

**RITCHIE COUNTY PRIMARY CARE CENTER
D.B.A. RITCHIE REGIONAL HEALTH CENTER
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
JUNE 30, 2012, AND 2011**

DHHR - Finance

MAR 18 2013

Date Received



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

**RITCHIE COUNTY PRIMARY CARE CENTER
D.B.A. RITCHIE REGIONAL HEALTH CENTER
TABLE OF CONTENTS
JUNE 30, 2012**

	<u>Page</u>
Independent Auditor's Report.....	3 - 4
Financial Statements:	
Balance Sheets	5
Statements of Operations and Changes in Net Assets	6 - 7
Statements of Cash Flows.....	8
Schedule of Expenditures of Federal Awards.....	9
Schedule of Expenditures of State Awards.....	10
Notes to the Financial Statements	11 - 17
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18 - 19
Independent Auditor's Report on Compliance with Requirements that That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	20 - 21
Schedule of Findings and Questioned Costs.....	22 - 26

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
Julie A. Kerns, CPA
Chantelle S. Horvath, CPA

Members of:
American Institute of Certified Public Accountants
Governmental Audit Quality Center
Employee Benefit Plan Audit Quality Center

INDEPENDENT AUDITOR'S REPORT

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

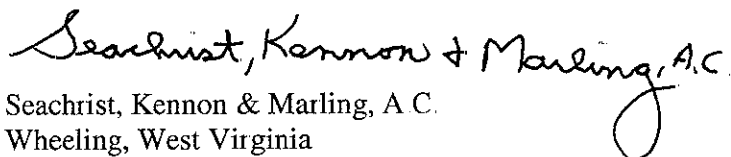
We have audited the accompanying balance sheets of Ritchie County Primary Care Center-D.B.A. Ritchie Regional Health Center (a nonprofit corporation) as of June 30, 2012 and 2011, and the related statements of operations and changes in net assets and cash flows for the years then ended. These financial 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, 2012 and 2011, 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 16, 2012, 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 accompanying 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 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 schedule of expenditures of state awards is fairly stated in all material respects in relation to the basic financial statements as a whole. The accompanying 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Seachrist, Kennon & Marling, A.C.
Wheeling, West Virginia
November 16, 2012

DHHR - Finance

MAR 18 2013

Date Received

**RITCHIE COUNTY PRIMARY CARE CENTER
D.B.A. RITCHIE REGIONAL HEALTH CENTER
BALANCE SHEETS
JUNE 30, 2012 AND 2011**

	2012	RESTATED 2011
<u>Assets</u>		
Current assets:		
Cash and cash equivalents - Note 2	\$ 137,261	\$ 79,908
Patient receivables, net - Note 2	298,358	163,756
Prepaid expenses and deposits	6,829	12,040
Total current assets	442,448	255,704
Property and equipment - Note 2		
Building improvements	764,905	744,241
Furniture and fixtures	312,423	269,589
Equipment	329,302	297,094
CIP	148,034	70,891
	1,554,664	1,381,815
Less: Accumulated depreciation	897,402	747,271
	657,262	634,544
Other Assets		
	1,178	6,080
Total Assets	\$ 1,100,888	\$ 896,328
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 35,126	\$ 43,914
Deferred revenue	110,000	40,000
Accrued payroll and related liabilities	73,702	95,440
Current portion of long term debt	-	1,702
Total current liabilities	218,828	181,056
Total Liabilities	218,828	181,056
Net assets:		
Unrestricted	882,060	715,272
Total net assets	882,060	715,272
Total Liabilities and Net Assets	\$ 1,100,888	\$ 896,328

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, 2012 AND 2011**

	2012	RESTATED 2011
<u>Revenues, Gains and Other Support</u>		
Net patient service revenue - Note 2	\$ 2,043,149	\$ 1,574,161
School-based health center funding - Note 5	56,100	56,100
Grant revenue	875,126	791,957
Other revenue	9,188	9,197
Donated facilities - Note 11	33,000	33,000
Total Revenues, Gains and Other Support	3,016,563	2,464,415
<u>Expenses</u>		
Salaries and wages	1,845,332	1,578,695
Payroll taxes and benefits	293,010	271,418
Purchased services	56,783	53,014
Supplies	103,305	84,476
Depreciation	150,131	141,840
Insurance	10,951	5,672
Legal and accounting	19,300	22,427
Repairs and maintenance	92,570	71,682
Facility rent and utilities	46,511	56,711
Telephone	117,225	68,269
Interest	4,573	3,766
Advertising and promotions	17,269	11,194
Healthcare provider tax	-	4,858
CIP Stimulus Expenses	-	4,018
Bad debt expense	123,617	50,599
Donated facilities - Note 11	33,000	33,000
Other	123,522	134,252
Total Expenses	3,037,099	2,595,891
Excess (deficiency) of revenues, gains and other support over expenses before other income and (expenditures)	(20,536)	(131,476)
<u>Other Income and (Expenditures)</u>		
Primary care deficit funding - Note 4	187,324	182,106
Total other income and (expenditures)	187,324	182,106
Increase (decrease) in unrestricted net assets	166,788	50,630

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, 2012 AND 2011**

	<u>2012</u>	<u>RESTATED 2011</u>
Temporarily restricted net assets:		
Grants received	-	-
Net assets released from restrictions	-	-
Increase (decrease) in temporarily restricted net assets	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	166,788	50,630
Net assets, beginning of year	<u>715,272</u>	<u>664,642</u>
Net assets, end of year	<u>\$ 882,060</u>	<u>\$ 715,272</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, 2012 AND 2011**

	<u>2012</u>	<u>RESTATED 2011</u>
<u>Cash Flows from Operating Activities:</u>		
Increase (decrease) in net assets	\$ 166,788	\$ 50,630
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	150,131	141,840
(Increase) decrease in:		
Patient receivables, net	(134,602)	(26,539)
Other assets	4,902	(8,585)
Prepaid expenses and deposits	5,211	6,711
Increase (decrease) in:		
Accounts payable & current liabilities	39,474	(17,966)
Net cash provided (used) by operating activities	<u>231,904</u>	<u>146,091</u>
<u>Cash flows from investing activities:</u>		
Property and equipment acquisitions	<u>(172,849)</u>	<u>(87,742)</u>
Net cash provided from (used in) investing activities	<u>(172,849)</u>	<u>(87,742)</u>
<u>Cash Flows from Financing Activities:</u>		
Payments (proceeds) on the line of credit and note payable	<u>(1,702)</u>	<u>(75,200)</u>
Net cash provided (used) in financing activities	<u>(1,702)</u>	<u>(75,200)</u>
Net increase (decrease) in cash and cash equivalents	57,353	(16,851)
Cash and cash equivalents, beginning of year	<u>79,908</u>	<u>96,759</u>
Cash and cash equivalents, end of year	<u>\$ 137,261</u>	<u>\$ 79,908</u>
Supplemental disclosures of cash flow information:		
Cash used for interest payments	<u>\$ 4,573</u>	<u>\$ 3,766</u>
Cash paid for income taxes	<u>\$ -</u>	<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
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor	CFDA No.	Receipts 7/1/2011 to 6/30/2012	Expenditures 7/1/2011 to 6/30/2012
Department of Health and Human Services - Health Resources & Services Administration			
ACA- Expand Services under the Health Center Program	93 527 *	\$ 389,254	\$ 389,254
ACA-for School-Based Health Center Capital Expenditures	93 501	161,807	161,807
ARRA - Increase Services to Health Centers	93 703	290	290
ARRA - Community Health Centers	93 224 *	277,475	277,475
Total Federal Awards		\$ 828,826	\$ 828,826

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, 2012. 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.

* Major Programs

**RITCHIE COUNTY PRIMARY CARE CENTER
D.B.A. RITCHIE REGIONAL HEALTH CENTER
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

State Grantor	Award Amount	Receipts 7/1/2011 to 6/30/2012	Expenditures 7/1/2011 to 6/30/2012
West Virginia Department of Health and Human Resources			
Uncompensated Care Grant	\$ 187,324	\$ 187,324	\$ 187,324
School Based Health Center	56,100	56,100	56,100
Total State Awards	<u>\$ 243,424</u>	<u>\$ 243,424</u>	<u>\$ 243,424</u>

**RITCHIE COUNTY PRIMARY CARE CENTER
D.B.A. RITCHIE REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

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, 2012 AND 2011**

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 \$261,449 and \$234,609 at June 30, 2012 and 2011, 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 2012 and 2011 are \$657,262 and \$634,544, 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 2012 and 2011.

**RITCHIE COUNTY PRIMARY CARE CENTER
D.B.A. RITCHIE REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2012 and 2011, 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 \$430,738 and \$527,089 for the fiscal years ended June 30, 2012 and 2011, 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 support that increases that net asset class. 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, 2012 AND 2011**

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, 2012 and 2011.

Interest - All interest costs incurred during the years ended June 30, 2012 and 2011 have been expensed. Interest expense for the years ended June 30, 2012 and 2011 was \$4,573 and \$3,766, 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, 2012, 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 16, 2012, 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, 2012 AND 2011**

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, 2012 and 2011, the outstanding balance amounted to \$-0- and \$-0-, respectively. The line is secured by all accounts and equipment.

NOTE 4. PRIMARY CARE FUNDING

Ritchie County Primary Care Center-D.B.A. Ritchie Regional Health Center, was awarded Primary Care Uncompensated Care Grants of \$187,324 and \$182,106 for the years ended June 30, 2012 and 2011, 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.

NOTE 5. 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, 2012 and June 30, 2011 the Center received \$56,100 and \$56,100, respectively to operate the school-based health programs.

NOTE 6. FEDERAL 330 GRANT FUNDING

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 \$820,276 and \$714,399 in Federal 330 funding for the years ended June 30, 2012 and 2011, respectively.

**RITCHIE COUNTY PRIMARY CARE CENTER
D.B.A. RITCHIE REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 7. 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, 2012 and 2011 were \$-0- and \$18,000, respectively. Total rental payments related to the health care center operated in Doddridge County, West Virginia for the years ended June 30, 2012 and 2011 were \$15,000 and \$13,750, respectively. Current year operating lease expense and succeeding 5 year obligations are as follows:

<u>Ritchie County</u>		<u>Doddridge County</u>	
2013	\$ -	2013	\$ 15,000
2014	8,000	2014	15,000
2015	24,000	2015	15,000
2016	24,000	2016	15,000
2017	24,000	2017	15,000

NOTE 8. 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 9. 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.

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.

**RITCHIE COUNTY PRIMARY CARE CENTER
D.B.A. RITCHIE REGIONAL HEALTH CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

NOTE 10. 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, 2012 and 2011 have been classified as follows:

	2012	2011
Administrative and general	\$ 518,747	\$ 578,703
Program services	2,518,352	2,017,188
	\$ 3,307,099	\$ 2,595,891

NOTE 11. DONATED GOODS, MATERIALS AND FACILITIES

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. The center provides services within the school systems of Ritchie, Pleasants, and Wood counties. The use of these facilities have been donated to the center. The amount of donated facilities for the year ended June 30, 2012 and 2011 was \$33,000 and \$33,000, respectively.

NOTE 12. 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, 2012 and 2011 was \$35,930 and \$30,259, respectively.

NOTE 13. PRIOR PERIOD ADJUSTMENT

Ritchie County Primary Care Center-D.B.A. Ritchie Regional Health Center's financial statements as of June 30, 2011 contained an error, which had the effect of understating donated facilities by \$33,000, understating expenses by \$33,000. 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
Ronnie L. Marling, CPA, CFE
Julie A. Kerns, CPA
Chantelle S. Horvath, CPA

Members of:
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, 2012, and have issued our report thereon dated November 16, 2012. 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

Management of Ritchie County Primary Care Center-D.B.A. Ritchie Regional Health Center is responsible for establishing and maintaining effective 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.

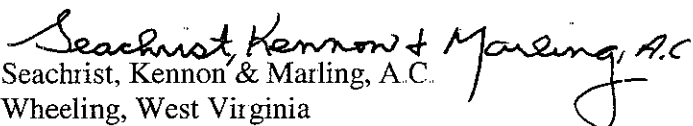
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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 12-1 through 12-3 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 12-4.

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.


Seachrist, Kennon & Marling, A.C.
Wheeling, West Virginia
November 16, 2012

DHHR - Finance

MAR 18 2013

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
Julie A. Kerns, CPA
Chantelle S. Horvath, CPA

Members of:
American Institute of Certified Public Accountants
Governmental Audit Quality Center
Employee Benefit Plan Audit Quality Center

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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, 2012. 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 finding 12-4 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, 2012.

Internal Control Over Compliance

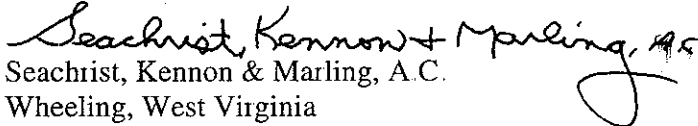
Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over 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 weakness.

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 12-4 to be a 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.


Seachrist, Kennon & Marling, A.C.
Wheeling, West Virginia
November 16, 2012

DHHR - Finance

MAR 18 2013

Date Received

**RITCHIE COUNTY PRIMARY CARE CENTER
D.B.A. RITCHIE REGIONAL HEALTH CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

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 a qualified 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
Consolidated Health Centers	93.224

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, 2012**

SECTION II – SUMMARY SCHEDULE OF AUDIT FINDINGS

Finding 12-1: 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).

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. Management has engaged an external Certified Public Accounting firm that has expertise in rural health care to oversee the preparation of the financial statements.

Finding 12-2: Material Weakness

Financial Statement Preparation – Financial Statement Finding:

Condition: 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.

**RITCHIE COUNTY PRIMARY CARE CENTER
D.B.A. RITCHIE REGIONAL HEALTH CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

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. Management has engaged an external Certified Public Accounting firm that has expertise in rural health care centers to oversee the preparation of the financial statements.

Finding 12-3: 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.

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. In addition management has engaged an external Certified Public Accounting firm that has expertise in rural health care centers to oversee processes and reconciliations of the general ledger. We believe that this oversight will mitigate the lack of segregation of duties that exists at the Center.

**RITCHIE COUNTY PRIMARY CARE CENTER
D.B.A. RITCHIE REGIONAL HEALTH CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

Finding 12-4: 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. Of the 60 assigned sliding fees that were examined 7 had not been calculated in accordance with the Center's policy which resulted in an incorrect sliding fees being assigned and thirteen of the sliding fees examined did not have documentation to support the annual income.

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. Management is going to provide extensive training to all staff involved with the assignment of the sliding fee. Additionally management is going to review the assigned sliding fee quarterly. This review will also be examined by the external Certified Public Accounting firm that has been engaged to oversee financial reporting.

**RITCHIE COUNTY PRIMARY CARE CENTER
D.B.A. RITCHIE REGIONAL HEALTH CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

SECTION III - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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.

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

Current Status: During the performance of our current engagement procedures for the year ended June 30, 2012 we examined the Center's policies and procedures related to the review and approval of the assigned sliding fee discounts. We also examined the assigned sliding fees however during our examination of the assigned sliding fee for the year ended June 30, 2012 we noted several instances where the applied sliding fee was not properly determined in accordance with the federal poverty income guidelines. The finding has been repeated as Finding 12-4.

