

Audited Financial Statements



Years Ended June 30, 2015 and 2014

DHHR - Finance

MAR 15 2016

Date Received

**Cline, Jennifer R (DHHR)**

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**From:** John Anderson <janderson@shsinc.org>  
**Sent:** Tuesday, March 15, 2016 10:11 AM  
**To:** Cline, Jennifer R (DHHR)  
**Subject:** Grant Sworn Stmts G150XXX  
**Attachments:** G150XXX Grant Sworn Stmts Signed.pdf; 2015 Seneca Health Services Financial Statements FINAL.pdf

Good Morning Ms. Cline,  
Attached are the three Grant Sworn Statements for Seneca Health Services and a copy of Seneca's Audited Financial Statements for fiscal year end June 30, 2015.

I've noted at the bottom of each of the Grant Sworn Statement that the difference between the Grant Award and the Grant Expenditures has been or will be cancelled.

Please let me know if you need anything further.

Thanks for all your help!

*John Anderson CPA*  
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Audited Financial Statements  
SENECA HEALTH SERVICES, INC.  
Years Ended June 30, 2015 and 2014

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Seneca Health Services  
Summersville, West Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of Seneca Health Services, Inc. (Seneca), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seneca Health Services, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



### Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of state awards, BHHF funding status, BHHF funded fixed assets, and standardized financial statements 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. 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2015, on our consideration of Seneca'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 an audit performed in accordance with *Government Auditing Standards* in considering Seneca's internal control over financial reporting and compliance.

Charleston, West Virginia  
September 30, 2015

DHHR - Finance

MAR 15 2016

Date Received

SENECA HEALTH SERVICES, INC.  
STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

| <u>ASSETS</u>   | <u>2015</u>         | <u>2014</u>         |
|---|---------------------|---------------------|
| Current assets:   |                     |                     |
| Cash and cash equivalents   | \$ 3,942,712        | \$ 4,004,034        |
| Accounts receivable, less allowance for doubtful<br>accounts of \$199,632 in 2015 and \$289,315 in 2014 | 1,942,870           | 1,798,234           |
| Grants receivable   | 341,725             | 244,085             |
| Other   | <u>151,474</u>      | <u>233,864</u>      |
| Total current assets  | <u>6,378,781</u>    | <u>6,280,217</u>    |
| Property and equipment, net   | 2,785,231           | 2,812,417           |
| Prepaid rent  | <u>132,581</u>      | <u>132,581</u>      |
| Total assets  | <u>\$ 9,296,593</u> | <u>\$ 9,225,215</u> |
| <br><u>LIABILITIES AND NET ASSETS</u>   |                     |                     |
| Current liabilities:  |                     |                     |
| Accounts payable  | \$ 520,923          | \$ 488,849          |
| Accrued and withheld liabilities  | 547,352             | 714,428             |
| Accrued annual leave  | 410,148             | 348,436             |
| Health care provider tax  | 41,841              | 54,403              |
| Other liabilities   | <u>31,419</u>       | <u>3,045</u>        |
| Total current liabilities   | <u>1,551,683</u>    | <u>1,609,161</u>    |
| Unrestricted net assets   | <u>7,744,910</u>    | <u>7,616,054</u>    |
| Total liabilities and net assets  | <u>\$ 9,296,593</u> | <u>\$ 9,225,215</u> |

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

## SENECA HEALTH SERVICES, INC.

## STATEMENTS OF ACTIVITIES

Years Ended June 30, 2015 and 2014

|                                     | <u>2015</u>         | <u>2014</u>         |
|-------------------------------------|---------------------|---------------------|
| Changes in unrestricted net assets: |                     |                     |
| Revenues:                           |                     |                     |
| Net client revenues                 | \$ 18,641,145       | \$ 18,036,251       |
| State and federal grant revenues    | 1,436,247           | 1,650,337           |
| Other                               | 28,800              | 30,574              |
|                                     | <u>20,106,192</u>   | <u>19,717,162</u>   |
| Expenses:                           |                     |                     |
| Salaries and wages                  | 12,104,029          | 12,121,005          |
| Employee benefits                   | 2,710,028           | 2,664,666           |
| Administrative expenses             | 636,144             | 560,795             |
| Contracted services                 | 1,979,121           | 1,104,512           |
| Facility expenses                   | 683,679             | 674,735             |
| Travel and transportation           | 744,136             | 735,323             |
| Provider tax                        | 655,019             | 657,697             |
| Depreciation                        | 267,754             | 201,830             |
| Bad debt expense                    | 145,052             | 48,629              |
| Miscellaneous                       | 52,374              | 50,950              |
|                                     | <u>19,977,336</u>   | <u>18,820,142</u>   |
| Change in net assets                | 128,856             | 897,020             |
| Net assets, beginning of year       | <u>7,616,054</u>    | <u>6,719,034</u>    |
| Net assets, end of year             | <u>\$ 7,744,910</u> | <u>\$ 7,616,054</u> |

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

## SENECA HEALTH SERVICES, INC.

## STATEMENTS OF CASH FLOWS

Years Ended June 30, 2015 and 2014

|  | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|
| Cash flows from operating activities:  |                     |                     |
| Change in net assets   | \$ 128,856          | \$ 897,020          |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                     |                     |
| Provision for bad debts  | 145,052             | 48,629              |
| Depreciation   | 267,754             | 201,830             |
| Gain on disposal of fixed assets   | -                   | (1,800)             |
| Changes in operating assets and liabilities:   |                     |                     |
| (Increase) decrease in:  |                     |                     |
| Accounts receivable  | (289,688)           | 150,289             |
| Grants receivable  | (97,640)            | (138,039)           |
| Other  | 82,390              | (130,729)           |
| Increase (decrease) in:  |                     |                     |
| Accounts payable   | 32,074              | 322,942             |
| Accrued and withheld liabilities   | (167,076)           | 86,035              |
| Accrued health care provider tax   | (12,562)            | (10,442)            |
| Accrued annual leave   | 61,712              | 113,277             |
| Other liabilities  | 28,374              | 3,045               |
| Net cash provided by operating activities  | <u>179,246</u>      | <u>1,542,057</u>    |
| Cash flows from investing activities:  |                     |                     |
| Purchases of property and equipment  | (240,568)           | (2,247,232)         |
| Proceeds from sale of fixed assets   | <u>-</u>            | <u>1,800</u>        |
| Net cash used in investing activities  | <u>(240,568)</u>    | <u>(2,245,432)</u>  |
| Net decrease in cash and cash equivalents  | (61,322)            | (703,375)           |
| Cash and cash equivalents, beginning of year   | <u>4,004,034</u>    | <u>4,707,409</u>    |
| Cash and cash equivalents, end of year   | <u>\$ 3,942,712</u> | <u>\$ 4,004,034</u> |

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



SENECA HEALTH SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS

**1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of Organization

Seneca Health Services, Inc. (Seneca) is a nonprofit, nonstock corporation organized under the laws of the State of West Virginia. The primary purpose of Seneca is to develop, operate, and maintain facilities and services for the mentally ill and mentally disabled 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. Seneca recognizes grant revenue as qualifying expenditures are incurred and records grant monies received in advance of expenditure as refundable advances.

Cash and Cash Equivalents

Seneca considers all highly liquid investments with original maturities of ninety days or less to be cash equivalents.

Net Client Revenues

Seneca has agreements with third-party payors that provide for payments to Seneca at amounts different from its established rates. Net client revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services rendered, net of 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. Seneca's policy for writing-off bad debts includes a review of all amounts due from individual clients and third-party payors that have had no activity for 365 days to determine their collectability by Seneca. All amounts deemed uncollectable by Seneca are then written-off. Seneca continues collection efforts on certain accounts to recover any of the amounts written-off as uncollectable. Interest is not charged on past due balances.

Property and Equipment

Property and equipment are stated at cost. Major purchases and improvements are capitalized while repairs and maintenance are expensed as incurred. Depreciation is recognized over the estimated useful lives of property and equipment using the straight-line method. Estimated useful lives are as follows:

|                            |            |
|----------------------------|------------|
| Buildings and improvements | 7-40 years |
| Vehicles and equipment     | 3-10 years |

Income Taxes

Seneca is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to taxes on income derived from its exempt activities. In addition, Seneca 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).

SENECA HEALTH SERVICES, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

**1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform with the 2015 presentation.

Subsequent Events

The date to which events occurring after June 30, 2015, have been evaluated for possible adjustment to or disclosure in the financial statements is September 30, 2015, which is the date the financial statements were available to be issued.

**2 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

|                               | June 30             |                     |
|-------------------------------|---------------------|---------------------|
|                               | 2015                | 2014                |
| Land                          | \$ 250,701          | \$ 236,075          |
| Buildings and improvements    | 3,125,630           | 1,407,233           |
| Vehicles                      | 93,224              | 61,424              |
| Equipment                     | 1,687,897           | 1,412,140           |
| Construction in progress      | 86,547              | 1,886,436           |
|                               | <u>5,243,999</u>    | <u>5,003,308</u>    |
| Less accumulated depreciation | <u>2,458,768</u>    | <u>2,190,891</u>    |
|                               | <u>\$ 2,785,231</u> | <u>\$ 2,812,417</u> |

Cost of property and equipment purchased with West Virginia Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities (BHBF) grant funds was \$153,873 and \$5,110 and related accumulated depreciation was \$17,367 and \$3,853 at June 30, 2015 and 2014, respectively. In addition, construction in progress at June 30, 2014 included \$148,763 of assets purchased with West Virginia Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities (BHBF) grant funds. Assets were placed in service in July 2014.

The State of West Virginia provides a building to Seneca under a 99 year lease which requires an annual payment of \$10 and expires in 2079. Seneca has recorded the building at the State's cost, which approximated fair value at the inception of the lease. The building's cost, including improvements, of \$370,241 and accumulated depreciation of \$329,852 and \$320,782 at June 30, 2015 and 2014, respectively, are recorded in these financial statements as property and equipment.

Continued use of this facility is contingent upon Seneca continuing to provide treatment to persons who are emotionally disturbed or developmentally disabled. Management believes that it is highly unlikely Seneca would discontinue providing these services.

SENECA HEALTH SERVICES, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

### 3 - DEBT

As of June 30, 2015, Seneca had \$2,000,000 available under a line of credit with a bank which is subject to annual renewal. The line of credit, which bears interest at the bank's prime rate with a minimum rate of 4%, is secured by cash in depository accounts of \$2,000,000. Cash paid for interest during the years ended June 30, 2015 and 2014 was \$0.

### 4 - RETIREMENT PLAN

Seneca has a defined contribution retirement plan covering eligible employees. Employer contributions equal 5% of each participant's compensation, excluding bonuses, commissions, and overtime pay. All full-time salaried employees are eligible after reaching the age of eighteen and completing a ninety day probationary period. Hourly employees are eligible after reaching the age of eighteen and completing one year of service. Retirement expense for the years ended June 30, 2015 and 2014, was \$322,337 and \$283,767, respectively.

### 5 - THIRD PARTY TRANSACTIONS AND ECONOMIC DEPENDENCY

Seneca has agreements with Medicaid and Medicare that provide for payments to Seneca at predetermined amounts that differ from its standard rates. The ability of Seneca to receive future payments from Medicaid depends on both legislation enacted and resources available to the State of West Virginia. Revenue recognized from client services for the years ended June 30, 2015, and June 30, 2014, is as follows:

|                                | Year Ended June 30, 2015 |                                  |                        |
|--------------------------------|--------------------------|----------------------------------|------------------------|
|                                | Gross Patient<br>Revenue | Less: Contractual<br>Adjustments | Net Patient<br>Revenue |
| Medicaid                       | \$ 3,032,781             | \$ 844,207                       | \$ 2,188,574           |
| Medicaid waiver                | 15,327,645               | -                                | 15,327,645             |
| Medicare                       | 501,989                  | 299,802                          | 202,187                |
| Private pay                    | 147,015                  | 5,864                            | 141,151                |
| Fee for service - State funded | 624,955                  | 266,991                          | 357,964                |
| Insurance                      | 680,238                  | 307,461                          | 372,777                |
| Other                          | 106,763                  | 55,916                           | 50,847                 |
| Total                          | <u>\$ 20,421,386</u>     | <u>\$ 1,780,241</u>              | <u>\$ 18,641,145</u>   |

SENECA HEALTH SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**5 - THIRD PARTY TRANSACTIONS AND ECONOMIC DEPENDENCY (Continued)**

|                                | Year Ended June 30, 2014 |                                  |                        |
|--------------------------------|--------------------------|----------------------------------|------------------------|
|                                | Gross Patient<br>Revenue | Less: Contractual<br>Adjustments | Net Patient<br>Revenue |
| Medicaid                       | \$ 2,036,319             | \$ 735,738                       | \$ 1,300,581           |
| Medicaid waiver                | 15,615,051               | -                                | 15,615,051             |
| Medicare                       | 482,762                  | 318,179                          | 164,583                |
| Private pay                    | 147,915                  | 15,515                           | 132,400                |
| Fee for service - State funded | 781,485                  | 303,283                          | 478,202                |
| Insurance                      | 585,111                  | 314,087                          | 271,024                |
| Other                          | 90,378                   | 15,968                           | 74,410                 |
| Total                          | <u>\$ 19,739,021</u>     | <u>\$ 1,702,770</u>              | <u>\$ 18,036,251</u>   |

Seneca's policy is to provide care to individuals regardless of their ability to pay for these services. Patient costs are billed to the payer sources noted above, and billed charges denied by third party payers are recorded as contractual adjustments.

**6 - CONCENTRATIONS**

Financial instruments which potentially expose Seneca to significant concentrations of credit risk consist of cash and cash equivalents, accounts receivable, and grants receivable.

To limit concentration of credit risk associated with cash and cash equivalents, Seneca places its cash and cash equivalents with high quality financial institutions. At times, the balances in such institutions may exceed amounts covered by FDIC insurance. Seneca 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 and the health insurance industry. Seneca maintains allowances for potential losses, which, when realized, have been within the range of management's expectations.

Approximately 51% of Seneca's employees are subject to a collective bargaining agreement, which expires June 30, 2017.

**7 - LEASES**

Seneca leases certain land, facilities, and equipment under cancelable and noncancelable operating leases expiring in various years through 2033. Future minimum lease payments under noncancelable operating leases are as follows:

|            |                     |
|------------|---------------------|
| 2016       | \$ 224,726          |
| 2017       | 220,673             |
| 2018       | 186,391             |
| 2019       | 173,791             |
| 2020       | 150,446             |
| Thereafter | 328,595             |
|            | <u>\$ 1,284,622</u> |

SENECA HEALTH SERVICES, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

**7 - LEASES (Continued)**

Rental expense for operating leases, was approximately \$282,053 and \$292,740 for the years ended June 30, 2015 and 2014, respectively.

**8 - FUNCTIONAL EXPENSES**

Seneca provides mental health services to residents in West Virginia. Expenses related to providing these services for the years ended June 30, 2015 and 2014, are as follows:

|                            | <u>2015</u>          | <u>2014</u>          |
|----------------------------|----------------------|----------------------|
| Health care services       | \$ 16,708,850        | \$ 15,755,595        |
| General and administrative | <u>3,268,486</u>     | <u>3,064,547</u>     |
|                            | <u>\$ 19,977,336</u> | <u>\$ 18,820,142</u> |

**9 - CONTINGENCIES**

Seneca is subject to litigation in the normal course of business involving claims from individuals who seek both compensatory and punitive damages from Seneca. Incidents occurring through June 30, 2015 may result in the assertion of claims. Other claims may be asserted arising from past services provided. Management believes that any claims, if asserted, would be settled within the limits of insurance coverage.

**SUPPLEMENTARY INFORMATION**

SENECA HEALTH SERVICES, INC.  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
Year Ended June 30, 2015

| Federal Grantor/ Pass-through Grantor/<br>Program Title      | Grant Series | State Grantor's Number                               | Program or<br>Award Amount | Prior Year<br>Extended | Refundable<br>Advances July<br>1, 2014 | Receipts            | Disbursements/<br>Expenditures | Refundable<br>Advances June<br>30, 2015 |
|--|--------------|--|----------------------------|------------------------|--|---------------------|--------------------------------|---|
| West Virginia<br>Department of Health<br>and Human Resources |              |  |                            |                        |  |                     |                                |   |
| Children's Clinical  | G150194      | 2015-0525-0506-2919-21900-3206-3950-13126            | \$ 60,000                  | \$ -                   | \$ -                                   | \$ 41,534           | \$ 46,407                      | \$ -                                    |
| Core Services  | G150194      | 2015-0525-0506-2851-21900-3206-3950                  | 491,942                    | -                      | -                                      | 351,478             | 491,942                        | -                                       |
| Detoxification   | G150194      | 2015/2013-0525-0506-3426-21900/35400-3206-3950-13119 | 725,000                    | -                      | -                                      | 441,240             | 555,473                        | -                                       |
| Screening Brief  | G150194      | 2015/2013-0525-0506-2886-21900/35400-3206-3950-13131 | 50,000                     | -                      | -                                      | 7,597               | 7,597                          | -                                       |
|  |              | Total for Grant G150194                              | <u>1,326,942</u>           | <u>-</u>               | <u>-</u>                               | <u>841,849</u>      | <u>1,101,419</u>               | <u>-</u>                                |
| Outpatient Services  | G150554      | 2013-0525-0506-2884-21900-3206-3949-13125            | 80,179                     | -                      | -                                      | -                   | 5,245                          | -                                       |
| Substance Abuse  | G150554      | 8793-0506-2884-13000-13125                           | 80,179                     | -                      | -                                      | 28,671              | 47,902                         | -                                       |
|  |              | Total for Grant G150554                              | <u>160,358</u>             | <u>-</u>               | <u>-</u>                               | <u>28,671</u>       | <u>53,147</u>                  | <u>-</u>                                |
| Community Engagement   | G150660      | 2015-0525-0506-3701-21900-3206-3950                  | 93,643                     | -                      | -                                      | 57,931              | 93,643                         | -                                       |
| Community Engagement   | G150660      | 2015-0525-0506-3701-21900-3206-3950-12426            | 64,957                     | -                      | -                                      | 42,990              | 64,957                         | -                                       |
|  |              | Total for Grant G150660                              | <u>158,600</u>             | <u>-</u>               | <u>-</u>                               | <u>100,921</u>      | <u>158,600</u>                 | <u>-</u>                                |
| Care Coordination  | G140010      | 0525-2014-3701-219-258                               | -                          | 23,498                 | -                                      | 23,498              | 23,498                         | -                                       |
| Care Coordination Support                                    | G140010      | 0525-2014-3702-219-258                               | -                          | 2,697                  | -                                      | 2,697               | 2,697                          | -                                       |
| Care Coordination  | G140010      | 0525-2014-3701-219-258                               | -                          | 57,885                 | -                                      | 57,885              | 57,885                         | -                                       |
| Care Coordination Support                                    | G140010      | 0525-2014-3702-219-258                               | -                          | 1,276                  | -                                      | 1,276               | 1,276                          | -                                       |
| Family Support   | G140010      | 2014-0525-0506-2867-21900-3206-3950                  | -                          | 22,255                 | -                                      | 22,255              | 22,255                         | -                                       |
|  |              | Total for Grant G140010                              | <u>-</u>                   | <u>107,611</u>         | <u>-</u>                               | <u>107,611</u>      | <u>107,611</u>                 | <u>-</u>                                |
| Substance Abuse AOP  | G140075      | 8793-2014-2884-130-128                               | -                          | 14,059                 | -                                      | 14,059              | 14,059                         | -                                       |
| Total Bureau for Behavioral<br>Health and Health Facilities  |              |  | <u>1,645,900</u>           | <u>121,670</u>         | <u>-</u>                               | <u>1,093,111</u>    | <u>1,434,836</u>               | <u>-</u>                                |
| TBI Support Pass Through                                     |              |  | <u>1,411</u>               | <u>-</u>               | <u>-</u>                               | <u>1,411</u>        | <u>1,411</u>                   | <u>-</u>                                |
| Total Expenditures of State Awards                           |              |  | <u>\$ 1,647,311</u>        | <u>\$ 121,670</u>      | <u>\$ -</u>                            | <u>\$ 1,094,522</u> | <u>\$ 1,436,247</u>            | <u>\$ -</u>                             |

See Independent Auditor's Report.

SENECA HEALTH SERVICES, INC.  
SCHEDULE OF BHFF FUNDED FIXED ASSETS

June 30, 2015

| Provider ID # & Description                                  | Program Number | Date Acquired | Cost              | State Acct. #                | Program/Location    |
|--|----------------|---------------|-------------------|------------------------------|---------------------|
| 61561-00001 Clinic Building 1 Stevens Road, Summersville, WV | 20-101         | 1998          | \$ 351,145        |                              | Stevens Road Clinic |
| 61592-00001 Hand Rail @ Stevens Road                         | 20-101         | 2000          | 1,851             |                              | Stevens Road Clinic |
| 61653-00001 Storage Building 8 x 12 @ Stevens Road Clinic    | 20-101         | 2001          | 2,332             |                              | Stevens Road Clinic |
| 61652-00001 5-Ton Heat Pumb @ Stevens Road Clinic            | 20-101         | 2001          | 3,650             |                              | Stevens Road Clinic |
| 61775-00001 Replace Heat Pump @ Stevens Road Clinic          | 20-101         | 2004          | 1,406             |                              | Stevens Road Clinic |
| 61872-00001 Heat Pump @ Stevens Road Clinic                  | 20-101         | 2004          | 1,006             |                              | Stevens Road Clinic |
| 61873-00001 Heat Pump @ Stevens Road Clinic                  | 20-101         | 2004          | 1,006             |                              | Stevens Road Clinic |
| 61876-00001 Renovation - Flooring @ Stevens Road Clinic      | 20-101         | 2004          | 5,354             |                              | Stevens Road Clinic |
| 61908-00001 Downspout @ Stevens Road Clinic                  | 20-101         | 2005          | 1,487             |                              | Stevens Road Clinic |
| 62024-00001 Lights on Building - Stevens Road Clinic         | 20-101         | 2008          | 1,004             |                              | Stevens Road Clinic |
| <u>Total Building and Improvements</u>                       |                |               | <u>370,241</u>    |                              |                     |
| 90861671 Southern Telecom/Cat 5 Data Network                 | 401            | 2001          | 1,410             | 8793-2000-2892-096-128-04135 | Substance Abuse     |
| 90862023 Jetbook 1719N System                                | 401            | 2008          | 1,905             | 0525-2008-3702-219-254258    | Children Adolescent |
| 62987-00001 HP Elite Book Mobile Workstation                 | 533            | 2013          | 1,795             | 0525-2013-2886-722-258       | SBIRT               |
| 2014 Ford Explorer   |                | 2014          | 31,800            | 0525-2013-3426-722-258-13119 | Crosswinds          |
| Furniture - Client Rooms                                     |                | 2014          | 32,109            | 0525-2013-3426-722-258-13119 | Crosswinds          |
| Kitchen Equipment  |                | 2014          | 12,074            | 0525-2013-3426-722-258-13119 | Crosswinds          |
| Laundry Equipment  |                | 2014          | 3,251             | 0525-2013-3426-722-258-13119 | Crosswinds          |
| Window Blinds  |                | 2014          | 5,099             | 0525-2013-3426-722-258-13119 | Crosswinds          |
| Heart Smart AED  |                | 2014          | 2,485             | 0525-2013-3426-722-258-13119 | Crosswinds          |
| Furniture - Office & Rooms                                   |                | 2014          | 24,990            | 0525-2013-3426-722-258-13119 | Crosswinds          |
| Mobile Kitchen Island  |                | 2014          | 2,345             | 0525-2013-3426-722-258-13119 | Crosswinds          |
| Courtyard - Tables & Trashcans                               |                | 2014          | 4,390             | 0525-2013-3426-722-258-13119 | Crosswinds          |
| Computer Eq & Phones   |                | 2014          | 4,834             | 0525-2013-3426-722-258-13119 | Crosswinds          |
| Security Cameras   |                | 2014          | 9,981             | 0525-2013-3426-722-258-13119 | Crosswinds          |
| Misc. Small Equip. (under \$1000)                            |                | 2014          | 15,405            | 0525-2013-3426-722-258-13119 | Crosswinds          |
| <u>Total Equipment and vehicle</u>                           |                |               | <u>153,873</u>    |                              |                     |
|  |                |               | <u>\$ 524,114</u> |                              |                     |

See Independent Auditor's Report.



SENECA HEALTH SERVICES, INC.  
 SCHEDULE OF BHHF FUNDING STATUS  
 Year Ended June 30, 2015

| Grant Series | State Account Number                                 | Current Year<br>Award Amount | Award Extended<br>From Prior Year | Refundable Advances<br>July 1, 2014 | Amount Earned<br>and Billed | Refundable Advances<br>June 30, 2015 | Amount Not Billed | Amount Collected |
|--------------|--|------------------------------|-----------------------------------|-------------------------------------|-----------------------------|--------------------------------------|-------------------|------------------|
| G150194      | 2015-0525-0506-2919-21900-3206-3950-13126            | \$ 60,000                    | \$ -                              | \$ -                                | \$ 46,407                   | \$ -                                 | \$ 13,593         | \$ 41,534        |
| G150194      | 2015-0525-0506-2851-21900-3206-3950                  | 491,942                      | -                                 | -                                   | 491,942                     | -                                    | -                 | 351,478          |
| G150194      | 2015/2013-0525-0506-3426-21900/35400-3206-3950-13119 | 725,000                      | -                                 | -                                   | 555,473                     | -                                    | 169,527           | 441,240          |
| G150194      | 2015/2013-0525-0506-2886-21900/35400-3206-3950-13131 | 50,000                       | -                                 | -                                   | 7,597                       | -                                    | 42,403            | 7,597            |
|              | Total for Grant G150194                              | 1,326,942                    | -                                 | -                                   | 1,101,419                   | -                                    | 225,523           | 841,849          |
| G150554      | 2013-0525-0506-2884-21900-3206-3949-13125            | 80,179                       | -                                 | -                                   | 5,245                       | -                                    | 74,934            | -                |
| G150554      | 8793-0506-2884-13000-13125                           | 80,179                       | -                                 | -                                   | 47,902                      | -                                    | 32,277            | 28,671           |
|              | Total for Grant G150554                              | 160,358                      | -                                 | -                                   | 53,147                      | -                                    | 107,211           | 28,671           |
| G150660      | 2015-0525-0506-3701-21900-3206-3950                  | 93,643                       | -                                 | -                                   | 93,643                      | -                                    | -                 | 57,931           |
| G150660      | 2015-0525-0506-3701-21900-3206-3950-12426            | 64,957                       | -                                 | -                                   | 64,957                      | -                                    | -                 | 42,990           |
|              | Total for Grant G150660                              | 158,600                      | -                                 | -                                   | 158,600                     | -                                    | -                 | 100,921          |
| G140010      | 0525-2014-3701-219-258                               | -                            | 23,498                            | -                                   | 23,498                      | -                                    | -                 | 23,498           |
| G140010      | 0525-2014-3702-219-258                               | -                            | 2,697                             | -                                   | 2,697                       | -                                    | -                 | 2,697            |
| G140010      | 0525-2014-3701-219-258                               | -                            | 57,885                            | -                                   | 57,885                      | -                                    | -                 | 57,885           |
| G140010      | 0525-2014-3702-219-258                               | -                            | 1,276                             | -                                   | 1,276                       | -                                    | -                 | 1,276            |
| G140010      | 2014-0525-0506-2867-21900-3206-3950                  | -                            | 22,255                            | -                                   | 22,255                      | -                                    | -                 | 22,255           |
|              | Total for Grant G140010                              | -                            | 107,611                           | -                                   | 107,611                     | -                                    | -                 | 107,611          |
| G140075      | 8793-2014-2884-130-128                               | -                            | 14,059                            | -                                   | 14,059                      | -                                    | -                 | 14,059           |
|              | Total BHHF Funding                                   | \$ 1,645,900                 | \$ 121,670                        | \$ -                                | \$ 1,434,836                | \$ -                                 | \$ 332,734        | \$ 1,093,111     |

See Independent Auditor's Report.

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

June 30, 2015

ASSETS

CURRENT ASSETS:

|     |   |                  |
|-----|---|------------------|
| 1.  | Cash  | \$ 3,942,712     |
| 2.  | Short Term Investments                      | -                |
| 3.  | Accounts Receivable - OBHS                  | 424,016          |
| 4.  | Accounts Receivable - Client                | 24,127           |
| 5.  | Accounts Receivable - Medicaid              | 389,946          |
| 6.  | Accounts Receivable - Medicaid MR/DD Waiver | 1,276,387        |
| 7.  | Accounts Receivable - Other                 | 170,119          |
| 8.  | Inventory                                   | -                |
| 9.  | Prepaid/Other                               | 151,474          |
| 10. | TOTAL CURRENT ASSETS                        | <u>6,378,781</u> |
|     | (Total of lines 1 through 9)                |                  |

NON-CURRENT ASSETS:

FIXED ASSETS

|     |   |                  |
|-----|---|------------------|
| 11. | Property, Land, and Equipment - OBHS      | 524,114          |
| 12. | Less Accumulated Depreciation             | (347,770)        |
| 13. | Property, Land, and Equipment - Other     | 4,719,885        |
| 14. | Less Accumulated Depreciation             | (2,110,998)      |
| 15. | Total Property, Land, and Equipment (NET) | <u>2,785,231</u> |

OTHER NON-CURRENT ASSETS

|     |                                     |                     |
|-----|-------------------------------------|---------------------|
| 16. | Long-term investments               | -                   |
| 17. | Other                               | 132,581             |
| 18. | TOTAL ASSETS                        | <u>\$ 9,296,593</u> |
|     | (Total of lines 10, 15, 16, and 17) |                     |

LIABILITIES

CURRENT LIABILITIES:

|      |                                |                  |
|------|--------------------------------|------------------|
| 19.  | Accounts Payable               | \$ 520,923       |
| 20.  | Taxes Payable                  | 28,944           |
| 20A. | Provider Taxes Payable         | 41,841           |
| 21.  | Line of Credit - Payable       | -                |
| 22.  | Short-Term Payable             | -                |
| 23.  | Accrued Expenses               | 957,922          |
| 24.  | Other Current Liabilities      | 2,053            |
| 25.  | TOTAL CURRENT LIABILITIES      | <u>1,551,683</u> |
|      | (Total of lines 19 through 24) |                  |

LONG-TERM LIABILITIES:

|     |                                 |                  |
|-----|---------------------------------|------------------|
| 26. | Long-Term Notes Payable         | -                |
| 27. | Other Long-Term Liabilities     | -                |
| 28. | OTHER LIABILITIES               | <u>1,551,683</u> |
|     | (Total of lines 25, 26, and 27) |                  |

NET ASSETS

|     |                                   |                     |
|-----|-----------------------------------|---------------------|
| 29. | Unrestricted Net Assets           | 7,744,910           |
| 30. | Temporarily Restricted Net Assets | -                   |
| 31. | Permanently Restricted Net Assets | -                   |
| 32. | TOTAL LIABILITIES AND NET ASSETS  | <u>\$ 9,296,593</u> |
|     | (Total of lines 28 through 31)    |                     |

See Independent Auditor's Report.

SENECA HEALTH SERVICES, 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, 2015

REVENUE AND SUPPORT

|      |  |                      |
|------|--|----------------------|
| 1.   | Charity Care   | \$ -                 |
| 1a.  | Charity Care - Account 4311.1  | (191)                |
| 1b.  | Charity Care - Account 4311.2  | 358,155              |
| 1d.  | Charity Care - Account 4312.2  | -                    |
| 1e.  | Charity Care - Account 4314.1  | -                    |
| 1f.  | Charity Care - Account 4314.2 - Other Charity Care                   | -                    |
| 1g.  | Charity Care - Account 4315.1 - Support & Alternative Services       | 58,711               |
| 1h.  | Contractual Write-Off Charity - Account 4337.1                       | -                    |
| 1i.  | Charity Care Revenue - Account 4329                                  | -                    |
| 1j.  | Support/Alternative Svcs. Rev. - Account 4358                        | (58,711)             |
|      | Total (Will not equal zero)  | <u>357,964</u>       |
| 2.   | Gross Client Service Revenue   | 20,421,386           |
| 3.   | Contractual Adjustments (Target Funds)                               | -                    |
| 3a.  | Contractual Adjustments (Non-Target Funds)                           | (1,780,241)          |
| 5.   | Net Client Service Revenue   | <u>18,641,145</u>    |
| 6.   | Medicaid (Target Funds)  | 357,964              |
| 6a.  | Medicaid (Non-Target Funds)  | 2,188,575            |
| 7.   | Medicaid MR/DD Waiver (Non-Target Funds)                             | 15,328,958           |
| 8.   | ICF/MR (Non-Target Funds)  | 6,419                |
| 9.   | Private Pay (Non-Target Funds)                                       | 141,150              |
| 9a.  | Gain (loss) on disposal of fixed assets                              | -                    |
| 9b.  | Private Pay (OBHS Non-Target Funds)                                  | -                    |
| 10.  | Other Client Service Revenue (Target Funds)                          | -                    |
| 10a. | Other Client Service Revenue (Non-Target Funds)                      | 618,079              |
| 11.  | Total Net Client Service Revenue<br>(Line 11 must agree with line 5) | <u>18,641,145</u>    |
| 12.  | OBHS Support   | 1,434,836            |
| 13.  | Other/Public Support   | -                    |
| 14.  | Other  | <u>30,211</u>        |
| 15.  | TOTAL REVENUE AND SUPPORT<br>(Total of line 11 through line 14)      | <u>\$ 20,106,192</u> |

EXPENSES

|      |   |                   |
|------|---|-------------------|
| 16.  | Salaries  | \$ 12,104,029     |
| 17.  | Fringe Benefits                                 | 2,710,028         |
| 18.  | Contractual Services                            | 1,540,857         |
| 19.  | Provider Tax                                    | 655,019           |
| 19a. | Bad Debts                                       | 145,052           |
| 19b. | Bad Debts (OBHS Target Funds)                   | -                 |
| 19c. | Bad Debts (OBHS Target Funds)                   | -                 |
| 20.  | Depreciation Expense                            | 267,754           |
| 21.  | Other Expenses                                  | <u>2,554,597</u>  |
| 22.  | TOTAL EXPENSES<br>(Total of line 16 through 21) | <u>19,977,336</u> |
| 23.  | NET INCOME (LOSS)<br>(Line 15 minus line 22)    | <u>\$ 128,856</u> |

See Independent Auditor's Report.

**INDEPENDENT AUDITOR'S 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**

To the Board of Directors  
Seneca Health Services  
Summersville, West Virginia

We have audited, in accordance with the 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, the financial statements of Seneca Health Services, Inc., (Seneca), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Seneca's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Seneca's internal control. Accordingly, we do not express an opinion on the effectiveness of Seneca's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 deficiency described in the accompanying schedule of findings and responses as item 2015-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a 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. We consider the deficiency described in the accompany schedule of findings and responses as item 2015-002 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Seneca's financial statements are free from 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*.

### **The Organization's Responses to Findings**

Seneca's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Seneca's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Gibbons & Kawash, A.C.*

Charleston, West Virginia  
September 30, 2015

DHHR - Finance

MAR 15 2016

Date Received

SENECA HEALTH SERVICES, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2015

**2015-001 Electronic Banking**

Condition:

We noted that the CFO, as the designated electronic banking administrator, has "superuser" rights to initiate, authorize, and execute online banking transactions, including wire transfers, without the involvement or notification of any other Seneca personnel. We also noted that multiple employees have various levels of access to the online banking and vendor internet payment services, and in some cases the authorized accesses and rights may exceed those necessary or be incompatible with assigned job responsibilities.

Criteria:

A fundamental concept of internal control is the segregation of incompatible duties, the premise being that one person should not have access to both a physical asset and the related accounting records or to all phases of a transaction.

Effect:

Unauthorized transactions could occur and not be detected in a timely manner.

Cause:

Sufficient controls were not in place to ensure proper segregation of duties.

Recommendation:

We recommend that management consult with the bank to identify and implement available online banking safeguards, such as requiring the involvement or notification of more than one individual when user rights are changed or transactions meeting specified criteria are initiated.

Management's Response:

Seneca Health Services Inc. will examine potential internal alternatives to the CFO being designated as the electronic banking administrator and having "superuser" rights to initiate, authorize, and execute online banking transactions. Seneca will also consult with the bank on possible solutions that may require additional approvals if a transaction is initiated by the CFO.

SENECA HEALTH SERVICES, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
(Continued)

Year Ended June 30, 2015

**2015-002 Fixed Assets**

Condition:

We noted that depreciation expense was understated by \$46,000 due to Seneca's policy of depreciating assets for six months in the year the assets are initially placed in service, regardless of the date placed in service. In addition, we noted an unreconciled difference between the fixed asset schedule and the general ledger of approximately \$24,000.

Criteria:

Generally accepted accounting principles require depreciation to begin when the assets are placed in service. The detailed fixed asset schedule should be reconciled to the general ledger on an annual basis.

Effect:

Fixed assets were misstated by \$70,000.

Cause:

Policies and procedures over fixed assets were not adequate to ensure balances were calculated in accordance with generally accepted accounting principles and reconciled to the detailed fixed asset schedule.

Recommendation:

We understand that Seneca is in the process of converting its fixed asset records into the new accounting software. In connection with the conversion, management should ensure that depreciation is computed in accordance with generally accepted accounting principles, and that the general ledger is reconciled to the detailed depreciation schedule.

Management's Response:

Seneca Health Services Inc. has used the Half Year Depreciation Method in the past. Seneca will review the generally accepted accounting principles methods of depreciation available and apply the most appropriate depreciation method to all assets placed in service after June 30, 2015.

The unreconciled difference between the fixed asset schedule and the general ledger of approximately \$24,000 continues to be investigated. Seneca has been in the process of converting its fixed asset software system into a newer updated version. At this time Seneca is still trying to work with both systems however the conversion has provided some issues resulting in this \$24,000 variance. Seneca will continue to work on a reconciliation of this difference.