

MOHAWK VALLEY
COMMUNITY ACTION
AGENCY, INC.

For the Years Ended
July 31, 2005 and 2004

FINANCIAL STATEMENTS
AND
COMPLIANCE REPORTS

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

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D'Arcangelo & Co., LLP

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Independent Auditor's Report

Board of Directors

Mohawk Valley Community Action Agency, Inc.

We have audited the accompanying statements of financial position of Mohawk Valley Community Action Agency, Inc. as of July 31, 2005 and 2004, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards, 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 audits 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 audits provide 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 Mohawk Valley Community Action Agency, Inc. as of July 31, 2005 and 2004, and the changes in its net assets and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2005, on our consideration of Mohawk Valley Community Action Agency 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.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Mohawk Valley Community Action Agency, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and 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 financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

D'Arcangelo & Co. LLP

November 18, 2005

Utica, New York

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
STATEMENTS OF FINANCIAL POSITION
July 31, 2005 and 2004

	2005	2004
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 627,381	\$ 555,679
Fees and Grants Receivable	399,307	411,744
Other Receivables	15,430	31,896
Prepaid Expenses	<u>30,819</u>	<u>25,071</u>
Total Current Assets	<u>1,072,937</u>	<u>1,024,390</u>
Investments	<u>708</u>	<u>708</u>
Property		
Land	118,645	118,645
Building and Improvements	1,391,910	1,391,910
Furniture, Equipment, and Vehicles	1,527,596	1,513,728
Leasehold Improvements	<u>29,883</u>	<u>29,883</u>
Total Property	3,068,034	3,054,166
Accumulated Depreciation	<u>1,217,032</u>	<u>1,062,048</u>
Net Property	<u>1,851,002</u>	<u>1,992,118</u>
Total Assets	<u>\$ 2,924,647</u>	<u>\$ 3,017,216</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 281,979	\$ 362,643
Accrued Expenses	265,965	264,702
Refundable Advance	251,754	223,511
Deferred Revenue	205,318	118,242
Other Liabilities	<u>35,564</u>	<u>28,748</u>
Total Current Liabilities	<u>1,040,580</u>	<u>997,846</u>
Net Assets		
Temporarily Restricted	<u>3,972</u>	<u>0</u>
Unrestricted		
Available for Operations	29,093	27,252
Investment in Property	<u>1,851,002</u>	<u>1,992,118</u>
Total Unrestricted Net Assets	<u>1,880,095</u>	<u>2,019,370</u>
Total Net Assets	<u>1,884,067</u>	<u>2,019,370</u>
Total Liabilities and Net Assets	<u>\$ 2,924,647</u>	<u>\$ 3,017,216</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended July 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Changes in Unrestricted Net Assets		
Support and Revenue		
Fees and Grants from Governmental Agencies	\$ 10,791,534	\$ 10,976,843
Section 8 Housing Assistance	1,245,568	1,280,498
Contributions and In-Kind Support	2,027,471	1,878,180
Program Revenue	160,391	110,144
Daycare Fees	246,777	227,877
Rental Income	26,315	36,563
United Way	39,751	59,049
Administrative Fees	206,953	238,716
Interest	5,529	2,079
City of Rome	40,138	51,204
Miscellaneous	48,024	41,628
Total Support and Revenue	<u>14,838,451</u>	<u>14,902,781</u>
Expenses		
Program Services		
Child Development	8,854,223	8,708,480
Housing	3,029,347	3,163,120
Family Resource	1,135,159	1,106,922
Youth Services	906,465	709,048
Total Program Services	13,925,194	13,687,570
Management and General	1,052,532	1,138,399
Total Expenses	<u>14,977,726</u>	<u>14,825,969</u>
Increase (Decrease) in Unrestricted Net Assets	<u>(139,275)</u>	<u>76,812</u>
Changes in Temporarily Restricted Net Assets		
Contributions	<u>3,972</u>	<u>0</u>
Increase (Decrease) in Net Assets	<u>(135,303)</u>	<u>76,812</u>
Net Assets, Beginning of Year	<u>2,019,370</u>	<u>1,942,558</u>
Net Assets, End of Year	<u>\$ 1,884,067</u>	<u>\$ 2,019,370</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended July 31, 2005

	Program Services					Total	
	Child Development	Housing	Family Resource	Youth Services	Total Program Services		Management and General
Personnel	\$ 4,298,866	\$ 579,448	\$ 672,871	\$ 370,328	\$ 5,921,513	\$ 613,477	\$ 6,534,990
Fringe	1,032,505	160,013	142,936	102,524	1,437,978	149,774	1,587,752
Out of Town	7,744	3,502	2,654	3,244	17,144	28,744	45,888
Supplies	197,288	41,465	17,217	48,388	304,358	27,361	331,719
Contractual	446,924	1,770,070	11,861	84,823	2,313,678	36,890	2,350,568
Other	920,904	368,352	120,641	77,663	1,487,560	111,975	1,599,535
Common Costs	20,138	44,016	46,118	20,415	130,687	77,310	207,997
In-Kind Expenses	1,704,102	0	115,170	188,083	2,007,355		2,007,355
Depreciation And Loss On Disposal	225,752	62,481	5,691	10,997	304,921	7,001	311,922
	<u>\$ 8,854,223</u>	<u>\$ 3,029,347</u>	<u>\$ 1,135,159</u>	<u>\$ 906,465</u>	<u>\$ 13,925,194</u>	<u>\$ 1,052,532</u>	<u>\$ 14,977,726</u>
Total Expenses							

The Accompanying Notes are an Integral Part of These Financial Statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended July 31, 2004

	Program Services					Total	
	Child Development	Housing	Family Resource	Youth Services	Total Program Services		Management and General
Personnel	\$ 4,175,905	\$ 599,649	\$ 690,293	\$ 358,891	\$ 5,824,738	\$ 655,573	\$ 6,480,311
Fringe	959,890	167,952	158,583	103,082	1,389,507	169,486	1,558,993
Out of Town	24,526	2,503	2,509	5,297	34,835	54,500	89,335
Supplies	227,734	40,138	12,053	27,976	307,901	32,499	340,400
Contractual	493,749	1,971,522	16,038	61,625	2,542,934	29,442	2,572,376
Other	877,586	282,359	118,998	51,924	1,330,867	133,750	1,464,617
Common Costs	29,288	41,148	48,175	18,561	137,172	56,151	193,323
In-Kind Expenses	1,721,959	0	54,977	80,584	1,857,520	0	1,857,520
Depreciation And Loss On Disposal	197,843	57,849	5,296	1,108	262,096	6,998	269,094
	<u>\$ 8,708,480</u>	<u>\$ 3,163,120</u>	<u>\$ 1,106,922</u>	<u>\$ 709,048</u>	<u>\$ 13,687,570</u>	<u>\$ 1,138,399</u>	<u>\$ 14,825,969</u>
Total Expenses							

The Accompanying Notes are an Integral Part of These Financial Statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended July 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash Flows from (Used by) Operating Activities		
Increase (Decrease) in Net Assets	\$ (135,303)	\$ 76,812
Adjustments for Noncash Transactions		
Depreciation of Property and Equipment	299,192	266,581
Loss on Disposal of Equipment	12,730	2,567
Donation of Property and Equipment	0	(1,570)
Changes in:		
Receivables	28,903	126,774
Prepaid Expenses	(5,748)	5,355
Accounts Payable	(80,664)	71,960
Accrued Expenses	1,263	(145,540)
Refundable Advance	28,243	(35,659)
Deferred Revenue	87,076	19,753
Other Liabilities	6,816	3,075
Net Cash Flows from Operating Activities	<u>242,508</u>	<u>390,108</u>
Cash Flows (Used by) Investing Activities		
Acquisitions of Property and Equipment	<u>(170,805)</u>	<u>(339,725)</u>
Net Increase in Cash and Cash Equivalents	71,703	50,383
Cash and Cash Equivalents, Beginning of Year	<u>555,679</u>	<u>505,296</u>
Cash and Cash Equivalents, End of Year	<u>\$ 627,382</u>	<u>\$ 555,679</u>
Supplemental Cash Flow Disclosures		
In-Kind Revenue	<u>\$ 2,007,355</u>	<u>\$ 1,859,090</u>
In-Kind Expense	<u>\$ 2,007,355</u>	<u>\$ 1,857,520</u>
Donation of Property and Equipment	<u>\$ 0</u>	<u>\$ 1,570</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

The Mohawk Valley Community Action Agency, Inc. (The Agency) is a nonprofit corporation formed to encourage and coordinate the development of community programs designed to eliminate poverty and to develop research and evaluation procedures in connection with all programs designed to aid in the struggle against poverty in Oneida and Herkimer Counties of the State of New York. The Agency also provides childcare services as part of its overall mission. The Agency's support comes primarily from fees and grants from governmental agencies and in-kind contributions.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S generally accepted accounting principles.

Basis of Presentation

The Agency reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted net assets and permanently restricted net assets. The Agency does not have any permanently restricted net assets. Accordingly, net assets of the Agency and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed restrictions.

Contributions and Donations

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

The Agency's donations include, but are not limited to, equipment, clothing, services, office space, and food. All donations are reflected in the Agency's financial statements. Donations other than cash are recorded at fair market value at the date of the gift.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

In addition, many skilled and unskilled individuals have contributed a significant amount of time to the Agency without compensation. In-kind contributions of \$2,007,355 and \$1,857,520 for 2005 and 2004, respectively, have been recognized as in-kind revenue and expense by the Agency in accordance with U.S. generally accepted accounting principles. In addition, the Agency received unskilled services that do not meet the recognition requirement of US GAAP. Management estimates these services had a value of \$534,269 and \$164,679 for 2005 and 2004, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Cash and Cash Equivalents

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

Receivables

The Agency considers its receivables to be fully collectible at July 31, 2005 and 2004; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Refundable Advance and Revenue Recognition

Amounts received from grants (principally governmental) are recognized as income to the extent of related services and/or expenses incurred. Unspent amounts are recorded in the statement of financial position as a refundable advance, and deferred revenue includes amounts by which revenue exceeds expenditures and have been unearned to date.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair values with gains and losses included in the Statement of Activities.

Property

The Agency capitalizes all expenditures for property and equipment in excess of \$1,000. Donated property is recorded at cost or fair market value at the date of receipt. Improvements are capitalized and repairs and maintenance are charged to expense as they are incurred.

Depreciation is provided on the straight-line method over the estimated useful lives of the assets as follows:

Building and Improvements	5-20 Years
Furniture	5-7 Years
Equipment	3-10 Years
Vehicles	5 Years

Leasehold improvements are depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvement.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses were allocated according to specific identification and management estimates.

Natural classifications on the Statement of Functional Expenses include contractual expenditures, which consist primarily of subcontractor labor and materials, space rental, grants to homeowners, and housing assistance payments. Also, other expenditures consist primarily of equipment maintenance and leasing, local travel, training and conference expenses, utilities, in-house materials, food, and repairs and maintenance.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Indirect Cost Rate

The Agency uses an indirect cost rate for the purposes of allocating indirect costs. The methodology used to develop the indirect cost rate was approved by the U.S. Department of Health and Human Services, which serves as the Agency's Federal Cognizant Agent.

The costs, bases and methods of allocation per the plan were in accordance with the provisions of OMB Circular A-122, Cost Principles for Nonprofit organizations. The actual indirect cost rates for the years ended July 31, 2005 and 2004 were 10.35% and 11.24%, respectively. The Agency's rates are based on actual costs of \$1,052,532 and \$1,138,399, respectively, and a total direct cost base of \$10,173,039 and \$10,130,257, respectively.

NOTE 2 CONCENTRATION OF CREDIT RISK FOR CASH DEPOSITS AT BANKS

Financial instruments that potentially subject the Agency to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At July 31, 2005 and 2004, the Agency had approximately \$2,172 and \$0 in excess of the FDIC insured limits, respectively.

NOTE 3 REPURCHASE AGREEMENT – SWEEP ACCOUNT

The Agency routinely enters into short-term repurchase agreements. The Agency does not require collateral to be pledged. All securities are under the name of the Agency. The Agency's investments were as follows:

<u>Year/Type</u>	<u>Maturity</u>	<u>Rate</u>	<u>PAR</u>	<u>Cost and Market Amount</u>
At July 31, 2005				
Gov't Nat'l Mtg	02/15/18	1.5%	\$ 613,101	\$ 621,991
At July 31, 2004				
Gov't Nat'l Mtg	07/08/12	.25%	\$ 530,602	\$ 535,708

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 TAXABLE STATUS

The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and utilizes July 31 as its fiscal year end. The Agency has also been determined to be other than a private foundation as described in Section 509 (a)(1) of the Internal Revenue Code.

NOTE 5 UNRESTRICTED NET ASSETS

The Agency has allocated its unrestricted net assets into two classes: available for operations and investment in property. Unrestricted net assets available for operations of \$29,093 and \$27,252 at July 31, 2005 and 2004, respectively, consist of surplus funds to be used for operational or program activities not supported by a funding source. Unrestricted net assets invested in property consists of \$1,851,002 and \$1,992,118 at July 31, 2005 and 2004, respectively, of capitalized assets net of accumulated depreciation.

NOTE 6 RENTAL ASSISTANCE PROGRAM

The Agency entered into agreements with 10 towns and villages of Oneida County to administer their Federal Rental Assistance programs. Each year, the towns and villages enter into a grant agreement with the Federal government to receive funds under this program. Awarded funds are received and deposited by the towns and villages. The governmental entities then transfer the amounts to the Agency who disburses the money for them. During the years ended July 31, 2005 and 2004, the Agency administered \$1,245,569 and \$1,280,498, respectively, of rental assistance payments.

The Agency is paid an administrative fee by the towns and villages for its administrative duties, which it carries out on behalf of the entities. The total administrative fees received by the Agency for the years ended July 31, 2005 and 2004 were \$159,653 and \$173,346, respectively.

NOTE 7 COMPENSATED ABSENCES

Included in accrued expenses is a liability for future payments of accrued vested vacation wages, which amounted to \$73,837 and \$62,576 at July 31, 2005 and 2004, respectively. Under the terms of the existing personnel manual, the Agency's employees receive annual vacation leave. The number of days allowed is dependent on the employees' years of service. Vacation leave represents the only leave paid to employees upon termination.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 8 OPERATING LEASES

The Agency has several noncancelable leases which expire through June 30, 2010. Leases with respect to program sites generally do not exceed a one-year period or the remainder of the grant contracts funding the program, and most have an option to renew for additional years. Total rent expense related to these leases amounted to \$430,396 and \$415,166 for the years ended July 31, 2005 and 2004, respectively.

The following is a schedule of future minimum rental payments required under the above-mentioned leases as of July 31, 2004:

<u>Year Ending July 31</u>	<u>Minimum Rental Payments</u>
2006	\$ 399,096
2007	53,216
2008	7,632
2009	7,632
2010	<u>6,996</u>
Total	<u>\$ 474,572</u>

NOTE 9 CONTINGENT LIABILITY TO GRANTORS

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal and State governments. Disallowance, if any, could result in a claim for refund. No such claims have been made and none are anticipated.

New York State Homeless Housing Assistance Corporation

The New York State Homeless Housing Assistance Corporation (HHAC) provided \$219,265 to the Agency to acquire, rehabilitate and operate two duplexes to provide housing for homeless people. The mortgage is for twenty years at no interest, with no schedule of payments, and will be forgiven at the end of the term, which began on the date of occupancy (December 1, 1996). Under the term of the agreement, the property must be used to provide housing for homeless people for twenty years and may not be sold or transferred without the prior written consent of HHAC. If the project does not comply with the terms of the agreement, the amount provided will become in default and immediately due and payable.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 CONTINGENT LIABILITY TO GRANTORS (Continued)

U.S. Department of Health and Human Services

The U.S. Department of Health and Human Services (HHS) provided \$675,000 to the Agency to purchase the property known as the Cornerstone Building. In addition, HHS transferred the property known as the Calvary Building to the Agency with an estimated market value of \$323,000 at the date of transfer. These properties are subject to certain conditions which include not using the properties for any purposes inconsistent with its intended purpose and regulations. The properties may not be mortgaged, or otherwise used as collateral, sold or transferred to another party without the written permission of HHS.

**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

Mohawk Valley Community Action Agency, Inc.

We have audited the financial statements of Mohawk Valley Community Action Agency, Inc. as of and for the year ended July 31, 2005, and have issued our report thereon dated November 18, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Mohawk Valley Community Action Agency, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mohawk Valley Community Action Agency, 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 reported to management of Mohawk Valley Community Action Agency, Inc. in a separate letter dated November 18, 2005.

This report is intended solely for the information and use of management, the Board of Directors, 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.

D'Arcangelo & Co., LLP

November 18, 2005

Utica, New York

**Report on Compliance With Requirements Applicable to Each Major Program and
on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Board of Directors
Mohawk Valley Community Action Agency, Inc.

Compliance

We have audited the compliance of Mohawk Valley Community Action Agency, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major Federal programs for the year ended July 31, 2005. Mohawk Valley Community Action Agency, Inc.'s major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Mohawk Valley Community Action Agency, Inc.'s management. Our responsibility is to express an opinion on Mohawk Valley Community Action Agency, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that 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 occurred. An audit includes examining, on a test basis, evidence about Mohawk Valley Community Action Agency, 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 on Mohawk Valley Community Action Agency, Inc.'s compliance with those requirements.

In our opinion, Mohawk Valley Community Action Agency, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended July 31, 2005.

Internal Control Over Compliance

The management of Mohawk Valley Community Action Agency, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Mohawk Valley Community Action Agency, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Directors, 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.

D'Arcangelo & Co., LLC

November 18, 2005

Utica, New York

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended July 31, 2005

Program Title	Federal CFDA Number	Grant Year	Grant Number	Total Expenditures Through July 31, 2005	Expenditures For The Year Ended July 31, 2005
Major Programs					
Department of Health and Human Services (Direct)					
Head Start	93.600	05/06	02CH1194/40	\$ 1,043,618	\$ 1,043,618
Head Start (Includes Early Head Start)	93.600	04/05	02CH1194/39	6,927,199	5,874,994
(Pass-through NYS Dept. of State)					
Community Services Block Grant	93.569	04/05	C005428-05	13,727	13,727
Community Services Block Grant (Subrecipient: JCTOD Outreach, Inc. \$5,000)	93.569	03/04	C005428-04	674,344	157,132
Community Services Block Grant	93.569	02/03	C005428-03	591,109	591,109
Total Department of Health and Human Services				<u>\$ 9,249,997</u>	<u>\$ 7,680,580</u>
Department of Agriculture (Pass-through NYS Dept of Health)					
Child and Adult Care Food Program	10.558	04/05	2050	347,262	286,712
Child and Adult Care Food Program	10.558	05/06	2050	90,568	90,568
Total Department of Agriculture				<u>\$ 437,830</u>	<u>\$ 377,280</u>
Corporation for National and Community Service (Direct)					
Foster Grandparent Program	94.011	05/06	04SFANY005	71,622	71,622
Foster Grandparent Program	94.011	04/05	02SFANY005	203,642	129,091
Total Corporation for National and Community Service				<u>\$ 275,264</u>	<u>\$ 200,713</u>
Department of Housing and Urban Development (Pass-through Individual Municipalities - See Schedule of Pass-through Entities)					
Section 8 Housing Choice Voucher Program	14.871	Administration	-	159,653	159,653
Section 8 Housing Choice Voucher Program	14.871	04/05	-	822,001	822,001
Section 8 Housing Choice Voucher Program	14.871	03/04	-	423,568	423,568
(Direct)					
Section 8 Housing Choice Voucher Program	14.871	04/05	-	47,299	47,299
Total Department of Housing and Urban Development				<u>\$ 1,452,521</u>	<u>\$ 1,452,521</u>
Total Major Programs				<u>\$ 11,415,612</u>	<u>\$ 9,711,094</u>

(Continued)

See Independent Auditor's Report on Schedule of Expenditures of Federal Awards.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended July 31, 2005

Program Title	Federal CFDA Number	Grant Year	Grant Number	Total Expenditures Through July 31, 2005	Expenditures For The Year Ended July 31, 2005
Other Federal Assistance					
Department of Health and Human Services:					
(Direct)					
Runaway and Homeless Youth	93.623	03/04	02CY0152/02	\$ 126,918	\$ 8,029
Runaway and Homeless Youth	93.623	04/05	02CY0152/03	113,651	113,651
Transitional Living for Homeless Youth	93.550	04/05	02CX0035/03	184,998	184,998
Transitional Living for Homeless Youth	93.550	03/04	02CX0035/02	291,390	90,758
(Pass-through Oneida County)					
Parent Aide	93.667	2004	14901	187,930	71,503
Parent Aide	93.667	2005	14901	108,005	108,005
(Pass-through Oswego County Opportunities, Inc.)					
Street Outreach	93.557	03/04	-	25,000	1,374
Street Outreach	93.557	04/05	-	25,204	25,204
(Pass-through NYS Division of Housing and Community Renewal)					
Low-Income Home Energy Assistance	93.568	05/06	C090048	15,605	15,605
Low-Income Home Energy Assistance	93.568	04/05	C090048	679,394	497,422
(Pass-through NYS Office of Children & Family Services)					
Adolescent Pregnancy Prevention (Subrecipients: Cosmopolitan Center \$15,999;	93.558	04/05	C023139	118,809	86,539
Family Nurturing Center \$13,123)					
Adolescent Pregnancy Prevention (Subrecipients: Cosmopolitan Center \$10,437;	93.558	05/06	C023139	45,767	45,767
Family Nurturing Center \$7,227)					
(Pass-through NYS Office of Temporary and Disability Assistance)					
Total Department of Health and Human Services				\$ 1,922,671	\$ 1,248,855

(Continued)

See Independent Auditor's Report on Schedule of Expenditures of Federal Awards.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended July 31, 2005

Program Title	Federal CFDA Number	Grant Year	Grant Number	Total Expenditures Through July 31, 2005	Expenditures For The Year Ended July 31, 2005
Department of Housing and Urban Development (Pass-through City of Rome)					
Community Development Block Grant/ Small Cities Program	14.219	99/05	B-99-MC-36-0106	\$ 119,642	\$ 40,138
(Pass-through NYS Housing Trust Fund Corporation)					
HOME Investment Partnerships Program	14.239	02/06	20010017	\$ 299,731	\$ 139,795
Total Department of Housing and Urban Development				<u>\$ 419,373</u>	<u>\$ 179,933</u>
Department of Energy					
(Pass-through NYS Division of Housing and Community Renewal)					
Weatherization Assistance for Low-Income Persons	81.042	05/06	C090048	\$ 339,930	\$ 339,930
Weatherization Assistance for Low-Income Persons	81.042	04/05	C090048	\$ 388,767	\$ 241,651
Total Department of Energy				<u>\$ 728,697</u>	<u>\$ 581,581</u>
Federal Emergency Management Agency					
(Pass-through Oneida & Herkimer County)					
Emergency Management Food and Shelter Program	83.523	04/05	-	\$ 5,035	\$ 5,035
Emergency Management Food and Shelter Program	83.523	03/04	-	\$ 7,507	\$ 1,768
Total Federal Emergency Management Agency				<u>\$ 12,542</u>	<u>\$ 6,803</u>
Total Other Federal Assistance				<u>\$ 3,083,283</u>	<u>\$ 2,017,172</u>
Total Federal Awards				<u>\$ 14,498,895</u>	<u>\$ 11,728,266</u>

See Independent Auditor's Report on Schedule of Expenditures of Federal Awards.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF SECTION 8 RENTAL VOUCHER
PROGRAM PASS-THROUGH ENTITIES

For the Year Ended July 31, 2005

Housing Authority	Pass-Through and Project Number	Contribution Number	Expenditures		Total	Administration
			2003-04	2004-05		
Town of Camden	NY542VO0015	NY-1051	\$ 23,400	\$ 113,117	\$ 136,517	\$ 18,607
Town of Clayville	NY525VO0017	NY-1050	8,565	42,912	51,477	8,935
Village of Clinton	NY418VO0011	NY-1102	25,627	34,307	59,934	8,918
Town of Forestport	NY425VO0014	NY-1110	83,712	37,702	121,414	13,065
Town of New Hartford	NY423VO0007	NY-1095	47,012	61,861	108,873	12,422
Village of New Hartford	NY552VO0014	NY-1108	147,495	196,791	344,286	43,298
Village of Sylvan Beach	NY419VO0007	NY-1104	30,817	47,208	78,025	12,440
Town of Vernon	NY533VO0012	NY-1047	15,587	78,531	94,118	11,831
Village of Waterville	NY524VO0014	NY-1049	13,000	65,292	78,292	9,436
Town of Whitestown	NY524VO0013	NY-1083	28,353	144,280	172,633	20,701
Total			<u>\$ 423,568</u>	<u>\$ 822,001</u>	<u>\$ 1,245,569</u>	<u>\$ 159,653</u>

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended July 31, 2005

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards administered by Mohawk Valley Community Action Agency, Inc., an entity as defined in Note I to the Agency's financial statements. Federal awards received directly from Federal agencies as well as Federal awards passed through from other government agencies are included on the schedule.

Basis of Accounting

The amounts reported as Federal expenditures were obtained from the financial records detail, which is the source of the financial statements.

Cluster Programs

The following programs are identified by "OMB Circular A-133 Compliance Supplement" to be part of a cluster of programs:

- Foster Grandparent Program (CFDA #94.011)
- Community Development Block Grant/Small Cities Program (CFDA #14.219)

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended July 31, 2005

A. Summary of Auditor's Results

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major Federal programs?	No
Were there any other reportable internal control weakness conditions reported for major Federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	<ol style="list-style-type: none"> 1. Section 8 Housing Choice Voucher Program (CFDA No. 14.871) 2. Head Start USDA (CFDA No. 10.558) 3. Head Start and Early Head Start (CFDA No. 93.600) 4. Community Services Block Grant, (CFDA No. 93.569) 5. Foster Grandparent Program (CFDA No. 94.011)
Dollar Threshold: Type A\B Programs	\$ 351,848
Low Risk Auditee?	Yes

B. Findings – Financial Statements Audit

None.

C. Findings – Major Federal Award Programs Audit

None.

MOHAWK VALLEY COMMUNITY ACTION AGENCY, INC.
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED
COSTS - FEDERAL COMPLIANCE REQUIREMENTS
For the Year Ended July 31, 2005

None.