

**RITCHIE COUNTY PRIMARY CARE CENTER  
D.B.A. RITCHIE REGIONAL HEALTH CENTER  
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
JUNE 30, 2011, AND 2010**

DHHR - Finance

JAN 11 2012

Date Received



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

**RITCHIE COUNTY PRIMARY CARE CENTER  
D.B.A. RITCHIE REGIONAL HEALTH CENTER  
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JUNE 30, 2011**

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# SEACHRIST, KENNON & MARLING, A.C.

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Ritchie County Primary Care Center  
D.B.A. Ritchie Regional Health Center  
Harrisville, West Virginia

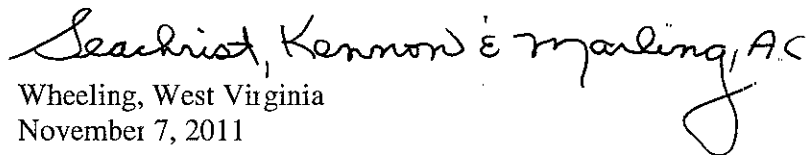
We have audited the accompanying balance sheets of Ritchie County Primary Care Center-D B.A. Ritchie Regional Health Center (a nonprofit corporation) as of June 30, 2011 and 2010, and the related statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Center'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 Center-D.B.A Ritchie Regional Health Center as of June 30, 2011 and 2010, 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 7, 2011, on our consideration of the Center'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 internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The schedule of expenditures of state awards is presented for the purpose of additional analysis as required by the West Virginia Department of Health and Human Resources, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

  
Wheeling, West Virginia  
November 7, 2011

**RITCHIE COUNTY PRIMARY CARE CENTER  
D.B.A. RITCHIE REGIONAL HEALTH CENTER  
BALANCE SHEETS  
JUNE 30, 2011 AND 2010**

	<b>2011</b>	<b>RESTATED 2010</b>
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents - Note 2	\$ 79,908	\$ 96,759
Patient receivables, net - Note 2	163,756	137,217
Prepaid expenses and deposits	12,040	3,455
Total current assets	255,704	237,431
Property and equipment - Note 2		
Building improvements	744,241	744,241
Furniture and fixtures	269,589	252,738
Equipment	297,094	297,094
CIP	70,891	-
	1,381,815	1,294,073
Less: Accumulated depreciation	747,271	605,431
	634,544	688,642
Other Assets	6,080	12,791
Total Assets	\$ 896,328	\$ 938,864
<b><u>Liabilities and Net Assets</u></b>		
Current liabilities:		
Accounts payable	\$ 83,914	\$ 62,959
Line of credit - Note 3	-	24,662
Accrued payroll and related liabilities	95,440	134,361
Current portion of long term debt - Note 4	1,702	20,671
Total current liabilities	181,056	242,653
Long Term Liabilities:		
Long Term Debt	-	31,569
Total Liabilities	181,056	274,222
<b>Net assets:</b>		
Unrestricted	715,272	664,642
Total net assets	715,272	664,642
Total Liabilities and Net Assets	\$ 896,328	\$ 938,864

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

**RITCHIE COUNTY PRIMARY CARE CENTER  
D.B.A. RITCHIE REGIONAL HEALTH CENTER  
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>RESTATED 2010</u>
<b><u>Revenues, Gains and Other Support</u></b>		
Net patient service revenue - Note 2	\$ 1,523,562	\$ 1,279,485
School-based health center funding - Note 5	56,100	56,100
Grant revenue	791,957	1,016,924
Other revenue	9,197	10,899
Net assets released from restrictions	-	40,000
Total Revenues, Gains and Other Support	2,380,816	2,403,408
<b><u>Expenses</u></b>		
Salaries and wages	1,578,695	1,439,379
Payroll taxes and benefits	271,418	228,923
Purchased services	53,014	46,259
Supplies	84,476	71,073
Depreciation	141,840	106,251
Insurance	5,672	6,265
Legal and accounting	22,427	15,405
Repairs and maintenance	71,682	77,204
Facility rent and utilities	56,711	68,764
Telephone	68,269	44,072
Interest	3,766	10,898
Advertising and promotions	11,194	13,488
Healthcare provider tax	4,858	-
CIP Stimulus Expenses	4,018	17,053
Other	134,252	86,263
Total Expenses	2,512,292	2,231,297
Excess (deficiency) of revenues, gains and other support over expenses before other income and (expenditures)	(131,476)	172,111
<b><u>Other Income and (Expenditures)</u></b>		
Primary care deficit funding - Note 5	182,106	183,785
Total other income and (expenditures)	182,106	183,785
Increase (decrease) in unrestricted net assets	50,630	355,896

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

**RITCHIE COUNTY PRIMARY CARE CENTER  
D.B.A. RITCHIE REGIONAL HEALTH CENTER  
STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>RESTATED 2010</u>
<b>Temporarily restricted net assets:</b>		
Grants received	-	-
Net assets released from restrictions	-	(40,000)
Increase (decrease) in temporarily restricted net assets	-	(40,000)
 Increase (decrease) in net assets	 50,630	 315,896
 Net assets, beginning of year	 <u>664,642</u>	 <u>348,746</u>
 Net assets, end of year	 <u><u>\$ 715,272</u></u>	 <u><u>\$ 664,642</u></u>

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

**RITCHIE COUNTY PRIMARY CARE CENTER  
D.B.A. RITCHIE REGIONAL HEALTH CENTER  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>RESTATED 2010</u>
<b><u>Cash Flows from Operating Activities:</u></b>		
Increase (decrease) in net assets	\$ 50,630	\$ 315,896
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	141,840	106,251
(Gain) loss on sale of fixed assets	-	-
(Increase) decrease in:		
Patient receivables, net	(26,539)	27,544
Other assets	(8,585)	790
Prepaid expenses and deposits	6,711	2,444
Increase (decrease) in:		
Accounts payable & current liabilities	(17,966)	20,640
Net cash provided (used) by operating activities	<u>146,091</u>	<u>473,565</u>
<b><u>Cash flows from investing activities:</u></b>		
Property and equipment acquisitions	<u>(87,742)</u>	<u>(370,356)</u>
Net cash provided from (used in) investing activities	<u>(87,742)</u>	<u>(370,356)</u>
<b><u>Cash Flows from Financing Activities:</u></b>		
Payments (proceeds) on the line of credit and note payable	<u>(75,200)</u>	<u>(75,243)</u>
Net cash provided (used) in financing activities	<u>(75,200)</u>	<u>(75,243)</u>
Net increase (decrease) in cash and cash equivalents	(16,851)	27,966
Cash and cash equivalents, beginning of year	96,759	68,793
Cash and cash equivalents, end of year	<u>\$ 79,908</u>	<u>\$ 96,759</u>
Supplemental disclosures of cash flow information:		
Cash used for interest payments	<u>\$ 3,766</u>	<u>\$ 10,898</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements



**RIITCHIE COUNTY PRIMARY CARE CENTER  
D.B.A. RIITCHIE REGIONAL HEALTH CENTER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor	CFDA No.	Award Amount	Receivable (Deferred) 6/30/2010	Receipts 7/1/2010 to 6/30/2011	Expenditures 7/1/2010 to 6/30/2011
<b>Department of Health and Human Services - Health Resources &amp; Services Administration</b>					
Health Center Cluster (11/1/10 - 10/31/11)	93 224 93 527	\$ 789,177	\$ -	\$ 2 951 250 555	\$ 2 951 250 555
Community Health Centers (11/1/09 - 10/31/10)	93 224	553,106	-	278,368	278 368
ARRA - Increase Services to Health Centers	93 703	177,270	-	104,700	104 700
ARRA - Capital Improvement Program	93 703	464,012	-	78 115	78,115
<b>Total Federal Awards</b>		<u>\$ 1,983,565</u>	<u>\$ -</u>	<u>\$ 714,689</u>	<u>\$ 714,689</u>

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Ritchie County Primary Care Center-D.B.A. Ritchie Regional Health Center under programs of the federal government for the year ended June 30, 2011. 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*. Because the Schedule presents only a selected portion of the operations of Ritchie County Primary Care Center-D.B.A. Ritchie Regional Health Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Ritchie County Primary Care Center-D.B.A. Ritchie Regional Health Center.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-133, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**RITCHIE COUNTY PRIMARY CARE CENTER**  
**D.B.A. RITCHIE REGIONAL HEALTH CENTER**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

State Grantor	<u>CFDA No.</u>	<u>Award Amount</u>	<u>Receivable (Deferred) 6/30/2010</u>	<u>Receipts 7/1/2010 to 6/30/2011</u>	<u>Expenditures 7/1/2010 to 6/30/2011</u>
<b>West Virginia Department of Health and Human Resources</b>					
Uncompensated Care Grant (7/1/10 - 6/30/11)		\$ 182,106	\$ -	\$ 182,106	\$ 182,106
School Based Health Center (7/1/10 - 6/30/11)		56,100	-	56,100	56,100
Mortgage Finance Grant (7/1/06 - 6/30/07)		-	-	-	-
<b>Total State Awards</b>		<u>\$ 238,206</u>	<u>\$ -</u>	<u>\$ 238,206</u>	<u>\$ 238,206</u>

**RITCHIE COUNTY PRIMARY CARE CENTER  
D.B.A. RITCHIE REGIONAL HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**NOTE 1. DESCRIPTION OF ORGANIZATION**

Ritchie County Primary Care Center-D.B.A. Ritchie Regional Health Center (the Center) 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. Significant estimates of the financial statements include the allowance for doubtful accounts and the useful lives of fixed assets.

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 Center 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 Center 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 Center 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 Center 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.

**RITCHIE COUNTY PRIMARY CARE CENTER  
D.B.A. RITCHIE REGIONAL HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Patient Receivables (Continued) - 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 Center 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.

Receivables resulting from services rendered to patients have been disclosed net of an allowance for uncollectibles of \$234,609 and \$172,782 at June 30, 2011 and 2010, 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 Center'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 2011 and 2010 are \$634,544 and \$688,642, respectively.

The Center 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 2011 and 2010.

**RITCHIE COUNTY PRIMARY CARE CENTER  
D.B.A. RITCHIE REGIONAL HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Temporarily and Permanently Restricted Net Assets - Unrestricted net assets are those whose use by the Center is not subject to donor imposed stipulations. Temporarily restricted net assets are those whose use by the Center 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 Center in perpetuity.

For the years ended June 30, 2011 and 2010, the Center had no permanently or temporarily restricted net assets.

Revenue Recognition - The Center has agreements with third-party payers that provide for payments to the Center 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 \$527,089 and \$451,553 for the fiscal years ended June 30, 2011 and 2010, 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 Center.

Charity Care - The Center 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 Center reports the support as unrestricted.

**RITCHIE COUNTY PRIMARY CARE CENTER  
D.B.A. RITCHIE REGIONAL HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2011 and 2010.

Interest - All interest costs incurred during the years ended June 30, 2011 and 2010 have been expensed. Interest expense for the years ended June 30, 2011 and 2010 was \$3,766 and \$10,898, respectively.

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

Income Taxes - The Center 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 Center 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).

Accounting principals generally accepted in the United States of America require management to evaluate tax positions taken by the Center and recognize a tax liability (or asset) if the Center has taken an uncertain position that more likely than not would be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Center, and has concluded that as of June 30, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Center is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The Client's federal Return of Organization Exempt from Income Tax (Form 990) for 2008, 2009 and 2010 are subject to examination by the IRS, generally for three years after they were filed.

Reclassifications - The Center's policy is to reclassify amounts reported in prior year financial statements when necessary for classifications adopted during the current year.

Subsequent Events - The Center has evaluated subsequent events through November 7, 2011, the date which the financial statements were available to be issued.

**RITCHIE COUNTY PRIMARY CARE CENTER  
D.B.A. RITCHIE REGIONAL HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**NOTE 3. LINE OF CREDIT**

The Center 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, 2011 and 2010, there was an outstanding balance of \$-0- and \$24,662, respectively. The line is secured by all accounts and equipment.

**NOTE 4. LONG TERM DEBT**

The notes payable of Ritchie County Primary Care Center-D.B.A. Ritchie Regional Health Center are summarized as follows:

Creditor	Collateral	Terms	Interest Rate	June 30, 2011 Balance
The Center for Rural Health Development, Inc	None	Monthly principal and interest payments of \$1,933.28 through December 2012	6.00%	\$ 1,702
		<u>2011</u>		
		\$ 1,702		
Mortgages and notes payable				
Less - current maturities		<u>1,702</u>		
Long-term		<u>\$ 0</u>		

**NOTE 5. PRIMARY CARE FUNDING**

Ritchie County Primary Care Center-D.B.A. Ritchie Regional Health Center, was awarded Primary Care Uncompensated Care Grants of \$182,106 and \$183,785 for the years ended June 30, 2011 and 2010, 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 Center can continue to serve patients who cannot pay for services.

The grants are subject to numerous requirements. To maintain continued eligibility the Center must be experiencing a financial deficit created when the Center'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.

**RITCHIE COUNTY PRIMARY CARE CENTER  
D.B.A. RITCHIE REGIONAL HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**NOTE 6. SCHOOL-BASED HEALTH PROGRAM GRANT**

The Center 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). During the year ended June 30, 2011 and June 30, 2010 the Center received \$56,100 and \$56,100, respectively to operate the school-based health programs.

**NOTE 7. FEDERAL 330 GRANT FUNDING**

The Bureau of Primary Health Care awarded the Center with Federal 330 grant funding in the amount of \$553,106 for the period November 1, 2009 through October 31, 2010 and subsequent funding in the amount of \$789,177 for the period November 1, 2010 through October 31, 2011. 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 Center received and expended \$714,399 and \$897,141 in Federal 330 funding for the years ended June 30, 2011 and 2010, respectively.

**NOTE 8. OPERATING LEASES**

The Center 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, 2011 and 2010 were \$18,000 and \$24,000, respectively. Total rental payments related to the health care center operated in Doddridge County, West Virginia for the years ended June 30, 2011 and 2010 were \$13,750 and \$15,000, respectively.

**NOTE 9. MALPRACTICE INSURANCE**

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

**NOTE 10. ECONOMIC DEPENDENCY AND GEOGRAPHIC CONCENTRATION**

The Center 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.



**RITCHIE COUNTY PRIMARY CARE CENTER  
D.B.A. RITCHIE REGIONAL HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**NOTE 10. ECONOMIC DEPENDENCY AND GEOGRAPHIC CONCENTRATION  
(CONTINUED)**

Patient service revenue that the Center 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 Center's ability to collect fees for services rendered.

**NOTE 11. 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, 2011 and 2010 have been classified as follows:

	2011	2010
Administrative and general	\$ 591,113	\$ 492,719
Program services	1,921,179	1,738,578
	\$ 2,512,292	\$ 2,231,297

**NOTE 12. DONATED GOODS AND MATERIALS**

Ritchie County Primary Care Center-D.B.A. Ritchie Regional Health Center 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 13. PENSION**

The Center 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, 2011 and 2010 was \$30,259 and \$27,930, respectively.

**NOTE 14. RELATED PARTY TRANSACTIONS**

The Center entered into two procurement contracts with two different immediate family members of the Center's management. During the fiscal year ended June 30, 2011 \$18,682 was paid on these contracts for repairs and improvements.

**RITCHIE COUNTY PRIMARY CARE CENTER  
D.B.A. RITCHIE REGIONAL HEALTH CENTER  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**NOTE 15. PRIOR PERIOD ADJUSTMENT**

Ritchie County Primary Care Center-D.B.A Ritchie Regional Health Center's financial statements as of June 30, 2010 contained an error, which had the effect of understating property and equipment by \$60,386, overstating expenses by \$60,386 and understating net assets by \$60,386. Additionally beginning net assets for the year ended June 30, 2011 were understated by \$60,386. The financial statements have been restated to reflect the correction of the error.

# **SEACHRIST, KENNON & MARLING, A.C.**

Certified Public Accountants & Business Consultants

Craig K. Seachrist, CPA, CVA  
Diana L. Kennon, CPA, CVA  
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American Institute of Certified Public Accountants  
Governmental Audit Quality Center  
Employee Benefit Plan Audit Quality Center

## **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 Center  
D.B.A. Ritchie Regional Health Center  
Harrisville, West Virginia

We have audited the financial statements of Ritchie County Primary Care Center-D.B.A. Ritchie Regional Health Center (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 7, 2011. 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 Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center'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.

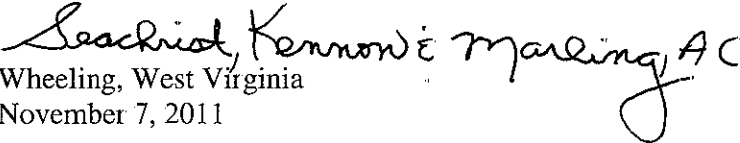
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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 11-1 and 11-2 to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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 11-3.

Ritchie County Primary Care Center-D.B.A. Ritchie Regional Health Center's response 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 Center-D.B.A. Ritchie Regional Health Center'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 7, 2011

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## **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 Center  
D.B.A. Ritchie Regional Health Center  
Harrisville, West Virginia

### Compliance

We have audited Ritchie County Primary Care Center-D.B.A. Ritchie Regional Health Center's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Ritchie County Primary Care Center-D.B.A. Ritchie Regional Health Center's major federal programs for the year ended June 30, 2011. The Center'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 Center's management. Our responsibility is to express an opinion on the Center'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 Center'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 Center's compliance with those requirements.

As described in item 11-3 in the accompanying schedule of findings and questioned costs, Ritchie County Primary Care Center-D.B.A. Ritchie Regional Health Center did not comply with requirements regarding the sliding fee scale calculations that are applicable to its Uncompensated Care-Federal and State Awards. Compliance with such requirements is necessary, in our opinion, for the Center to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Ritchie County Primary Care Center-D.B.A Ritchie Regional Health Center complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

#### Internal Control Over Compliance

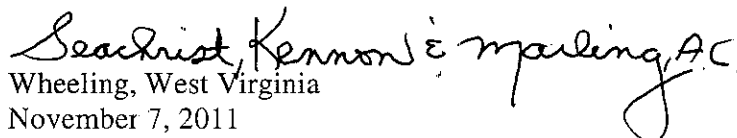
Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 Center's internal control over compliance.

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.

*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 11-3 to be material weakness.

The Center'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 Center's responses and, accordingly, we express no opinion on the responses.

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 7, 2011

**RITCHIE COUNTY PRIMARY CARE CENTER  
D.B.A. RITCHIE REGIONAL HEALTH CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

**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 Center-D B A Ritchie Regional Health Center.
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 Center-D B A Ritchie Regional Health Center 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 Center-D B A Ritchie Regional Health Center 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>
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	93.527
ARRA Grants to Health Center Programs	93.703

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Ritchie County Primary Care Center-D.B.A Ritchie Regional Health Center 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 CENTER  
D.B.A. RITCHIE REGIONAL HEALTH CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

**SECTION II – SUMMARY SCHEDULE OF AUDIT FINDINGS**

Finding 11-1: Material Weakness

Financial Statement Preparation – Financial Statement Finding:

Condition: The Center currently requires assistance from the auditors to prepare its financial statements, complete with required footnote disclosures, in conformity with U.S generally accepted accounting principles (GAAP) Certain material adjustments were required to be made to the accounting records including adjustments to assist in converting the accounting records from the cash basis to the accrual basis so the financial statements could be prepared in conformity with U.S. generally accepted accounting principles.

Criteria: Effective internal control over financial reporting requires that the Center 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 Center may issue financial statements and related footnotes that contain a misstatement that will not be prevented or detected by the Center's internal control.

Recommendation: We recommend that the Center 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: Management acknowledges that the Center'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 11-2: Material Weakness

Segregation of Duties – Financial Statement Finding:

Condition: The Center 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 Center, 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.



**RITCHIE COUNTY PRIMARY CARE CENTER  
D.B.A. RITCHIE REGIONAL HEALTH CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

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

Recommendation: We recommend that certain functions of the accounts payable process and general ledger reconciliation's be assigned to another individual for proper segregation of duties.

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 11-3: Noncompliance

Uncompensated Care – Federal Awards and State Awards (West Virginia Department of Health and Human Services)

Condition: The Center is required to offer services regardless of ability to pay. As a Federally Qualified Health Center the Center must use a sliding fee scale with discounts based on patient family size and income in accordance with the federal poverty guidelines. Our examination of the assigned sliding fee scale disclosed several instances where the applied sliding fee was not properly determined in accordance with federal poverty income guidelines.

Criteria: Federally Qualified Health Centers are required to offer services regardless of ability to pay and must use a sliding fee with discounts based on family size and income in accordance with the federal poverty guidelines.

Effect: A likelihood exists that the Center may assign a sliding fee to patients that is not in compliance with the federal poverty income guidelines.

Recommendation: We recommend that the Center review and revise their policies and ~~procedures related to the review and approval of the assigned sliding fee discounts~~

Response: Management agrees with this recommendation and would like to emphasize that the noted noncompliance was only noted at one location

**RITCHIE COUNTY PRIMARY CARE CENTER  
D.B.A. RITCHIE REGIONAL HEALTH CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011**

**SECTION III - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Finding 10-5: Noncompliance

Procurement – Federal Awards Finding:

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.

Recommendation: Management should update the current fiscal policies handbook to include 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.

Current Status: During the performance of our audit engagement procedures for the year ended June 30, 2010 the federal regulations related to procurement were discussed with management. Management immediately implemented policies and procedures to assure compliance with the federal regulations however \$389,200 in federal funding was expended during the year ended June 30, 2011 prior to changes to the procurement policies and procedures. This amount is below the reporting threshold of the OMB and we consider this finding to be resolved.