

Audited Financial Statements



LOGAN MINGO AREA  
MENTAL HEALTH

Years Ended June 30, 2012 and 2011

DHHR - Finance

APR - 9 2013

Date Received



# LOGAN MINGO AREA MENTAL HEALTH

**Robert R. Mays, Jr., M.A.** Executive Director  
Route 10, Three Mile Curve  
P.O. Box 176  
Logan, West Virginia 25601  
Tel (304) 792 7130 • Fax (304) 792 7146

April 8, 2013

WV DHHR

Office of Internal Control & Policy

Division of Compliance & Monitoring

1 Davis Square, Suite 401

Charleston, WV 25301

To Whom It May Concern,

Enclosed is the year end Audited Financial Statement for Logan Mingo Area Mental Health, Inc. The audit is for years ended June 30, 2012 and 2011, as completed by Gibbons & Kawash, Certified Public Accountants. If you have any questions, please contact me at the above listed address and telephone number.

Sincerely,

Tahnee I. Bryant, Comptroller

DHHR - Finance

APR - 9 2013

Date Received

Audited Financial Statements  
LOGAN-MINGO AREA MENTAL HEALTH, INC.  
Years Ended June 30, 2012 and 2011

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Logan-Mingo Area Mental Health, Inc.  
Logan, West Virginia

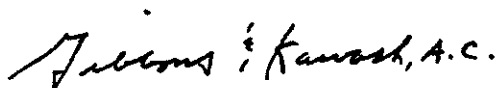
We have audited the accompanying statement of financial position of Logan-Mingo Area Mental Health, Inc. (the Center) as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. 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 the 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 March 14, 2013, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purposes of forming an opinion on the basic financial statements as a whole. The accompanying schedules of BHHF Funded Fixed Assets, BHHF Funding Status, and Schedules of Standardized Financial Statements on pages 10 to 16 are presented for purposes of additional analysis as required by the West Virginia Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities (BHHF), and are not a required part of 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 information is fairly stated in all material respects in relation to the financial statements as a whole.



Charleston, West Virginia  
March 14, 2013

DHHR - Finance

APR - 9 2013

Date received

## LOGAN MINGO AREA MENTAL HEALTH, INC.

## STATEMENT OF FINANCIAL POSITION

June 30, 2012 and 2011

<u>ASSETS</u>	<u>2012</u>	<u>2011</u>
Current assets:		
Cash and cash equivalents	\$ 662,229	\$ 385,920
Certificates of deposit	-	180,877
Accounts receivable, less allowance for doubtful accounts of \$95,759 and \$38,996 at June 30, 2012 and 2011, respectively	422,682	341,726
Grants receivable	252,666	262,501
Other	<u>9,417</u>	<u>13,845</u>
Total current assets	<u>1,346,994</u>	<u>1,184,869</u>
Certificates of deposit	527,929	340,264
Property and equipment, less accumulated depreciation	<u>1,066,848</u>	<u>1,038,453</u>
Total assets	<u>\$ 2,941,771</u>	<u>\$ 2,563,586</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 10,659	\$ 26,044
Accrued and withheld liabilities	160,122	187,115
Accrued annual leave	<u>136,008</u>	<u>146,850</u>
Total current liabilities	<u>306,789</u>	<u>360,009</u>
Unrestricted net assets	<u>2,634,982</u>	<u>2,203,577</u>
Total liabilities and net assets	<u>\$ 2,941,771</u>	<u>\$ 2,563,586</u>

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

## LOGAN MINGO AREA MENTAL HEALTH, INC.

## STATEMENT OF ACTIVITIES

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Changes in unrestricted net assets:		
Revenues:		
Net patient revenue	\$ 4,597,732	3,764,073
State and federal grant	2,271,584	2,375,612
Local and county grant	32,657	43,620
Contracted services	<u>46,517</u>	<u>42,662</u>
	<u>6,948,490</u>	<u>6,225,967</u>
Non-operating revenues:		
Interest	<u>7,494</u>	<u>8,560</u>
Total unrestricted revenues	<u>6,955,984</u>	<u>6,234,527</u>
Expenses:		
Salaries and wages	3,144,264	3,198,787
Employee benefits	1,032,394	1,043,749
Contracted services	1,439,390	1,174,644
Facility	195,961	185,070
Repairs and maintenance	21,249	26,774
Travel	114,592	123,624
Bad debt	64,247	34,590
Provider tax	78,447	78,064
Depreciation	97,575	101,930
Food and drug	47,699	47,597
Miscellaneous	49,494	40,028
Office supplies	24,728	26,956
Telephone	28,863	27,074
Printing and postage	41,773	48,471
Professional fees	56,321	51,241
Subscriptions and books	13,846	13,776
Insurance	56,222	60,612
Accounting	<u>17,514</u>	<u>23,782</u>
Total expenses	<u>6,524,579</u>	<u>6,306,769</u>
Increase (decrease) in net assets	431,405	(72,242)
Net assets, beginning of year	<u>2,203,577</u>	<u>2,275,819</u>
Net assets, end of year	<u>\$ 2,634,982</u>	<u>\$ 2,203,577</u>

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

## LOGAN MINGO AREA MENTAL HEALTH, INC.

## STATEMENT OF CASH FLOWS

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 431,405	\$ (72,242)
Adjustments to reconcile change in net assets to net cash provided by operating expenses:		
Depreciation	97,575	100,725
Provision for bad debts	64,247	34,590
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(145,203)	(3,640)
Grants receivable	9,835	9,074
Other	4,428	1,308
Increase (decrease) in:		
Accounts payable	(15,385)	11,427
Accrued and withheld liabilities	(26,993)	10,595
Accrued annual leave	<u>(10,842)</u>	<u>17,278</u>
Net cash provided by operating activities	<u>409,067</u>	<u>109,115</u>
Cash flows from investing activities:		
Purchases of property and equipment	(125,970)	(38,319)
Maturities of certificates of deposit	180,877	-
Purchases of certificates of deposit	<u>(187,665)</u>	<u>(7,610)</u>
Net cash used in investing activities	<u>(132,758)</u>	<u>(45,929)</u>
Net increase in cash and cash equivalents	276,309	63,186
Cash and cash equivalents, beginning of year	<u>385,920</u>	<u>322,734</u>
Cash and cash equivalents, end of year	<u>\$ 662,229</u>	<u>\$ 385,920</u>

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

## LOGAN-MINGO AREA MENTAL HEALTH, INC.

## NOTES TO FINANCIAL STATEMENTS

**1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Description of Organization

Logan-Mingo Area Mental Health, Inc. (the Center) is a nonprofit, nonstock corporation organized under the laws of the State of West Virginia. The primary purpose of the Center is to develop, operate, and maintain facilities and services for mentally ill and developmentally delayed individuals and substance abuse in Logan and Mingo Counties in West Virginia.

Basis of Accounting

Revenues and expenses are recognized on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred. The Center recognizes grant revenues when qualifying expenditures are incurred.

Cash and Cash Equivalents

The Center considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Net Client Revenues

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Net client revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated contractual adjustments under reimbursement agreements with third party payors. The allowance for doubtful accounts is based on management's experience and analysis of prior year collections. The Center's policy for writing off bad debts includes writing off all accounts over 365 days past due if no payment is received.

The Center has a policy of providing care to individuals regardless of their ability to pay. Such care is provided to eligible individuals based on financial information provided by the individual. Since the Center does not expect payment, charges are recorded at established rates, offset by allowances for charity care and not reported as revenues.

Property and Equipment

Property and equipment are stated at cost. Major purchases and improvements are capitalized while repairs and maintenance are expensed as incurred. Donations of property and equipment are recorded as increases in unrestricted net assets. Depreciation has been provided over the estimated useful lives using the straight-line method in accordance with the American Hospital Association guidelines. Estimated useful lives are as follows:

Buildings and improvements	5 - 40 years
Vehicles and equipment	5 - 15 years

Income Taxes

The Center is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Center qualifies for charitable contributions deductions under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).



## LOGAN-MINGO AREA MENTAL HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)**1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Income Taxes (Continued)

The Center is generally no longer subject to examinations by taxing authorities for years prior to June 30, 2009.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The date to which events occurring after June 30, 2012, have been evaluated for possible adjustment to or disclosure in the financial statements is March 14, 2013, which is the date the financial statements were available to be issued.

**2 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Land	\$ 143,633	\$ 143,633
Buildings and improvements	2,403,475	2,403,475
Vehicles	400,055	379,285
Equipment	527,586	522,386
Furniture	62,032	62,032
Software	<u>100,000</u>	<u>-</u>
	3,636,781	3,510,011
Less accumulated depreciation	<u>2,569,933</u>	<u>2,472,358</u>
	<u>\$ 1,066,848</u>	<u>\$ 1,038,453</u>

Property and equipment includes certain buildings and land provided to the Center by the State of West Virginia under long-term leases which require annual payments of \$1 for terms of ninety-nine years expiring in 2076. The cost of such buildings was \$1,915,785 while accumulated depreciation related to these buildings was \$1,566,314 and \$1,518,419 at June 30, 2012 and 2011, respectively. Land provided to the Center by the State amounted to \$143,633 as of June 30, 2012 and 2011.

Continued use of these facilities is contingent upon the Center continuing to provide treatment to persons who are emotionally disturbed or developmentally disabled. Management believes that it is highly unlikely the Center would discontinue providing these services. Accordingly, the value of the facilities has been reported as an increase in unrestricted net assets and has been capitalized and depreciated.

The cost of property and equipment purchased with Bureau of Behavioral Health & Health Facilities grant funds and related accumulated depreciation was \$281,402 and \$86,336, respectively, at June 30, 2012, and \$281,402 and \$74,452, respectively, at June 30, 2011.

## LOGAN-MINGO AREA MENTAL HEALTH, INC

NOTES TO FINANCIAL STATEMENTS  
(Continued)**3 - DEBT**

As of June 30, 2012, the Center had \$150,000 available on a line of credit, which is secured by certificates of deposits. The line bears interest at 3.0% and matures April 2014.

**4 - RETIREMENT PLAN**

The Center has a profit sharing plan (the Plan) covering virtually all of its employees. The Center's annual discretionary contribution is determined by the Board of Directors in an amount not to exceed 5.5% of participants' compensation. Retirement expense for the years ended June 30, 2012 and 2011, was \$81,221 and \$84,917, respectively.

**5 - THIRD-PARTY TRANSACTIONS AND ECONOMIC DEPENDENCY**

The Center has agreements with Medicaid and Medicare that provide for payments to the Center at predetermined amounts that differ from its standard rates. The ability of the Center to receive future payments from Medicaid depends on legislation enacted and resources available to the State of West Virginia. Revenue recognized from patient services during the years ended June 30, 2012 and 2011, is as follows:

	<u>2012</u>	<u>2011</u>
Gross patient revenue:		
Medicaid	\$ 597,044	\$ 604,604
Medicaid waiver	3,511,280	2,789,187
Private pay and charity care	980,855	1,008,897
Insurance and other	<u>444,578</u>	<u>382,118</u>
Total	5,533,757	4,784,806
Less contractual adjustments and charity care	<u>936,025</u>	<u>1,020,733</u>
Net patient revenue	<u>\$ 4,597,732</u>	<u>\$ 3,764,073</u>

**6 - CHARITY CARE**

Charity care services, as measured by gross charges foregone were \$653,900 and \$718,174 for the years ended June 30, 2012 and 2011, respectively. Of the Center's total expenses reported for the years ended June 30, 2012 and 2011, an estimated \$513,000 and \$581,000, respectively, arose from providing services to qualified charity patients. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Center's total expenses, less provision for bad debts, divided by gross patient service revenue. The Center received grants to offset the costs of uncompensated care in the amount of \$938,571 and \$1,096,182, respectively, for the years ended June 30, 2012 and 2011.

**7 - CONCENTRATIONS**

Financial instruments which potentially expose the Center to significant concentrations of credit risk consist of cash and cash equivalents, certificates of deposit, and accounts receivable.

## LOGAN-MINGO AREA MENTAL HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)**7 - CONCENTRATIONS (Continued)**

To limit concentration of credit risk associated with cash and cash equivalents and certificates of deposit, the Center places its cash with high quality financial institutions. At times, the balances in such institutions may exceed amounts covered by FDIC insurance. Those amounts in excess of FDIC insurance are collateralized by bonds in the Center's name, which are held by a third party. The Center receives payments for services from Medicaid, Medicare, private payors, and certain governmental agencies. The ability of these parties to honor their obligations is partially dependent upon the economic condition of the State of West Virginia. The Center provides allowances for potential losses, which, when realized, have been within the range of management's expectations.

**8 - LEASES**

The Center leases certain facilities and equipment under non-cancellable operating leases expiring in various years through 2017. Rental expense for operating leases was approximately \$16,805 and \$13,229 for the years ended June 30, 2012 and 2011, respectively.

The minimum future lease payments under the various operating leases are as follows:

2013	\$	13,968
2014		13,968
2015		7,774
2016		5,965
2017		<u>2,485</u>
	\$	<u>44,160</u>

**9 - FUNCTIONAL EXPENSES**

The Center provides mental health services to mentally ill and developmentally delayed individuals and substance abuse services in Logan and Mingo Counties in West Virginia. Expenses related to providing these services for the years ended June 30, 2012 and 2011, are as follows:

	<u>2012</u>	<u>2011</u>
Health care services	\$ 5,703,086	\$ 5,541,895
General and administrative	<u>821,493</u>	<u>764,874</u>
	<u>\$ 6,524,579</u>	<u>\$ 6,306,769</u>

**10 - NEW ACCOUNTING PRONOUNCEMENTS**

In July 2011, Accounting Standards Update (ASU) 2011-07, *Presentation and Disclosure for Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* was issued. The ASU is effective for the Center's fiscal year ending June 30, 2013, and will require certain health care entities to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue, net of contractual adjustments and discounts, on their statement of activities. The ASU specifically affects health care entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the

## LOGAN-MINGO AREA MENTAL HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)**10 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)**

patient's ability to pay. The ASU also requires enhanced disclosure about health care entities' policies for recognizing revenue and assessing bad debts as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The effect of implementing the ASU on the Center's statement of activity and disclosure of patient services revenue has not been determined.

**ACCOMPANYING INFORMATION**

## LOGAN MINGO AREA MENTAL HEALTH, INC.

## SCHEDULE OF BHHF FUNDED FIXED ASSETS

June 30, 2012

Description	Date Acquired	Cost	Program
Breathalyzers	08/19/98	1,040	Substance Abuse
Desk	06/30/99	1,227	Substance Abuse
Passport Paging System	06/30/99	500	Substance Abuse
True Colors Training Kit	06/30/99	712	Substance Abuse
Desk	08/01/99	435	Substance Abuse
Computer Station	08/01/99	320	Substance Abuse
National Desk Station	09/27/99	1,115	Substance Abuse
Vinyl Chairs	04/17/00	344	Substance Abuse
Rectangular Table	06/23/00	360	Substance Abuse
Compac Laptop	09/08/00	1,160	Substance Abuse
Hewlett Packard Pavillion PC	11/01/00	998	Substance Abuse
Hewlett Packard PCs	12/06/00	3,192	Substance Abuse
Hewlett Packard PCs	01/09/01	1,396	Substance Abuse
Hewlett Packard PCs	01/09/01	798	Substance Abuse
PowerHouse Shredder	03/13/01	600	Substance Abuse
Pavillion Computer	07/16/01	898	Substance Abuse
Pavillion Computer	08/30/01	2,694	Substance Abuse
Hewlett Packard Computers	06/18/02	2,672	Substance Abuse
Compac Presario Computer	10/31/02	769	Substance Abuse
HP Computer	10/09/03	528	Substance Abuse
PC Tower & Hardware	10/16/03	887	Substance Abuse
Office Chairs/FUTURES	04/14/04	750	Substance Abuse
Dishwasher/FUTURES	04/22/04	3,815	Substance Abuse
Dorm Beds/FUTURES	05/20/04	1,378	Substance Abuse
Table & Benches/FUTURES	05/21/04	1,358	Substance Abuse
Powerpoint Projector	05/28/04	899	Substance Abuse
Chairs/FUTURES	06/02/04	996	Substance Abuse
Sofa/FUTURES	06/02/04	489	Substance Abuse
Dressers/FUTURES	06/02/04	1,620	Substance Abuse
Desk/FUTURES	06/02/04	1,261	Substance Abuse
Desk/FUTURES	06/02/04	1,218	Substance Abuse
Office Chairs/FUTURES	06/02/04	636	Substance Abuse
Tables/FUTURES	06/02/04	575	Substance Abuse
Chairs/FUTURES	06/02/04	2,752	Substance Abuse
Dell Laptop	06/03/04	1,913	Substance Abuse

(Continued)

LOGAN MINGO AREA MENTAL HEALTH, INC  
 SCHEDULE OF BHHF FUNDED FIXED ASSETS  
 (Continued)

June 30, 2012

Description	Date Acquired	Cost	Program
Chairs/FUTURES	06/08/04	792	Substance Abuse
Compac Presario	06/21/04	740	Substance Abuse
Compac Presario	06/21/04	740	Substance Abuse
Compac Presario/FUTURES	06/21/04	740	Substance Abuse
Compac Presario/FUTURES	06/21/04	740	Substance Abuse
Cabinets/FUTURES	06/22/04	412	Substance Abuse
Mouthpiece Sensors	06/23/04	2,523	Substance Abuse
Mattresses for FUTURES	06/23/04	893	Substance Abuse
TV/VCR/Intercom/FUTURES	07/09/04	2,526	Substance Abuse
Exercise Equipment/FUTURES	07/27/04	705	Substance Abuse
ASI Program/FUTURES	08/23/04	550	Substance Abuse
Computer/FUTURES	08/25/04	498	Substance Abuse
LCD Monitor	02/09/05	400	Substance Abuse
Pool Table/FUTURES	02/09/05	475	Substance Abuse
Desktop Computer	03/07/05	343	Substance Abuse
Compressor	04/25/05	1,098	Substance Abuse
13' Floor Buffer/FUTURES	04/29/05	765	Substance Abuse
Desk Chairs/FUTURES	05/12/05	558	Substance Abuse
Cooling Tower	09/30/09	42,895	Substance Abuse
Sewage Treatment Plant	10/31/09	118,021	Substance Abuse
HVAC - Chattaroy	04/30/10	62,683	Substance Abuse
		\$ 281,402	

See Independent Auditor's Report.

LOGAN MINGO AREA MENTAL HEALTH, INC.  
 SCHEDULE OF BHHF FUNDING STATUS

Year Ending June 30, 2012

State Account Number	Current Year Award Amount	Award Extended From Prior Year	Refundable Advances June 30, 2011	Amount Earned and Billed	Refundable Advances June 30, 2012	Amount Not Billed	Amount Collected
0525-2012-3701-219-252	\$ 156,429	-	\$ -	\$ 156,429	\$ -	\$ -	\$ 134,096
0525-2012-3702-219-252	19,000	-	-	4,171	-	14,829	3,956
0525-2012-3702-219-252	60,000	-	-	60,000	-	-	48,578
0525-2012-3702-219-252	132,285	-	-	132,285	-	-	118,561
0525-2012-2851-219-252	94,848	-	-	94,848	-	-	86,944
0525-2012-2851-219-252	25,000	-	-	25,000	-	-	25,000
0525-2012-2870-219-252	71,181	-	-	70,983	-	198	65,249
0525-2012-2891-219-252	375,000	-	-	375,000	-	-	354,336
0525-2012-3041-219-252	161,411	-	-	161,411	-	-	147,960
0525-2012-3065-219-252	495,818	-	-	495,818	-	-	495,818
0525-2012-3065-219-252	442,753	-	-	442,753	-	-	368,961
0525-2012-2870-221-252	70,285	-	-	70,015	-	270	62,755
8723-2012-2849-096-128	9,500	-	-	9,500	-	-	9,500
8793-2012-2884-096-128	50,393	-	-	50,393	-	-	50,393
8793-2012-2891-096-128	25,000	-	-	24,946	-	54	23,409
8793-2012-2892-096-128	38,000	-	-	38,000	-	-	38,000
0525-2010-3701-219-252	20,952	-	-	-	-	20,952	-
0525-2010-3702-219-252	6,740	-	-	-	-	6,740	-
8723-2012-2899-096-128	5,048	-	-	5,048	-	-	5,048
5229-2013-0506-099-128	26,163	-	-	26,163	-	-	-
5229-2012-2851-099-128	27,894	-	-	27,894	-	-	27,894
	<u>\$ 2,313,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,270,657</u>	<u>\$ -</u>	<u>\$ 43,043</u>	<u>\$ 2,066,458</u>

See Independent Auditor's Report.



LOGAN MINGO AREA MENTAL HEALTH, INC.  
OFFICE OF BEHAVIORAL HEALTH SERVICES  
SCHEDULE OF STANDARDIZED FINANCIAL STATEMENTS - BALANCE SHEET  
FOR COMPREHENSIVE AND MR/DD FACILITIES  
ACCRUAL BASIS

June 30, 2012

Year Ended June 30, 2011

CURRENT ASSETS			
1.	Cash	\$	453,776
2.	Short-term investments		208,453
3.	Accounts receivable - OBHS		222,282
4.	Accounts receivable - Client		10,106
5.	Accounts receivable - Medicaid		112,327
6.	Accounts receivable - Medicaid MR/DD Waiver		306,459
7.	Accounts receivable - Other		24,172
8.	Inventory		-
9.	Prepaid/Other		9,417
10.	TOTAL CURRENT ASSETS		<u>1,346,992</u>
	(Total of lines 1-9)		
<u>NON-CURRENT ASSETS:</u>			
FIXED ASSETS			
11.	Property, land, and equipment - OBHS		2,624,284
12.	Less accumulated depreciation		(2,058,649)
13.	Property, land, and equipment - Other		1,012,497
14.	Less accumulated depreciation		<u>(511,284)</u>
15.	Total property, land, and equipment (NET)		<u>1,066,848</u>
OTHER NON-CURRENT ASSETS			
16.	Long-term investments		527,929
17.	Other		<u>-</u>
18.	TOTAL ASSETS	\$	<u>2,941,769</u>
	(Total of lines 10, 15, 16, and 17)		

(Continued)

LOGAN MINGO AREA MENTAL HEALTH, INC.  
OFFICE OF BEHAVIORAL HEALTH SERVICES  
SCHEDULE OF STANDARDIZED FINANCIAL STATEMENTS - BALANCE SHEET  
FOR COMPREHENSIVE AND MR/DD FACILITIES  
ACCRUAL BASIS  
(Continued)

June 30, 2012

LIABILITIES:

CURRENT LIABILITIES		
19.	Accounts payable	\$ 10,659
20.	Taxes payable	7,005
20a.	Provider taxes payable	-
21.	Line of credit - payable	-
22.	Short-term notes payable	-
23.	Accrued expenses	289,126
24.	Other current liabilities	-
25.	TOTAL CURRENT LIABILITIES	<u>306,790</u>
	(Total of lines 19 through 24)	
LONG-TERM LIABILITIES		
26.	Long-term notes payable	-
27.	Other long-term liabilities	-
28.	TOTAL LIABILITIES	<u>306,790</u>
	(Total of lines 25, 26, and 27)	
<u>NET ASSETS</u>		
29.	Unrestricted net assets	2,634,979
30.	Temporarily restricted net assets	-
31.	Permanently restricted net assets	-
32.	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,941,769</u>
	(Total of lines 28 through 31)	

See Independent Auditor's Report.

LOGAN MINGO AREA MENTAL HEALTH, INC.  
OFFICE OF BEHAVIORAL HEALTH SERVICES  
SCHEDULE OF STANDARDIZED FINANCIAL STATEMENTS -  
STATEMENT OF ACTIVITY  
FOR COMPREHENSIVE AND MR/DD FACILITIES  
ACCRUAL BASIS

Year Ended June 30, 2012

REVENUE AND SUPPORT:

1.	Charity care	\$ -
1a.	Charity care - Account 4311.1	216,705
1b.	Charity care - Account 4311.2	40,080
1c.	Charity care - Account 4312.1	-
1d.	Charity care - Account 4312.2	-
1e.	Charity care - Account 4314.1	118,884
1f.	Charity care - Account 4314.2	47,936
1g.	Charity care - Account 4315.1	46,882
1h.	Contractual write-off charity - Account 4337.1	118,799
1i.	Charity care revenue - Account 4329	(607,020)
1j.	Support/alternative svcs. rev. - Account 4358	(46,882)
	Total (Will not equal zero)	<u>(64,616)</u>
2.	Gross client service revenue	4,910,173
3.	Contractual adjustments (target funds)	-
3a.	Contractual adjustments (non-target funds)	<u>(312,441)</u>
5.	Net client service revenue	<u>4,533,116</u>
6.	Medicaid (target funds)	-
6a.	Medicaid (non-target funds)	383,769
7.	Medicaid MR/DD waiver (non-target funds)	3,495,637
8.	ICF/MR (non-target funds)	-
9.	Private pay (non-target funds)	326,954
9a.	Private pay (OBHS target funds)	-
9b.	Private pay (OBHS non-target funds)	-
10.	Other client service revenue (target funds)	120,066
10a.	Other client service revenue (non-target funds)	<u>271,306</u>
11.	Total net client service revenue (Line 11 must agree with line 5)	4,597,732
12.	OBHS support	2,270,657
13.	Other/public support	32,657
14.	Other	<u>54,939</u>
15.	TOTAL REVENUE AND SUPPORT (Total of line 11 through line 14)	<u>6,955,985</u>

(Continued)

LOGAN MINGO AREA MENTAL HEALTH, INC.  
OFFICE OF BEHAVIORAL HEALTH SERVICES  
SCHEDULE OF STANDARDIZED FINANCIAL STATEMENTS -  
STATEMENT OF ACTIVITY  
FOR COMPREHENSIVE AND MR/DD FACILITIES  
ACCRUAL BASIS  
(Continued)

Year Ended June 30, 2012

**EXPENSES:**

16. Salaries	\$ 3,144,265
17. Fringe benefits	1,032,394
18. Contractual services	1,524,580
19. Provider tax	78,448
19a. Bad debts	64,247
19b. Bad debts (BHHF target funds)	-
19c. Bad debts (BHHF non-target funds)	-
20. Depreciation expense	97,576
21. Other expenses	<u>583,073</u>
22. TOTAL EXPENSES (Total of line 16 through line 21)	<u>6,524,583</u>
23. NET INCOME LOSS (Line 15 minus line 22)	<u>\$ 431,402</u>

See Independent Auditor's Report.

**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**

The Board of Directors  
Logan-Mingo Area Mental Health, Inc.  
Logan, West Virginia

We have audited the financial statements of Logan-Mingo Area Mental Health, Inc. (the Center) as of and for the year ended June 30, 2012, and have issued our report thereon dated March 14, 2013. 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 the 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 the 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.

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 Center's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as items 2012-1 and 2012-2, to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



We noted certain matters that we reported to management of the Center in a separate letter dated March 14, 2013.

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

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

*Jillson ; Kanesh, A.C.*

Charleston, West Virginia  
March 14, 2013

DHHR - Finance

APR - 9 2013

Date Received

LOGAN-MINGO AREA MENTAL HEALTH, INC  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2012

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Section II - Financial Statement Findings

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**2012-1 Suboxone Revenue Reconciliation**

Condition:

During the year, the Center implemented policies and procedures to ensure that the payments received by the administrative clerk for Suboxone treatment are reconciled with the number of patients that the Center's physician treats each week. However, it was noted the employee who receives the payments for the treatments is also involved in the reconciliation process.

Criteria:

A basic premise of internal control is that cash collections should be reviewed and reconciled by someone other than an employee who handles cash receipts, and review procedures should be designed to detect material misstatements in the financial statements as well as misappropriation of assets.

Effect:

Error or fraud could occur and not be detected in a timely manner.

Cause:

All cash received for Suboxone treatments is collected by a single employee who is also involved in the reconciliation process.

Recommendation:

We recommend that the Center implement a policy where someone other than administrative clerk, perhaps the CFO, performs the reconciliation of cash collections with the number of patients treated.

Management's Response:

The Center will continue the current process and add a third step to strengthen internal controls over Suboxone Program receipts. The administrative clerk for Suboxone treatment receives a log of all suboxone patients seen during a given week. This log is created and signed off on by the therapist in charge of the suboxone program. This log includes the patient name, the level of treatment which they are receiving, and the amount they are to be charged. A total of those charges are included on the form. The therapist maintains a copy of this log and forwards the original log to the administrative clerk. The administrative clerk reviews the log and confirms that the amount on the log agrees to the amount of cash collected for the week and signs off on the log. In order to add another level of controls to this process, the log will be forwarded with the deposit to the Director of Data Processing who is responsible for making the deposit. Once the director reviews that the amount of the deposit agrees to the log they will also sign off on the log that they have reviewed it.

## LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF FINDINGS AND RESPONSES  
(Continued)

Year Ended June 30, 2012

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**Section II - Financial Statement Findings**

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**2012-2 Review of Account Activity**Condition:

During the audit, several errors in account balances were identified that affected accounts receivable, revenues, and contractual allowances. These errors occurred as a result of a change in the procedures and requirements for invoicing services under uncompensated care grants, which required changes to be programmed in the billing software. Although individual patient accounts receivable balances were correctly posted, the previous software processing procedures were not reprogrammed for certain accounts, resulting in incorrect balances in various general ledger accounts.

Criteria:

Timely reconciliations of accounts are an integral component of internal control and are crucial for the timely detection of accounting errors. Software updates should be evaluated to ensure that all necessary changes are made.

Effect:

The Center is susceptible to the risk that errors, whether intentional or unintentional could be made and not detected in a timely manner, causing financial statements and information to be misleading, and resulting in decisions by management and those charged with governance to be made based on inaccurate or untimely information.

Cause:

The Center's policies and controls over financial reporting were not functioning as designed.

Recommendation:

Although management adjusted the account balances when the errors were identified, we recommend that the activity in these accounts be subjected to a detailed review each month. Any unusual or unexpected balances and differences should be investigated and resolved. In addition, a software update to correct this problem should be developed and implemented as soon as possible.

Management's Response:

The Center will implement review procedure to identify accounts whose activity does not reflect anticipated balances. This review will most likely be performed by the CFO after the month end closing procedures are completed.

For future changes to the way revenue activity is billed or recorded, a complete review of the activity will be initiated by the CFO, the outside accounting consultant, and the software programmer to ensure that the change is successfully implemented.