10,245	11,540	21,785				21,785	
February, 2009	10,773	13,303	24,076				24,076	
March, 2009	23,291		23,291				23,291	
April, 2009	22,737		22,737				22,737	
May, 2009	22,468		22,468				22,468	
July, 2009	7,584		7,584				7,584	
August, 2009	2,508		2,508				2,508	
September, 2009	4,528	21,718	26,246				26,246	
Adjustment	(45,610)		(45,610)				(45,610)	
<b>Total receipts</b>	<b>88,444</b>	<b>87,758</b>	<b>176,202</b>	<b>4,862</b>	<b>158</b>	<b>2,344</b>	<b>183,566</b>	
Personnel/manpower	73,939	87,758	161,697	4,862		1,966	168,525	
Travel	588		588				588	
Printing and supplies					158		158	
Rawfood								
Disposables								
Caregiver support						378	378	
Training								
Transportation								
Communications and utilities	13,917		13,917				13,917	
Match expense								
Other								
<b>Total expenditures</b>	<b>88,444</b>	<b>87,758</b>	<b>176,202</b>	<b>4,862</b>	<b>158</b>	<b>2,344</b>	<b>183,566</b>	
Excess(deficit) of receipts over expenditures	\$	\$	\$	\$	\$	\$	\$	

The accompanying independent auditors' report on supplemental information  
is an integral part of this schedule.



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

To the Board of Directors  
The Hardy County Committee on Aging, Inc.  
Moorefield, West Virginia

We have audited the financial statements of The Hardy County Committee on Aging, Inc. (a nonprofit organization) as of and for the year ended September 30, 2009, and have issued our report thereon dated June 29, 2010. 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 Hardy County Committee on Aging, Inc.'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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our 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, 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 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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2009-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of 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 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, we believe the significant deficiency described above is not a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Hardy County Committee on Aging, Inc.'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*.

We noted certain matters that we have reported to management of The Hardy County Committee on Aging, Inc. in a separate letter dated June 29, 2010 and included in this audit report on pages 17 and 18.

This report is intended solely for the information and use of the board of directors, management, and West Virginia Bureau of Senior Services and is not intended to be and should not be used by anyone other than these specified parties.

*Spencer CPA & Associates, PLLC*

Buckhannon, West Virginia  
June 29, 2010

**THE HARDY COUNTY COMMITTEE ON AGING, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**SEPTEMBER 30, 2009**

**A. Reportable Conditions in Internal Control**

**2009-01 Segregation of Duties**

Condition: We noted during our audit that The Hardy County Committee on Aging, Inc. did not have adequate segregation of duties in the financial and accounting office.

Criteria: During our analysis of internal control, we noted that duties related to the custody of assets, authorization of transactions, accounting function, and the record keeping responsibility are not properly separated.

Cause: The financial and accounting department consists of only two employees and a fee accountant. The office staff at The Hardy County Committee on Aging, Inc. is not adequate enough to have proper segregation of duties.

Effect: Because of the failure to segregate duties, internal accounting control does not reduce to a relatively low level the risk that irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: Responsibilities of accounting and financial duties should be distributed among office staff to the best degree possible to assure proper segregation of duties. However, we recognize the District is not large enough to obtain complete segregation of duties from a financial standpoint.

# Spencer CPA & Associates, P.L.L.C.

PO Box 2560  
Buckhannon, WV 26201  
(304)472-1928

235 N. River Avenue  
Weston, WV 26452  
(304)269-2269

Member: American Institute of Certified Public Accountants • WV Society of Certified Public Accountants

## MANAGEMENT LETTER

To the Board of Directors  
The Hardy County Committee on Aging, Inc.  
Moorefield, West Virginia

Our audit of the financial statements of The Hardy County Committee on Aging, Inc. (a nonprofit organization) for the year ended September 30, 2009 highlighted areas where we would like to make recommendations which we feel would improve the internal control, accounting procedures, and internal financial information of the Organization. Since our audit was not designed to include a complete review of all systems, procedures, and controls, the following comments and recommendations should not be considered as being all inclusive of the areas where improvements may be necessary.

### Segregation of Duties

During our audit we noted that two employees and a fee accountant perform most of the accounting and financial duties. As a result, many aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in The Hardy County Committee on Aging, Inc. We recognize that the Organization is not large enough to make the employment of additional people for the purpose of segregating duties practicable from a financial standpoint, but we are required, under our professional responsibilities, to describe the situation.

### Supplies Inventory

During our testing of the nutrition inventory listing at September 30, 2009, we noted that one inventory item did not have a "unit price" assigned. This unit price should be entered for all inventory items listed and should be multiplied by the "quantity" to arrive at the total cost to ensure proper accounting of inventory cost. Also, we noted instances where the quantity multiplied by the unit price did not agree to the total. Care should be exercised to ensure that totals are properly calculated to ensure proper accounting of inventory.

### Outstanding Checks

Our audit work disclosed that checks outstanding for more than six months were still being carried on the cash reconciliations. Our suggestion would be to reissue these checks to the original payees after contacting the respective parties in reference to the original checks issued. If no contact can be made with the original payee, the amount should be remitted to the State of West Virginia as unclaimed property.

After you have had an opportunity to review these comments and recommendations, we would be pleased to discuss those points which you desire. We would like to thank your staff for their assistance in performing the audit and the Board of Directors for the opportunity to serve The Hardy County Committee on Aging, Inc.

*Spencer CPA & Associates, PLLC*

Buckhannon, West Virginia  
June 29, 2010