

**RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
JUNE 30, 2010, AND 2009**

DHHR - Finance

MAR 9 2011

Date Received



SEACHRIST, KENNON & MARLING, A.C.
CERTIFIED PUBLIC ACCOUNTANTS

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
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SEACHRIST, KENNON & MARLING, A.C.

CERTIFIED PUBLIC ACCOUNTANTS * BUSINESS CONSULTANTS

Craig K. Seachrist, CPA, CVA
Diana L. Kennon, CPA, CVA
Ronnie L. Marling, CPA, CFE
James M. Riley, CPA
Julie A. Kerns, CPA
Chantelle S. Parrish, CPA

Wheeling Office

21 Warden Run Road
Wheeling, WV 26003
Telephone: (304) 233-0141
Fax: (304) 233-1226
E-mail: cpa@skmcpa.com

www.skmcpa.com

Ohio Office

46210 Country Lake Drive
St. Clairsville, OH 43950

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ritchie County Primary Care Association, Inc.
Harrisville, West Virginia

We have audited the accompanying balance sheets of Ritchie County Primary Care Association, Inc. (a nonprofit corporation) as of June 30, 2010 and 2009, and the related statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our 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 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 Ritchie County Primary Care Association, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years 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 our report dated November 15, 2010, on our consideration of Ritchie County Primary Care Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audits performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Ritchie County Primary Care Association, Inc taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the West Virginia Department of Health and Human Resources and the 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 audits 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.

Seachrist, Kannon E. Mphling, A.C.

Wheeling, West Virginia
November 15, 2010

DHHR - Finance

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RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
BALANCE SHEETS
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents - Note 2	\$ 96,759	\$ 68,793
Patient receivables, net - Note 2	137,217	164,761
Prepaid expenses and deposits	3,455	5,899
Total current assets	<u>237,431</u>	<u>239,453</u>
Property and equipment - Note 2		
Building improvements	744,241	485,317
Furniture and fixtures	252,738	233,054
Equipment	236,708	205,346
	<u>1,233,687</u>	<u>923,717</u>
Less: Accumulated depreciation	605,431	499,180
	<u>628,256</u>	<u>424,537</u>
Other Assets	<u>12,791</u>	<u>13,581</u>
Total Assets	<u>\$ 878,478</u>	<u>\$ 677,571</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 62,959	\$ 57,547
Line of credit	24,662	79,662
Accrued payroll and related liabilities	134,361	119,133
Current portion of long term debt	20,671	20,968
Total current liabilities	<u>242,653</u>	<u>277,310</u>
Long Term Liabilities:		
Long Term Debt	<u>31,569</u>	<u>51,515</u>
Total Liabilities	<u>274,222</u>	<u>328,825</u>
Net assets:		
Unrestricted	604,256	308,746
Temporarily restricted - Note 2	-	40,000
Total net assets	<u>604,256</u>	<u>348,746</u>
Total Liabilities and Net Assets	<u>\$ 878,478</u>	<u>\$ 677,571</u>

The accompanying notes are an integral part of these financial statements

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>Revenues, Gains and Other Support</u>		
Net patient service revenue - Note 2	\$ 1,279,485	\$1,646,195
School-based health center funding - Note 5	56,100	56,100
Grant revenue	1,016,924	622,275
Other revenue	10,899	80,283
Net assets released from restrictions	40,000	40,000
Total Revenues, Gains and Other Support	<u>2,403,408</u>	<u>2,444,853</u>
 <u>Expenses</u>		
Salaries and wages	1,439,379	1,715,158
Payroll taxes and benefits	228,923	311,159
Purchased services	46,259	45,991
Supplies	71,073	111,195
Depreciation	106,251	141,095
Insurance	6,265	15,680
Legal and accounting	15,405	16,390
Repairs and maintenance	77,204	71,299
Facility rent and utilities	68,764	96,845
Telephone	44,072	50,421
Interest	10,898	12,836
Advertising and promotions	13,488	7,023
Healthcare provider tax - Note 10	-	6,521
CIP Stimulus Expenses	17,053	-
Other	146,649	99,279
Total Expenses	<u>2,291,683</u>	<u>2,700,892</u>
 Excess (deficiency) of revenues, gains and other support over expenses before other items		
	<u>111,725</u>	<u>(256,039)</u>
 <u>Other Income and Expenditures</u>		
Gain (loss) on asset disposal - Note 13	-	70,950
Primary care deficit funding - Note 5	183,785	192,280
Total other income and expenditures	<u>183,785</u>	<u>263,230</u>
 Increase (decrease) in unrestricted net assets		
	<u>295,510</u>	<u>7,191</u>

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

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
Temporarily restricted net assets:		
Grants received	-	40,000
Net assets released from restrictions	(40,000)	(40,000)
Increase (decrease) in temporarily restricted net assets	(40,000)	-
 Increase (decrease) in net assets	 255,510	 7,191
 Net assets, beginning of year	 348,746	 341,555
 Net assets, end of year	 \$ 604,256	 \$348,746

The accompanying notes are an integral part of these financial statements

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
<u>Cash Flows from Operating Activities:</u>		
Increase (decrease) in net assets	\$ 255,510	\$ 7,191
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	106,251	141,095
(Gain) Loss on sale of fixed assets	-	(9,429)
(Increase) decrease in:		
Patient receivables, net	27,544	66,976
Other Assets	790	(13,581)
Prepaid expenses and deposits	2,444	6,619
Increase (decrease) in:		
Accounts payable & current liabilities	20,641	(98,887)
Net cash provided (used) by operating activities	413,180	99,984
<u>Cash flows from investing activities:</u>		
Property and equipment acquisitions	(309,971)	(48,328)
Sale of property and equipment	-	37,713
Net cash provided from (used in) investing activities	(309,971)	(10,615)
<u>Cash Flows from Financing Activities:</u>		
Payments (proceeds) on the line of credit and note payable	(75,243)	(20,721)
Net cash provided (used) in financing activities	(75,243)	(20,721)
Net increase (decrease) in cash and cash equivalents	27,966	68,648
Cash and cash equivalents, beginning of year	68,793	145
Cash and cash equivalents, end of year	\$ 96,759	\$ 68,793
Supplemental disclosures of cash flow information:		
Cash used for interest payments	\$ 10,898	\$ 12,836
Cash paid for income taxes	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor	CFDA No.	Award Amount	Receivable (Deferred) 6/30/2009	Receipts 7/1/2009 to 6/30/2010	Expenditures 7/1/2009 to 6/30/2010	Receivable (Deferred) 6/30/2010
Department of Health and Human Services - Health Resources & Services Administration						
Community Health Centers (11/1/08 - 10/31/09)	93 224	\$ 528,328	\$ -	\$ 163,937	\$ 163,937	\$ -
Community Health Centers (11/1/09 - 10/31/10)	93 224	553,106	-	274,737	274,737	-
ARRA - Increase Services to Health Centers	93 703	176,270	-	72,570	72,570	-
ARRA - Capital Improvement Program	93 703	464,012	-	385,897	385,897	-
Total Federal Awards		<u>\$ 1,721,716</u>	<u>\$ -</u>	<u>\$ 897,141</u>	<u>\$ 897,141</u>	<u>\$ -</u>
State Grantor						
West Virginia Department of Health and Human Resources						
Uncompensated Care Grant (7/1/09 - 6/30/10)		\$ 183,785	\$ -	\$ 183,785	\$ 183,785	\$ -
School Based Health Center (7/1/09 - 6/30/10)		56,100	-	56,100	56,100	-
Total State Awards		<u>\$ 239,885</u>	<u>\$ -</u>	<u>\$ 239,885</u>	<u>\$ 239,885</u>	<u>\$ -</u>

Note 1: Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Ritchie County Primary Care Association Inc and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 1. DESCRIPTION OF ORGANIZATION

Ritchie County Primary Care Association, Inc. (the Association) is a non-profit West Virginia corporation established as a federally qualified health center (FQHC) for the purpose of providing primary care services to the residents of Ritchie, Wood, Doddridge, Jefferson and Pleasants Counties, West Virginia and the surrounding area

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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.

Cash and Cash Equivalents - Cash and cash equivalents include short-term, highly liquid investments both readily convertible to known amounts of cash and so near maturity at acquisition (three months or less) that there is an insignificant risk of change in value because of changes in interest rates. Cash equivalents are stated at cost, which approximates fair value

Cash Balances in Excess of FDIC Insurance - The Association maintains cash in demand deposit accounts with a federally insured bank. At times the balances in these accounts may be in excess of federally insured limits. In management's opinion, the amounts in excess of FDIC limits do not pose a significant risk.

Patient Receivables - Patient receivables are reported at estimated net realizable amounts from patients and responsible third-party payers. Amounts owed to the Association are reported net of allowances. Allowances include estimates of contractual adjustments, charity care and bad debts. Specific patient balances are written off at the time they are determined to be uncollectible. The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. In this regard, the Association has implemented a standardized approach to estimate and review the collectability of its receivables based on accounts receivable aging trends. Historical collection and payer reimbursement experience are an integral part of the estimation process related to determining allowances for contractual allowances and doubtful accounts. In addition, the Association assesses the current state of its billing functions in order to identify any known collection or reimbursement issues to determine the impact, if any, on its reserve estimates, which involve judgment. Revisions in reserve estimates are recorded as an adjustment to net patient service revenue or the provision for doubtful accounts in the period of revision. The Association believes that its collection and reserve processes, along with the monitoring of its billing processes, help to reduce the risk associated with material revisions to reserve estimates resulting from adverse changes in collection, reimbursement experience and billing functions.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables resulting from services rendered to patients have been disclosed net of an allowance for uncollectibles of \$172,782 and \$157,139 at June 30, 2010 and 2009, respectively.

Property and Equipment - Property and equipment is reported at cost for purchased items and fair value for contributed items. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The Association's policy is to capitalize and depreciate all fixed assets with a cost at or above a limit determined by the Board of Directors with an estimated useful life of greater than one year.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are included in the increase (decrease) in unrestricted net assets, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. The sum of all fixed assets less depreciation for the operating years 2010 and 2009 are \$628,256 and \$424,537, respectively.

The Association reviews its investment in property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the property to the future net undiscounted cash flow expected to be generated by the property including any estimated proceeds from the eventual disposition of the property. If the property is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property exceeds the fair value of such property. There were no impairment losses recognized in 2010 and 2009.

Temporarily and Permanently Restricted Net Assets - Unrestricted net assets are those whose use by the Association is not subject to donor imposed stipulations. Temporarily restricted net assets are those whose use by the Association has been limited by donors to a specific time, period or purpose. Permanently restricted net assets are those restricted by donors to be maintained by the Association in perpetuity.

For the years ended June 30, 2010 and 2009, the Association had no permanently restricted net assets and had temporarily restricted net assets of \$-0- and \$40,000, respectively.

Temporarily restricted net assets at June 30 2009, represent a grant from the Sisters of St. Joseph Wellness and Health Foundation. The grant is to be used for the capital improvement of the Jefferson Elementary Wellness Center and was used in the 2010 operating year.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition - The Association has agreements with third-party payers that provide for payments to the Association at amounts different from its established rates. Payment arrangements include prospectively determined rates per encounter, reimbursed costs, and discounted charges. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are recorded on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Net patient service revenue is reported at the estimated net realizable amounts from patients and third-party payers. Contractual allowances including bad debts and sliding fee write offs were \$451,553 and \$396,418 for the fiscal years ended June 30, 2010 and 2009, respectively

Revenues are based on medical services provided. These revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position or results of operations of the Association.

Charity Care - The Association provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates

Contributions, Grants and Awards - All contributions, grants and awards are considered to be available for unrestricted use unless specifically restricted by the donor/grantor. Amounts received that are designated for future periods or restricted by the donor/grantor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same year in which the contribution, grant or award is received, the Association reports the support as unrestricted.

Increase (Decrease) in Unrestricted Net Assets - The statements of operations include excess (deficiency) of revenues over expenses. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets, including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets. There were no such transactions during the years ended June 30, 2010 and 2009.

Interest - All interest costs incurred during the years ended June 30, 2010 and 2009 have been expensed. Interest expense for the years ended June 30, 2010 and 2009 was \$10,898 and \$12,836, respectively

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising - All advertising costs have been expensed and are included in operating expenses in the statements of operations.

Income Taxes - The Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Association 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 509(a)(1).

NOTE 3. LINE OF CREDIT

The Association has established a \$100,000 secured line of credit with Huntington National Bank with an interest rate of prime plus 1 5%. At June 30, 2010 and 2009, there was an outstanding balance of \$24,662 and \$79,662, respectively.

NOTE 4. LONG TERM DEBT

The notes payable of Ritchie County Primary Care Association, Inc. are summarized as follows:

<u>Creditor</u>	<u>Collateral</u>	<u>Terms</u>	<u>Interest Rate</u>	<u>June 30, 2009 Balance</u>
The Center for Rural Health Development, Inc	None	Monthly principal and interest payments of \$1,933.28 through December 2012	6.00%	\$ 52,240
		<u>2009</u>		
		\$ 52,240		
Mortgages and notes payable				
Less - current maturities		<u>(20,671)</u>		
Long-term		<u>\$ 31,569</u>		

Aggregate maturities of long-term debt for the periods subsequent to June 30, 2010, based on present arrangements, are as follows:

2011	\$ 20,671
2012	21,946
2013	<u>9,623</u>
	<u>\$ 52,240</u>

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 5. PRIMARY CARE FUNDING

Ritchie County Primary Care Association, Inc, was awarded Primary Care Uncompensated Care Grants of \$183,785 and \$192,280 for the years ended June 30, 2010 and 2009, respectively, by the West Virginia Department of Health and Human Resources, Bureau for Public Health. The intent of these grants was to provide deficit funding so that the Association can continue to serve patients who cannot pay for services.

The grants are subject to numerous requirements. To maintain continued eligibility the Association must be experiencing a financial deficit created when the Association's revenues do not offset expenses incurred while rendering primary care services. Surplus funds will be determined using the last three years' audits with adjustments made to identify allowable excess funds. Any such surpluses, determined in accordance with state requirements, could cause a reduction in future awards.

Additional grants from the West Virginia Department of Health and Human Resources, Bureau for Public Health for the provision and delivery of primary care services for the years ended June 30 were awarded as follows:

	2010	2009
School-Based Health Center Grant	\$ 56,100	\$ 56,100

NOTE 6. SCHOOL-BASED HEALTH PROGRAM GRANT

The Association operates a school-based health program at public schools in Ritchie, Wood, Doddridge, Jefferson and Pleasants Counties. This program is funded in part with grants provided through the Division of Primary Care Programs of the West Virginia Department of Health and Human Resources (WVDHHR). A summary of expenses of this program for the years ended June 30, 2010 and 2009 is as follows:

	2010	2009
Personnel	\$ 521,477	\$ 288,740
Employee benefits	11,429	10,325
Other costs	53,305	19,320
	\$ 586,211	\$ 318,385

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 7. FEDERAL 330 GRANT FUNDING

The Bureau of Primary Health Care awarded the Association with Federal 330 grant funding in the amount of \$528,328 for the period November 1, 2008 through October 31, 2009 and subsequent funding in the amount of \$553,106 for the period November 1, 2009 through October 31, 2010. The Federal 330 grants are issued to community health centers to increase the access to comprehensive primary and preventive health care, and improve the health status of underserved populations. The Association received and expended \$639,128 and \$603,918 in Federal 330 funding for the years ended June 30, 2010 and 2009, respectively.

NOTE 8. OPERATING LEASES

The Association leases office space in the former Ritchie County High School building, located in the Town of Harrisville. Total rental payments for office space for the years ended June 30, 2010 and 2009 were \$24,000 and \$24,000, respectively. Effective January 1, 2008 the Association entered into a lease agreement with Dr. David W. Avery which terminated on April 9, 2009. Total rental payments made to Dr. David W. Avery during the years ended June 30, 2010 and 2009 were \$0 and \$31,970, respectively. Total rental payments related to the health care center operated in Doddridge County, West Virginia for the years ended June 30, 2010 and 2009 were \$15,000 and \$15,000, respectively.

NOTE 9. MALPRACTICE INSURANCE

The Association's employees are deemed employees of the federal government for the purposes of malpractice liability protection under the Federal Tort Claims Act.

NOTE 10. WEST VIRGINIA HEALTHCARE PROVIDER TAX

The State of West Virginia levies a broad-based healthcare tax on gross receipts for services provided by physicians, nurses, therapists and others. The taxes paid by the Association totaled \$0 and \$6,521 for the years ended June 30, 2010 and 2009, respectively.

NOTE 11. ECONOMIC DEPENDENCY AND GEOGRAPHIC CONCENTRATION

The Association generates a substantial portion of its patient service revenue from services to Medicaid and Medicare beneficiaries. Changes in payment rates or methodologies by those programs could significantly impact its operations. It also receives significant funding from the West Virginia Department of Health and Human Resources, Bureau for Public Health and the Federal Health and Human Services Administration, 330 Funding, as discussed in other notes to financial statements. Discontinuation of support from these sources could also significantly impact operations.

ITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 11. ECONOMIC DEPENDENCY AND GEOGRAPHIC CONCENTRATION
(CONTINUED)

Patient service revenue that the Association generates is primarily limited to services to residents in Ritchie County, Doddridge County, and the surrounding communities. General economic conditions in the areas can, therefore, significantly influence the Association's ability to collect fees for services rendered.

NOTE 12. FUNCTIONAL CLASSIFICATION OF ACTIVITIES

Expenses are charged to program and support services based on the actual costs incurred. Those expenses which are not directly identifiable with any other specific function but provide overall support and direction have been included as administrative and general. Functional expenses for the years ended June 30, 2010 and 2009 have been classified as follows:

	2010	2009
Administrative and general	\$ 553,104	\$ 588,883
Program services	1,738,579	2,112,009
	\$ 2,291,683	\$ 2,700,892

NOTE 13. EXTRAORDINARY GAIN

On April 20, 2009 the relationship between the Association and the practice of Dr. David W. Avery was dissolved. All assets received by the Association during the acquisition of practice of Dr. David W. Avery, during the year ended June 30, 2008, were all reacquired by Dr. Avery's practice on the date of dissolution. All leasing and other agreements related to the operations Dr. Avery's practice reverted from the Association to Dr. Avery's practice on the date of dissolution as well. Dr. Avery issued funds to the organization in the amount of \$58,379 to reimburse the organization for all payments made by the Association for malpractice insurance related to Dr. Avery, all payments made by the Association related to the acquisition of Dr. Avery's fixed assets, and other expenses. The reimbursement from Dr. Avery caused an extraordinary gain of \$70,950 for the year ended June 30, 2009.

NOTE 14. DONATED GOODS AND MATERIALS

Ritchie County Primary Care Association, Inc. received donations of goods and materials. The fair market value of these donations is not readily determinable and therefore has not been recorded on the statements of operations and changes in net assets.

NOTE 15. PENSION

The Association has an established 403(b) Profit Sharing Plan which covers eligible employees. Employee contributions are made to the plan as salary deferrals. Pension expense for the years ended June 30, 2010 and 2009 was \$27,930 and \$33,810, respectively.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

NOTE 16. RELATED PARTY TRANSACTIONS

The Association entered into two procurement contracts with two different immediate family members of the Association's management. One of the contracts was awarded through a competitive award process and, in the opinion of management the contract obtained was the most favorable to the Association. During the fiscal year ended June 30, 2010 \$13,093 was paid. In the opinion of management, the other contract while not awarded through a competitive award process was the most favorable that could be obtained. During the fiscal year ended June 30, 2010 \$84,416 was paid on this contract.

NOTE 17. SUBSEQUENT EVENTS

The Association has evaluated subsequent events through November 15, 2010, the date which the financial statements were available to be issued.

SEACHRIST, KENNON & MARLING, A.C.

CERTIFIED PUBLIC ACCOUNTANTS * BUSINESS CONSULTANTS

Craig K. Seachrist, CPA, CVA
Diana L. Kennon, CPA, CVA
Ronnie L. Marling, CPA, CFE
James M. Riley, CPA
Julie A. Kerns, CPA
Chantelle S. Parrish, CPA

Wheeling Office
21 Warden Run Road
Wheeling, WV 26003
Telephone: (304) 233-0141
Fax: (304) 233-1226
E-mail: cpa@skmcpa.com

www.skmcpa.com

Ohio Office
46210 Country Lake Drive
St. Clairsville, OH 43950

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
Ritchie County Primary Care Association, Inc.
Harrisville, West Virginia

We have audited the financial statements of Ritchie County Primary Care Association, Inc. (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 15, 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 Association's internal control over financial reporting as a basis for designing our audit 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 Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

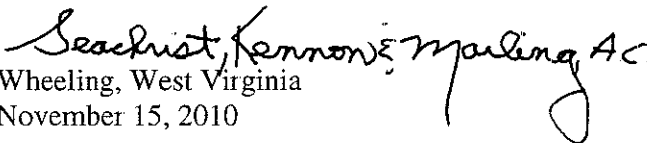
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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 on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 10-1 thru finding 10-5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item Finding 10-5.

Ritchie County Primary Care Association, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Ritchie County Primary Care Association, Inc.'s responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Wheeling, West Virginia
November 15, 2010

DHHR - Finance

MAR 9 2011

Date Received

SEACHRIST, KENNON & MARLING, A.C.

CERTIFIED PUBLIC ACCOUNTANTS * BUSINESS CONSULTANTS

Craig K. Seachrist, CPA, CVA
Diana L. Kennon, CPA, CVA
Ronnie L. Marling, CPA, CFE
James M. Riley, CPA
Julie A. Kerns, CPA
Chantelle S. Parrish, CPA

Wheeling Office
21 Warden Run Road
Wheeling, WV 26003
Telephone (304) 233-0141
Fax (304) 233-1226
E-mail. cpa@skmcpa.com

www.skmcpa.com

Ohio Office
46210 Country Lake Drive
St. Clairsville, OH 43950

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of the
Ritchie County Primary Care Association, Inc.
Harrisville, West Virginia

Compliance

We have audited the compliance of Ritchie County Primary Care Association Inc., a nonprofit organization 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 June 30, 2010. The Association'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 the Association's management. Our responsibility is to express an opinion on the Association's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Association's compliance with those requirements.

In our opinion the Association, 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 June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of finding and questioned costs as Finding 10-5

Internal Control Over Compliance

Management of the Association, 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 the Association's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Associations internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 10-5 to be material weaknesses.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed above, we identified a certain deficiency in internal control over compliance that we consider to be a material weaknesses.

The Association's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Association's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sachrist, Kennon & Mauling, A.C.
Wheeling, West Virginia
November 15, 2010

DHHR - Finance

MAR 9 2011

Date Received

**RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Ritchie County Primary Care Association, Inc
2. Material weaknesses relating to the audit of the financial statements were noted.
3. Instances of noncompliance material to the financial statements of Ritchie County Primary Care Association, Inc were disclosed during the audit.
4. Material weaknesses relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133
5. The auditor's report on compliance for the major federal award programs for Ritchie County Primary Care Association, Inc. expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule
7. The programs tested as major programs include:

<u>Name</u>	<u>CFDA No.</u>
Department of Health and Human Services Health Resources and Services Administration	93.224, 93.703

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Ritchie County Primary Care Association, Inc. was determined not to be a low risk auditee.

B. Findings - Financial Statement Audit

Findings were found in the financial statement audit.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

A finding was found.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION II – SUMMARY SCHEDULE OF AUDIT FINDINGS

Finding 10-1: Material Weakness

General Ledger Reconciliation:

Condition: Subsidiary ledgers and records supporting accounts are not being reconciled to the general ledger and certain accounts were not reflected on the general ledger

Criteria: Effective internal control over financial reporting requires that the Association reconcile subsidiary ledgers and records supporting accounts to the general ledger.

Effect: A likelihood exists that the Association may issue financial statements that contain a misstatement that will not be prevented or detected by the Association's internal control

Recommendation: We recommend that the Association perform routine reconciliations of the general ledger accounts

Response: Management agrees with this assessment and recognizes that continued improvement in the area is necessary.

Finding 10-2: Material Weakness

Financial Statement Preparation:

Condition: The Association currently requires assistance from the auditors to prepare its financial statements and related footnotes

Criteria: Effective internal control over financial reporting requires that the Association prepare its own financial statements and related footnotes or designate an employee with the knowledge to oversee the preparation of, and identify material misstatements in, the financial statements prepared by the auditor.

Effect: A likelihood exists that the Association may issue financial statements and related footnotes that contain a misstatement that will not be prevented or detected by the Association's internal control

Recommendation: We recommend that the Association designate an employee with the knowledge to oversee the preparation of, and review for material misstatements, the financial statements and related footnotes as prepared by the auditor.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Response: Management acknowledges that the Association's staff does not possess the expertise required to prepare, or oversee the preparation of, the financial statements; however, due to limited resources it would not be cost beneficial to hire additional staff at this time

Finding 10-3: Material Weakness

Segregation of Duties:

Condition: The Association currently does not have properly designed and implemented internal controls that would be preferred to ensure optimum segregation of duties.

Criteria: Effective internal control over financial reporting necessitates segregation of duties among unrelated employees of the Association, or direct involvement of the board of directors or other supervisory committee, in order to minimize the risk of financial statement misstatements caused by error or fraud.

Effect: A likelihood exists that the Association may issue financial statements and related footnotes that contain misstatements caused by error or fraud due to lack of segregation of duties.

Recommendation: During the year ended June 30, 2010 management implemented policies, procedures and reassigned certain duties to obtain a segregation of duties however our testing and observation of the implemented changes revealed that the controls have not been properly designed and are not properly implemented. We recommend that management assess the adequacy of the controls and design appropriate controls, as necessary, to rectify any inadequacies noted.

Response: Management agrees with this assessment and is reevaluating the policies, procedures, reassigning duties, and making any necessary changes to rectify the inadequacies noted.

Finding 10-4: Material Weakness

Year-End Trial Balance:

Condition: The year-end trial balance that management prepared and presented to us to audit contained numerous material misstatements. Based on our consideration of internal control over the preparation of financial statements for the purpose of planning our audit we believe that the cause of the material misstatements was inadequately designed control policies and procedures related to the reconciliation of general ledger accounts.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Criteria: Effective controls over the preparation of the year-end trial balance is a necessary step to ensure the Association's financial statements are fairly stated

Effect: The lack of controls over the preparation of the year-end trial balance may result in material misstatements of the Association's trial balance and financial statements.

Recommendation: Management should assess the adequacy of the design of its policies and procedures related to the reconciliation of general ledger accounts and the preparation of financial statements and design appropriate controls as necessary to rectify any inadequacies noted. When developing control policies and procedures management should consider where errors or fraud could occur that would cause a material misstatement and which policies and procedures, if operating properly, would prevent or detect the error or fraud on a timely basis. In addition, to ensure the accuracy of supporting documentation used in account reconciliations, we would recommend that the parameters and calculations underlying them be reviewed and updated as necessary.

Response: Management agrees with this assessment and recognizes that continued improvement in this area is necessary.

Finding 10-5: Noncompliance

Procurement:

Condition: Sections 215.41 through 215.48 of the Code of Federal Regulations set forth standards for use by recipients in establishing procedures for the procurement of supplies and other expendable property, equipment, real property and other services with Federal funds. These standards are furnished to ensure that such materials and services are obtained in an effective manner and in compliance with the provisions of applicable Federal statutes and executive orders. Our audit tests disclosed an instance of procurement that was not conducted in a manner to provide open competition and the contract was awarded to a related party. Additionally procurement files lacked appropriate documentation

Criteria: Sections 215.41 through 215.48 of the Code of Federal Regulations should have been adhered to in awarding contracts related to federal awards.

Effect: The Association was not in compliance with sections 215.41 through 215.48 of the Code of Federal Regulations related to procurement of contracts related to federal awards.

Recommendation: Management should updated the current fiscal policies handbook to included sections 215.41 through 215.48 of the Code of Federal Regulations. Additionally management should design policies and procedures to assure that applicable original supporting documentation be maintained for all materials, supplies and services acquired with federal funds. Estimates and statements are not applicable support for such documentation

**RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

Response: Management misunderstood the guidelines related to bidding construction contracts.

**RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

SECTION III - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 09-1: Material Weakness

General Ledger Reconciliation:

Condition: Subsidiary ledgers and records supporting accounts are not being reconciled to the general ledger and certain account classifications are not being properly reflected.

Criteria: Effective internal control over financial reporting requires that the Association reconcile subsidiary ledgers and records supporting accounts to the general ledger

Effect: A likelihood exists that the Association may issue financial statements that contain a misstatement that will not be prevented or detected by the Association's internal control

Recommendation: We recommend that the Association perform routine reconciliations of the general ledger accounts.

Response: Finding not corrected and reissued as finding 10-1

Finding 09-2: Material Weakness

Financial Statement Preparation:

Condition: The Association currently requires assistance from the auditors to prepare its financial statements and related footnotes.

Criteria: Effective internal control over financial reporting requires that the Association prepare its own financial statements and related footnotes or designate an employee with the knowledge to oversee the preparation of, and identify material misstatements in, the financial statements prepared by the auditor.

Effect: A likelihood exists that the Association may issue financial statements and related footnotes that contain a misstatement that will not be prevented or detected by the Association's internal control.

Recommendation: We recommend that the Association designate an employee with the knowledge to oversee the preparation of, and review for material misstatements, the financial statements and related footnotes as prepared by the auditor.

Response: Finding not corrected and reissued as finding 10-2.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Finding 09-3: Material Weakness

Segregation of Duties:

Condition: The Association currently does not have properly designed and implemented internal controls that would be preferred to ensure optimum segregation of duties.

Criteria: Effective internal control over financial reporting necessitates segregation of duties among unrelated employees of the Association, or direct involvement of the board of directors or other supervisory committee, in order to minimize the risk of financial statement misstatements caused by error or fraud.

Effect: A likelihood exists that the Association may issue financial statements and related footnotes that contain misstatements caused by error or fraud due to lack of segregation of duties.

Recommendation: During the year ended June 30, 2009 management implemented policies, procedures and reassigned certain duties to obtain a segregation of duties however our testing and observation of the implemented changes revealed that the controls have not been properly designed and are not properly implemented. We recommend that management assess the adequacy of the controls and design appropriate controls, as necessary, to rectify any inadequacies noted.

Response: Finding not corrected and reissued as finding 10-3.

Finding 09-4: Material Weakness

Year-End Trial Balance:

Condition: The year-end trial balance that management prepared and presented to us to audit contained numerous material misstatements. Based on our consideration of internal control over the preparation of financial statements for the purpose of planning our audit we believe that the cause of the material misstatements was inadequately designed control policies and procedures related to the reconciliation of general ledger accounts.

Criteria: Effective controls over the preparation of the year-end trial balance is a necessary step to ensure the Association's financial statements are fairly stated.

Effect: The lack of controls over the preparation of the year-end trial balance may result in material misstatements of the Association's trial balance and financial statements.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Recommendation: Management should assess the adequacy of the design of its policies and procedures related to the reconciliation of general ledger accounts and the preparation of financial statements and design appropriate controls as necessary to rectify any inadequacies noted. When developing control policies and procedures management should consider where errors or fraud could occur that would cause a material misstatement and which policies and procedures, if operating properly, would prevent or detect the error or fraud on a timely basis. In addition, to ensure the accuracy of supporting documentation used in account reconciliations, we would recommend that the parameters and calculations underlying them be reviewed and updated as necessary.

Response: Finding not corrected and reissued as finding 10-4.

Finding 09-5: Material Weakness

Payroll:

Condition: Two (2) of the employees tested were being paid at a rate of pay that did not agree to their approved rate of pay as documented in the employee file. One (1) physician tested did not have a contract available for review.

Criteria: Effective controls over the preparation, review and approval of rates of pay, and worked hours is essential to ensure the Association's financial statements are not over or understated because of mistakes and/or errors in payroll.

Effect: The lack of controls over the preparation, review and approval of payroll may result in material misstatements of the Association's financial statements.

Recommendation: Management should assess the adequacy of the design of its policies and procedures related to the preparation, review and approval of payroll and design appropriate controls as necessary to rectify any inadequacies noted. When developing control policies and procedures management should consider where errors or fraud could occur that would cause a material misstatement and which policies and procedures, if operating properly, would prevent or detect the error or fraud on a timely basis. In addition, to ensure the accuracy of supporting documentation used in account reconciliations, we would recommend that the parameters and calculations underlying them be reviewed and updated as necessary.

Response: Finding corrected

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

Finding 09-6: Material Weakness

Control Environment:

Condition: There are five components of internal control: control environment, risk assessment, control activities, information and communication systems, and monitoring. Internal control is a process effected by those charged with governance and management designed to provide reasonable assurance about the achievement of the Association's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. During our consideration of internal control over the preparation of financial statements for the purpose of planning our audit we observed deficiencies in the design and operation of the Association's control activities, information and communication systems and monitoring.

Criteria: Control activities are the policies and procedures that ensure that the Association's directives are carried out. Information and communication systems include the procedures used to initiate, record, process and report the Association's transactions. Monitoring is the process that assesses whether controls are operating as intended.

Effect: The deficiencies in the design and operation of the Association's control activities, information and communication systems, and monitoring may prevent the Association from identifying external and internal risks that could affect financial reporting.

Recommendation: The Association should assess the adequacy of the design and operation of its policies and procedures related to the preparation, review and approval of employee deductions. The Association should design and implement policies and procedures to ensure that the amount deducted from employee payroll agrees to company policy. We observed insufficient monitoring of this previously addressed operational issue resulting in the lack of updating of employee deductions for health care costs as premiums increased as the company policy states. We recommend the Association evaluate the following internal controls over financial reporting

a. *Control activities* are the policies and procedures that help ensure that management directives are carried out. They include segregation of duties, information processing, reviews and approvals, physical controls, etc.

b. *Information and communication systems* include the accounting system and its manual or automated procedures and records used to initiate, record, process, and report the company's transactions, events, and conditions and to maintain accountability for the related assets, liabilities, and equity.

RITCHIE COUNTY PRIMARY CARE ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

c. *Monitoring* is a process that assesses whether controls are operating as intended, takes corrective action for deficiencies noted, and modifies control as appropriate for changed conditions. Monitoring can be accomplished through ongoing activities by management personnel who have direct knowledge of the company's business activities, separate evaluations, or as a combination of the two. Also, some monitoring may be provided by controls built into information technology.

Response: Finding was corrected as it related to the June 30, 2009 payroll however it was repeated in findings 10-3 and 10-5 .

SEACHRIST, KENNON & MARLING, A.C.

CERTIFIED PUBLIC ACCOUNTANTS * BUSINESS CONSULTANTS

Craig K. Seachrist, CPA, CVA
Diana L. Kennon, CPA, CVA
Ronnie L. Marling, CPA, CFE
James M. Riley, CPA
Julie A. Kerns, CPA
Chantelle S. Parrish, CPA

Wheeling Office

21 Warden Run Road
Wheeling, WV 26003
Telephone: (304) 233-0141
Fax: (304) 233-1226
E-mail: cpa@skmcpa.com

www.skmcpa.com

Ohio Office

46210 Country Lake Drive
St. Clairsville, OH 43950

November 15, 2010

To the Board of Directors
Ritchie County Primary Care Association, Inc.

We have audited the financial statements of Ritchie County Primary Care Association, Inc. for the year ended June 30, 2010, and have issued our report thereon dated November 15, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 20, 2010. Professional standards also require that we communicate to you the following information related to our audit:

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Ritchie County Primary Care Association, Inc. are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2010. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Management's estimates of the useful lives of fixed assets and the establishment of an allowance for doubtful accounts are based on historical data and established accounting procedures and techniques. We evaluated the key factors and assumptions used to develop the estimates related to useful lives for fixed assets and the establishment of an allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. Ritchie County Primary Care Association, Inc. does not have any particularly sensitive disclosure in the financial statement.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached passed audit adjustments schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The attached Adjusting Journal Entries Report summarizes misstatements

identified during audit procedures that were corrected by management Adjustments #3, 7, 11, 12 and 14 were material to the financial statements

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 15, 2010

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

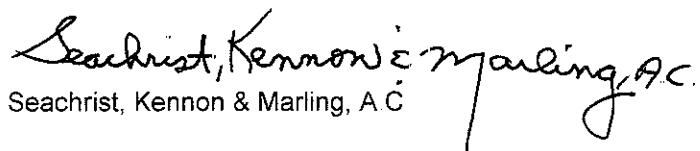
Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

This information is intended solely for the use of Board of Directors and management of Ritchie County Primary Care Association, Inc and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


Seachrist, Kennon & Marling, A.C.

Ritchie County Primary Care Association, Inc.
Passed Audit Adjustments
June 30, 2010

*The client has elected to record all entries except those that are trivial.

Work Paper	Description	Debit (Credit) Assets	Debit (Credit) Liabilities	Incr. (Decr.) Net Assets	Debit (Credit) Income	Debit (Credit) Expenses	Audit Area
7415	PROVIDER TAX		(2,389.09)	(2,389.09)		2,389.09	
		-	(2,389.09)	(2,389.09)	-	2,389.09	
Totals		-	(2,389.09)	(2,389.09)	-	2,389.09	

2506

Client: **Ritchie County Primary Care Association, Inc.**
 Engagement: **2010 - Ritchie County Primary Care Association, Inc.**
 Period Ending: **6/30/2010**
 Trial Balance: **2505 - Trial Balance**
 Workpaper: **2507 - Adjusting Journal Entry Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entry JE # 1		6115		
ADJUST BEG EQUITY TO ACTUAL				
1003001	RCPCA Checking		184.72	
1150000	Prepaid Insurance		740.88	
1155401	RCPCA Acc Depr -Building Improvements		9,999.99	
2000002	Accounts Payable		4,132.40	
2230200	Grants Receivable Liability		1,000.00	
2800000	Opening Bal Equity		6,170.75	
1020012	Govt Stimulus Grant			1,000.00
1150001	Prepaid Insurance			740.88
2510000	Acct Rec Balancing Account			2,816.08
2800000	Opening Bal Equity			11,501.03
4000011	Contract Labor			5,000.00
4202301	Office Supplies RCPCA			98.33
4202401	Lab Services Purchased RCPCA			701.09
4203401	Travel Expense RCPCA			241.75
4203404	Travel X-Rays			35.00
4203405	Travel Jefferson			52.50
4203701	Water and Sewer Expense			42.08
Total			22,228.74	22,228.74
Adjusting Journal Entry JE # 2		4316		
ADJUST ALLOWANCE ESTIMATED TO CALCULATED				
2510000	Acct Rec Balancing Account		15,643.40	
1020003	Allowance for Doubtful Accounts			15,643.40
Total			15,643.40	15,643.40
Adjusting Journal Entry JE # 3		4318		
ADJUST GRANT RECEIVABLE, GRANT LIABILITY, GRANT				
1020005	Grants Receivable		91,633.26	
1020012	Govt Stimulus Grant		98,348.60	
1020014	Government Stimulus First Grant		15,870.35	
3011005	Grant Funding 330		62,715.69	
4001503	LPN Salaries PCHC		2,809.13	
4001504	LPN Jefferson Salaries		6,892.00	
4003004	Administration Jefferson Salary		3,916.80	
4003013	Clerical Doddridge		6,046.74	
4004014	Clerical Jefferson		6,224.22	
4010002	IT Manager		8,921.90	
2230200	Grants Receivable Liability			132,736.86
2510000	Acct Rec Balancing Account			107,926.14
3011010	Stimulus ReClass			62,715.69
Total			303,378.69	303,378.69

Client: *Ritchie County Primary Care Association, Inc.*
 Engagement: *2010 - Ritchie County Primary Care Association, Inc.*
 Period Ending: *6/30/2010*
 Trial Balance: *2505 - Trial Balance*
 Workpaper: *2507 - Adjusting Journal Entry Report*

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entry JE # 4				
ADJUST STIMULUS REVENUES TO CONFIRMED				
3009103	Misc Revenue		482.70	
3011010	Stimulus Reclass			482.70
Total			482.70	482.70

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entry JE # 5				
TO ADJUST PTO AND ACCRUED PAYROLL TO ACTUAL				
		7321		
4000001	Physician Salary - RCPCA		4,761.31	
4000002	SBHC Physician		357.71	
4000003	PCHC Physician		359.34	
4000013	Doddridge Salaries and Benefits		2,666.32	
4000014	Jefferson Salaries		1,920.42	
4000015	Mid Level Salary PCHC		1,390.87	
4000016	Physician-Dentist-DODDRIDGE		2,186.36	
4000501	Mid Level Salary RCPCA		53.36	
4000502	Mid Level Physician SBHC		1,466.48	
4001501	LPN Salary RCPCA		1,327.91	
4001502	LPN Salary SBHC		478.82	
4001503	LPN Salaries PCHC		508.91	
4001504	LPN Jefferson Salaries		377.72	
4001506	LPN Doddridge		489.76	
4001507	MA/DA Doddridge		393.37	
4002001	M A. Salary RCPCA		680.56	
4003001	Administrator Salary RCPCA		988.87	
4003002	Administrator Salary SBHC		396.97	
4003003	Administration PCHC Salary		396.97	
4003004	Administration Jefferson Salary		596.38	
4003005	Administration-DODDRIDGE		1,196.34	
4003013	Clerical Doddridge		234.30	
4004001	Clerical Salary RCPCA		1,932.93	
4004002	Clerical Salary SBHC		290.19	
4004003	Clerical PCHC		226.97	
4004014	Clerical Jefferson		259.75	
4005004	Rad Tech Salary RCPCA		620.76	
4010001	Physician - Psychologist - RCPCA		1,055.33	
4010002	IT Manager		31.33	
2000193	Payroll Payable			27,646.31
Total			27,646.31	27,646.31

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entry JE # 6				
RECLASS CIP EXPENSE ENTRIES				
2510000	Acct Rec Balancing Account		10,482.00	
4200301	Advertising RCPCA		2,987.84	

Client: **Ritchie County Primary Care Association, Inc.**
 Engagement: **2010 - Ritchie County Primary Care Association, Inc.**
 Period Ending: **6/30/2010**
 Trial Balance: **2505 - Trial Balance**
 Workpaper: **2507 - Adjusting Journal Entry Report**

Account	Description	W/P Ref	Debit	Credit
4202201	Office Expense RCPCA		298 11	
4203301	Telephone Expense RCPCA		68 02	
4220001	CIP Stimulus RCPCA			298 11
4220001	CIP Stimulus RCPCA			2,987 84
4220002	CIP Stimulus Jefferson			68 02
4220003	CIP Stimulus Doddridge			10,482.00
Total			13,835.97	13,835.97

Adjusting Journal Entry JE # 7 8121

RECLASS ARRA CIP EXPENSES TO
CAPITAL ASSETS

1154001	RCPCA Furniture and Fixtures		6,754 66	
1154002	SBHC Furniture and Fixtures		7,164 55	
1154101	RCPCA Computer Equipment		21,513 21	
1154102	SBHC Computer Equipment		1,208 06	
1154102	SBHC Computer Equipment		4,455 99	
1154301	RCPCA Medical Equipment		4,185 00	
1154302	Medical Equipment - Jefferson		6,282 88	
1154303	Medical Equipment - Doddridge		54,102 75	
1154401	Building Improvements		82,597 53	
1154402	Building Improvements-Other		147,550 00	
1154403	Leasehold Improvements - Doddridge		28,776 51	
4220001	CIP Stimulus RCPCA			115,050 40
4220002	CIP Stimulus Jefferson			165,453 42
4220003	CIP Stimulus Doddridge			84,087 32
Total			364,591.14	364,591.14

Adjusting Journal Entry JE # 8 4116

ADJUST CHECKING TO DETAIL,
RECLASS OUTSTANDING CHECKS

1003001	RCPCA Checking		1,820 56	
1003001	RCPCA Checking		21,274 04	
3009103	Misc Revenue			1,820 56
3009103	Misc Revenue			21,274 04
Total			23,094.60	23,094.60

Adjusting Journal Entry JE # 9 5215

TO ADJUST LOAN TO CONFIRMED
BALANCE

42014	Interest Expense CRHD		4,116 74	
4210002	Misc Expenses		773 30	
2231001	RCPCA - Note Payable			4,890.04
Total			4,890.04	4,890.04

Adjusting Journal Entry JE # 10 7315

Client: **Ritchie County Primary Care Association, Inc.**
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 Period Ending: **6/30/2010**
 Trial Balance: **2505 - Trial Balance**
 Workpaper: **2507 - Adjusting Journal Entry Report**

Account	Description	W/P Ref	Debit	Credit
ADJUST WV UNEMPLOYMENT TAX LIABILITY TO ACTUAL				
2224001	RCPCA Unemployment SUI		453.40	
4202111	Miscellaneous Exp RCPCA		325.02	
2227001	RCPCA Other Withholdings			325.02
4202111	Miscellaneous Exp RCPCA			453.40
Total			778.42	778.42
Adjusting Journal Entry JE # 11 7320				
ADJUST PAYROLL ACCRUALS TO ACTUAL				
2100000	Payroll Liabilities-Other		49,208.03	
4100001	FICA Expense RCPCA		3,120.21	
2100000	Payroll Liabilities-Other			3,120.21
2100001	Payroll Liabilities- Other Current			49,208.03
Total			52,328.24	52,328.24
Adjusting Journal Entry JE # 12 5115				
ADJUST ACCOUNTS PAYABLE TO ACTUAL				
2000002	Accounts Payable		21,575.51	
4000013	Doddridge Salaries and Benefits		20,000.00	
4201623	Dental Expense Doddridge		1,069.00	
4201623	Dental Expense Doddridge		1,102.37	
4202111	Miscellaneous Exp RCPCA		24,723.50	
2000000	Accounts Payable-Other			24,723.50
2000002	Accounts Payable			22,171.67
3009103	Misc Revenue			21,575.21
Total			68,470.38	68,470.38
Adjusting Journal Entry JE # 13 4515				
ADJUST PREPAID TO ACTUAL				
4200901	Dues & Publications RCPCA		747.95	
4201201	Insurance General RCPCA		1,183.19	
4202111	Miscellaneous Exp RCPCA		513.49	
1150001	Prepaid Insurance			2,444.63
Total			2,444.63	2,444.63
Adjusting Journal Entry JE # 14 4715				
ADJUST DEPRECIATION TO ACTUAL				
1155401	RCPCA Acc Depr.-Building Improvements		4,324.35	
4200801	Depreciation Expense RCPCA		51,450.96	
1155001	RCPCA Acc Depr Office Equipment			36,631.09
1155101	RCPCA Acc Depr Computer Equip			2,619.79

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 Workpaper: **2507 - Adjusting Journal Entry Report**

<u>Account</u>	<u>Description</u>	<u>W/P Ref</u>	<u>Debit</u>	<u>Credit</u>
1155301	RCPCA Acc Dep Medical Equipment			8,455.52
1155403	Accum Depr - Leasehold Impr			6,899.35
1155404	Accum Depr - Medical Equip			1,169.56
Total			55,775.31	55,775.31
Adjusting Journal Entry JE # 15 4516				
ADJUST HEALTH ASSET ACCOUNT TO CONFIRMED BALANCE				
4100301	Health Insurance RCPCA		790.28	
11530000	Health Asset Account			790.28
Total			790.28	790.28
Adjusting Journal Entry JE # 16 WP				
REVERSE PP AP ACCRUALS				
4202111	Miscellaneous Exp RCPCA		8,146.28	
4201201	Insurance General RCPCA			621.11
4201623	Dental Expense Doddridge			2,970.16
4201705	Legal Expense Grand Park			825.72
4202111	Miscellaneous Exp RCPCA			1,695.00
4202201	Office Expense RCPCA			2,034.29
Total			8,146.28	8,146.28
Adjusting Journal Entry JE # 17 WP				
REMOVE REMAINING BALANCE IN AR BALANCING ACCOUNT				
3003300	Revenue Adjustment		495.16	
2510000	Acct Rec Balancing Account			495.16
Total			495.16	495.16
Adjusting Journal Entry JE # 18 WP				
RECLASS MISC EXPENSE FOR REPORTING PURPOSES				
3009103	Misc Revenue		33,598.27	
4202111	Miscellaneous Exp RCPCA			33,598.27
Total			33,598.27	33,598.27