

**DODDRIDGE COUNTY SENIOR CITIZENS, INC.**

**AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**SEPTEMBER 30, 2012**

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**Tetrick & Bartlett, PLLC**  
Certified Public Accountants  
Consultants

122 N. Oak St. • PO Box 1916 • Clarksburg, WV 26302-1916 • (304) 624-5564 • Fax: (304) 624-5582 • www.tetrickbartlett.com  
1517 Mary Lou Retton Drive • Fairmont, WV 26554 • (304) 366-2992 • Fax: (304) 366-2370

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Doddridge County Senior Citizens, Inc.  
West Union, West Virginia

We have audited the accompanying consolidated statement of financial position of Doddridge County Senior Citizens, Inc. (a nonprofit organization) as of September 30, 2012, and the related consolidated statement of activities, consolidated statement of cash flows and statements of functional expenses and operating expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Doddridge County Senior Citizens, Inc. as of September 30, 2012, and the changes in its net assets and its cash flows for the year 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 August 7, 2013 on our consideration of Doddridge County Senior Citizens, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



**DODDRIDGE COUNTY SENIOR CITIZENS, INC.  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2012**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 2,358,622
Certificates of Deposit	1,462,432
Employee Advances	453
Grants and Contracts Receivable	243,507
Other Accounts Receivable	195,880
Interest Receivable	2,622
Prepaid Expenses and Deposits	25,507
Inventories	<u>147,651</u>
<b>TOTAL CURRENT ASSETS</b>	<b><u>4,436,674</u></b>

**RESTRICTED ASSETS**

Endowed Certificate of Deposit	<u>10,000</u>
<b>TOTAL RESTRICTED ASSETS</b>	<b><u>10,000</u></b>

**NON CURRENT ASSETS**

Investment in Stock - FMV	<u>32,500</u>
<b>TOTAL LONG-TERM ASSETS</b>	<b><u>32,500</u></b>

**PROPERTY AND EQUIPMENT**

Net of Accumulated Depreciation	<u>2,884,788</u>
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<b>TOTAL ASSETS</b>	<b>\$ <u>7,363,962</u></b>
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The accompanying independent auditor's report and notes are integral parts of these statements.

**DODDRIDGE COUNTY SENIOR CITIZENS, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)**  
**SEPTEMBER 30, 2012**

**LIABILITIES AND NET ASSETS AND EQUITY**

**CURRENT LIABILITIES**

Accounts Payable	\$ 491,530
Payroll & Sales Tax Payable	17,745
Accrued Income Tax	45,852
Accrued Payroll	1,461
Compensated Absences	<u>24,015</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>580,603</u></b>

**NET ASSETS AND EQUITY**

**DCSC, INC.**

Unrestricted Net Assets	4,507,614
Permanently Restricted Net Assets	<u>10,000</u>
<b>TOTAL NET ASSETS</b>	<b><u>4,517,614</u></b>

Equity in Subsidiary	2,243,036
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**MINORITY INTEREST**

22,709

<b>TOTAL NET ASSETS AND EQUITY</b>	<b><u>6,783,359</u></b>
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<b>TOTAL LIABILITIES AND NET ASSETS AND EQUITY</b>	<b>\$ <u>7,363,962</u></b>
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The accompanying independent auditor's report and notes are integral parts of these statements.

**DODDRIDGE COUNTY SENIOR CITIZENS, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	NET ASSETS			EQUITY IN SUBSIDIARY	MINORITY INTEREST	TOTAL
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>			
<b>SUPPORT</b>						
Grants and Contracts						
Title IIIB	\$ -	\$ 55,956	\$ -	\$ -	\$ -	\$ 55,956
Title IIID	-	675	-	-	-	675
Title IIIE	-	3,774	-	-	-	3,774
Medicaid	1,144,284	-	-	-	-	1,144,284
WV Bureau of Senior Services	-	13,000	-	-	-	13,000
Lighthouse In-Home Service	130,016	-	-	-	-	130,016
Fair Grant	26,495	-	-	-	-	26,495
Veterans	9,833	-	-	-	-	9,833
L.I.F.E.	177,193	-	-	-	-	177,193
<b>TOTAL SUPPORT</b>	<u>1,487,821</u>	<u>73,405</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,561,226</u>
<b>REVENUES</b>						
Gross Profit from Sales	-	-	-	1,048,891	10,595	1,059,486
Program Income	34,296	-	-	-	-	34,296
Investment Income	19,009	-	-	222	2	19,233
<b>TOTAL REVENUES</b>	<u>53,305</u>	<u>-</u>	<u>-</u>	<u>1,049,113</u>	<u>10,597</u>	<u>1,113,015</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>\$ 1,541,126</u>	<u>\$ 73,405</u>	<u>\$ -</u>	<u>\$ 1,049,113</u>	<u>\$ 10,597</u>	<u>\$ 2,674,241</u>

The accompanying independent auditor's report and notes are integral parts of these statements.

**DODDRIDGE COUNTY SENIOR CITIZENS, INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES (CONT'D)  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	NET ASSETS			EQUITY IN SUBSIDIARY	MINORITY INTEREST	TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED			
<b>FUNCTIONAL EXPENSES</b>						
Program Services						
Other Programs	\$ 1,260,577	\$ -	\$ -	\$ -	\$ -	\$ 1,260,577
LIFE	177,193	-	-	-	-	177,193
Title III-B	55,956	-	-	-	-	55,956
Title III-D	675	-	-	-	-	675
Title III-E	3,774	-	-	-	-	3,774
Management & General	138,392	-	-	-	-	138,392
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>1,636,567</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,636,567</u>
Operating Expenses	-	-	-	744,838	7,524	752,362
<b>TOTAL EXPENSES</b>	1,636,567	-	-	744,838	7,524	2,388,929
<b>NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<u>73,405</u>	<u>(73,405)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS AND EQUITY</b>	(22,036)	-	-	304,275	3,073	285,312
<b>NET ASSETS AND EQUITY-RESTATE BEGINNING OF PERIOD</b>	<u>4,529,650</u>	<u>-</u>	<u>10,000</u>	<u>1,938,761</u>	<u>19,636</u>	<u>6,498,047</u>
<b>NET ASSETS AND EQUITY - END OF PERIOD</b>	\$ <u>4,507,614</u>	\$ <u>-</u>	\$ <u>10,000</u>	\$ <u>2,243,036</u>	\$ <u>22,709</u>	\$ <u>6,783,359</u>

The accompanying independent auditor's report and notes are integral parts of these statements.



**DODDRIDGE COUNTY SENIOR CITIZENS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	Program Services					Management and General	Totals (Memorandum Only)
	Other Programs	LIFE	Title III-B	Title III-D	Title III-E		
Wages & Taxes	\$ 922,951	\$ 177,193	\$ 55,956	\$ 675	\$ 3,774	\$ 85,655	\$ 1,246,204
Fringe Benefits	69,041	-	-	-	-	12,184	81,225
Office	-	-	-	-	-	3,535	3,535
Repairs & Maintenance	10,390	-	-	-	-	2,597	12,987
Communications & Utilities	19,990	-	-	-	-	4,998	24,988
Other	12,873	-	-	-	-	-	12,873
Depreciation	31,329	-	-	-	-	3,151	34,480
Client Support	42,333	-	-	-	-	-	42,333
Transportation	27,625	-	-	-	-	-	27,625
Professional Services	-	-	-	-	-	14,622	14,622
Insurance	11,651	-	-	-	-	11,650	23,301
Taxes & Licenses	112,394	-	-	-	-	-	112,394
	<u>\$ 1,260,577</u>	<u>\$ 177,193</u>	<u>\$ 55,956</u>	<u>\$ 675</u>	<u>\$ 3,774</u>	<u>\$ 138,392</u>	<u>\$ 1,636,567</u>

The accompanying independent auditor's report and notes are integral parts of these statements.

**DODDRIDGE COUNTY SENIOR CITIZENS, INC.**  
**STATEMENT OF OPERATING EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

	<u>EQUITY IN SUBSIDIARY</u>	<u>MINORITY INTEREST</u>	<u>TOTAL</u>
Personnel	\$ 418,929	\$ 4,232	\$ 423,161
Payroll Taxes	56,095	567	56,662
Depreciation	93,850	948	94,798
Office	18,807	190	18,997
Communication and Utilities	57,920	585	58,505
Maintenance	35,412	358	35,770
Rent	1,154	12	1,166
Advertising	390	4	394
Accounting and Legal	17,865	180	18,045
Insurance	17,763	179	17,942
Taxes and Licenses	22,395	226	22,621
Other	<u>4,258</u>	<u>43</u>	<u>4,301</u>
	<u>\$ 744,838</u>	<u>\$ 7,524</u>	<u>\$ 752,362</u>

The accompanying independent auditor's report and notes are integral parts of these statements.

**DODDRIDGE COUNTY SENIOR CITIZENS, INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets and Equity	\$ 285,312
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	129,278
Unrealized Gain	(1,500)
(Increase) Decrease In:	
Grants and Contracts Receivable	(7,021)
Other Accounts Receivable	(24,088)
Interest Receivable	1,129
Prepaid Expenses and Deposits	15,784
Prepaid Income Tax	62,786
Employee Advances	25,341
Inventories	(20,990)
Increase (Decrease) In:	
Accounts Payable	161,393
Accrued Payroll	1,461
Payroll & Sales Taxes Payable	(57)
Accrued Income Tax Payable	45,852
Compensated Absences	<u>(857)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>673,823</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Increase in Certificates of Deposit	(26,454)
Acquisition of Property and Equipment	<u>(78,887)</u>
<b>NET CASH (USED BY) INVESTING ACTIVITIES</b>	<u>(105,341)</u>
<b>NET INCREASE IN CASH</b>	568,482
<b>CASH - BEGINNING OF PERIOD - RESTATED</b>	<u>1,790,140</u>
<b>CASH - END OF PERIOD</b>	\$ <u>2,358,622</u>

The accompanying independent auditor's report and notes are integral parts of these statements.

**DODDRIDGE COUNTY SENIOR CITIZENS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**NOTE 1 DESCRIPTION OF ENTITY, FINANCIAL STATEMENT PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of Entity

The Doddridge County Senior Citizens, Inc. is a non-profit corporation located in West Union, West Virginia. The Corporation's operations consist of a variety of social services for the elderly of Doddridge County Senior Citizens, Inc. The Organization is funded by various federal and state grants and from funds obtained through local fund raising projects.

Consolidation of Related Entity

U.S. generally accepted accounting principles states that a not-for-profit organization should consolidate a for-profit entity if the reporting not-for-profit organization has a controlling financial interest in the for-profit entity through the direct or indirect ownership of a majority voting interest.

Doddridge County Senior Citizens, Inc. has a 99% interest in DCSC Company, L. L. C. and Childers Manor, Inc., a related party, has the other 1% interest. DCSC Company, L. L. C. owns and operates a for-profit gas station, mini-mart, and restaurant in Doddridge County and provides Doddridge County Senior Citizens, Inc. with an additional source of operating revenue. Doddridge County Senior Citizens, Inc. purchased \$20,513 in Gas and Supplies from DCSC Company, L.L.C. during the year. At September 30, 2012, Doddridge County Senior Citizens, Inc. owed DCSC Company, L.L.C. \$1,553

Under U.S. generally accepted accounting principles, all material related party transactions have been eliminated in the consolidating process and substantive disclosure of these amounts is not required.

Financial Statement Presentation

The Organization has adopted FASB Standards Codification 958, Not-for-Profit Entities.

Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions would be reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets would be reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Summary of Significant Accounting Policies

Basis of Accounting and Reporting

Doddridge County Senior Citizens, Inc. uses the cash basis of accounting throughout the program year but prepares its annual financial statements on the accrual basis.

Subsequent Events - Subsequent events have evaluated through July 3, 2013, which is the date the financial statements were available to be issued.

The accompanying independent auditor's report is an integral part of these notes.

DODDRIDGE COUNTY SENIOR CITIZENS, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

**NOTE 1 DESCRIPTION OF ENTITY, FINANCIAL STATEMENT PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Cash

Cash is on deposit with institutions which are insured by the F.D.I.C. During the fiscal year ended September 30, 2012, the Organization had various amounts in excess of F.D.I.C. coverage and pledged assets throughout the year. This represents a risk for potential loss.

Pledged securities are as follows:

<u>Name</u>	<u>Fair Market Value of Amount Pledged as of 09/30/12</u>	<u>Pledged Par Value</u>	<u>CUSIP Number</u>
Harris County, Texas Mun Util	250,000	250,000	414949GJO
Pennfield MI Schs Dist	195,000	195,000	708186GK1
Kentwood Mich	270,000	270,000	491728KT7
Cortland, NY	85,000	85,000	220633PJ4

For the purpose of the statement of cash flows, the Organization considers both restricted and unrestricted cash as well as certificates of deposit with original maturity of three months or less to be cash and cash equivalents.

Cash and equivalents consist of the following:

Unrestricted Cash	\$	<u>2,358,622</u>
Total Cash	\$	<u>2,358,622</u>

Inventories

Inventories are stated at cost on a first-in-first-out basis.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the account and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; all fixed assets are capitalized.

Revenue Recognition

Unconditional grants and promises to give are recorded when grant or promise is made. Conditional grants and promises to give are recorded when related condition is met. Project income is recognized in the period received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Accrued Annual Leave

Accrued compensated absences are included in these financial statements at the employees' current hourly rate for September 30, 2012.

The accompanying independent auditor's report is an integral part of these notes.

**DODDRIDGE COUNTY SENIOR CITIZENS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**NOTE 1 DESCRIPTION OF ENTITY, FINANCIAL STATEMENT PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Functional Expenses

The operating expenses of the Organization have been classified in the Statement of Functional Expenses on a direct basis whenever possible. Other expenses have been allocated based on personnel time worked, space utilized or some other rational allocation method.

Donated Services

Donated services are recognized as contributions in accordance with FASB Standards Codification 958, Not for Profit Entities, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization received no services that met this criterion during the year.

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.

Income Taxes

The Doddridge County Senior Citizens, Inc. is a not-for-profit organization and is exempt from income taxes under Section 501(C) (3) of the Internal Revenue Code of 1986. The Organization's Forms 990 US income tax returns for the years ending 2010, 2011 and 2012 are subject to examination by the IRS, generally for three years after they are filed.

Its subsidiary, DCSC Company, L. L. C. had an operating profit of \$287,538 for the year ended September 30, 2012. The Partnership's income flows through to DCSC, Inc. and Childers Manor 990-T. DCSC, Inc.'s tax liability for September 30, 2012 was \$108,638 (\$84,442 – federal and \$24,196 – state).

Risks and Uncertainties

The majority of the funding for the operation of Doddridge County Senior Citizens, Inc. comes as Medicaid funding from the West Virginia Department of Health and Human Resources. A loss of or decrease in this funding could adversely affect the operation of the Organization.

Trade Accounts Receivable

Trade accounts receivable are reported at the amount management expects to collect from outstanding balances. Differences between the amount due and the amount management expects to collect are reported in the results of operations of the year in which those differences are determined, with an offsetting entry to a valuation allowance for trade accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit trade accounts receivable. No allowance was determined to be necessary for the year ended September 30, 2012. \$0 was written off during the fiscal year ended September 30, 2012.

The accompanying independent auditor's report is an integral part of these notes.

**DODDRIDGE COUNTY SENIOR CITIZENS, INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**NOTE 2   PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost if purchased or fair market value at date of donation.

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

Land & Land Improvements	\$	1,568,382
Construction Work in Progress		2,686
Buildings and Additions		1,864,518
Furniture & Fixtures		29,650
Equipment		850,171
		4,315,407
TOTAL PROPERTY AND EQUIPMENT		
Less, Accumulated Depreciation		(1,430,619)
NET PROPERTY AND EQUIPMENT	\$	2,884,788

Property and equipment are depreciated over their useful lives:

Land Improvements	10 – 40 Years
Buildings & Additions	10 – 40 Years
Furniture & Fixtures	5 – 7 Years
Equipment	5 – 20 Years

**NOTE 3   ENDOWMENT FUND**

In 1981, the estate of Kenneth C. Longacre donated to the Doddridge County Senior Citizens, Inc. \$10,000 to be invested in money market certificates of an institution having F.D.I.C. coverage. The income therefrom shall be used for the upkeep and maintenance of the center and for no other purpose. Any deviation from these stipulations shall constitute a violation of the terms of the Kenneth C. Longacre last will and testament and the said funds shall revert to the estate for distribution. The funds are held by the Cornerstone Bank of West Union with the interest earnings from the certificate of deposit credited directly to a savings account. The funds consisted of the following at September 30, 2012:

Certificate	\$	10,000
	\$	10,000

The accompanying independent auditor's report is an integral part of these notes.

**DODDRIDGE COUNTY SENIOR CITIZENS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**NOTE 4   INVENTORIES**

Inventories at September 30, 2012 consist of:

Fuel	\$	94,560
Tobacco		14,506
Beverages		10,636
Food and Grocery		22,272
Novelty and Other		5,677
	\$	<u>147,651</u>

**NOTE 5   SALES AND COST OF GOODS SOLD**

The gross profit from sales has been calculated as follows:

Sales	\$	13,563,940
Less: Discounts		<u>(1,855)</u>
Subtotal	\$	13,562,085
Cost of Goods Sold:		
Beginning Inventory		126,661
Purchases		12,523,589
Less: Ending Inventories		<u>(147,651)</u>
Cost of Goods Sold		<u>12,502,599</u>
Gross Profit from Sales	\$	<u>1,059,486</u>

All shipping and handling costs are expensed as incurred as purchases.

**NOTE 6   INVESTMENT IN STOCK**

In May 1999, Doddridge County Senior Citizens, Inc. purchased 100 shares of stock in the West Union Bank for \$300 per share that was converted to Tri-County Bancorp, Inc. In accordance with FASB Standards Codification 958, Not-for-Profit Entities, the securities have been adjusted to their fair market value as of September 30, 2012. The fair market value as of September 30, 2012 was \$32,500. Investment income consists of interest and dividends.

**NOTE 7   RENT**

DCSC Company, L.L.C. rents equipment on a month to month basis. Rent expense for the year was \$1,166.

The accompanying independent auditor's report is an integral part of these notes.



**DODDRIDGE COUNTY SENIOR CITIZENS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**NOTE 8**    **CONCENTRATION**

The Center receives a majority of their monies from third party reimbursements. Any loss or decrease in this funding could be detrimental to the Center's ongoing activities.

**NOTE 9**    **ADVERTISING COSTS**

The Center expenses advertising costs as they are incurred.

**NOTE 10**    **DEPOSITS AND PREPAID EXPENSES**

Deposits and prepaid expenses consist of the following at September 30, 2012:

Prepaid Title V	\$	750
Prepaid Brickstreet Insurance		4,164
Prepaid Service Agreement		2,025
Prepaid Insurance		18,523
Prepaid Permits		<u>45</u>
TOTAL	\$	<u>25,507</u>

**NOTE 11**    **RETIREMENT SYSTEM**

The Doddridge County Senior Citizens, Inc. is not a member of any retirement system.

**NOTE 12**    **CONTINGENCY**

The Organization has an agreement with a supplier which provides for revenues from the use of a particular product. If the Organization were to discontinue the use of this product, it would be required to repay a portion of these revenues.

**NOTE 13**    **FAIR VALUE MEASUREMENTS**

FASB Standards Codification 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB Standards Codification 820, Fair Value Measurements and Disclosures are described as follows:

Level 1 -    Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

The accompanying independent auditor's report is an integral part of these notes.

**DODDRIDGE COUNTY SENIOR CITIZENS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**NOTE 13 FAIR VALUE MEASUREMENTS (CONTINUED)**

Level 2 - Inputs to the valuation methodology include

- i. Quoted prices for similar assets or liabilities in active markets;
- ii. Quoted prices for identical or similar assets or liabilities in inactive markets;
- iii. Inputs other than quoted prices that are observable for the asset or liability;
- iv. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2012.

Common Stock: Valued at the most recent repurchase of outstanding shares as treasury stock.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's financial assets at fair value on a recurring basis as of September 30, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ -	\$ 32,500	\$ -	\$ 32,500
Total Assets at Fair Value	\$ -	\$ 32,500	\$ -	\$ 32,500

The accompanying independent auditor's report is an integral part of these notes.

**DODDRIDGE COUNTY SENIOR CITIZENS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**NOTE 14 GRANTS AND CONTRACTS RECEIVABLE**

Grants and contracts receivable consist of the following:

Title IIIB - Federal	\$	2,555
LIFE		30,052
FAIR		4,172
Lighthouse		19,808
Veterans Administration		3,105
Medicaid Waiver		71,573
Case Management		284
Community Care		<u>111,958</u>
Total grant and contracts	\$	<u>243,507</u>

**NOTE 15 PRIOR PERIOD ADJUSTMENT**

Beginning Net Assets	\$	6,496,640
Adjustments:		
Void Checks		<u>1,408</u>
Beginning Net Assets - Restated	\$	<u>6,498,048</u>

**NOTE 16 SUBSEQUENT EVENT**

Subsequent to the year end, the subsidiary, DCSC Company L.L.C. sold the Fairview Shell store for \$2,500,000. The subsidiary will receive \$500,000 at closing and the remaining \$2,000,000 will be repaid over 10 years at 4% annum.

The accompanying independent auditor's report is an integral part of these notes.



**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  
Doddridge County Senior Citizens, Inc.  
Fairmont, West Virginia

We have audited the financial statements of Doddridge County Senior Citizens, Inc. (a nonprofit organization) as of and for the year ended September 30, 2012, and have issued our report thereon dated August 7, 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 Doddridge County Senior Citizens, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Doddridge County Senior Citizens, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Doddridge County Senior Citizens, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Doddridge County Senior Citizens, Inc.'s internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as item #12-01 in the accompanying schedule of findings and responses to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Doddridge County Senior Citizens, Inc.'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 other matters that we reported to management of Doddridge County Senior Citizens, Inc. in a separate letter dated August 7, 2013.

Doddridge County Senior Citizens, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Doddridge County Senior Citizens, Inc.'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 of the Doddridge County Senior Citizens, Inc. and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Gritche + Bawel, PLLC*

August 7, 2013

**DODDRIDGE COUNTY SENIOR CITIZENS, INC.  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**12-1 Segregation of Duties**

**Criteria:** Responsibilities of approval, execution, recording and custody associated with all financial transactions should be distributed among the accounting staff to the highest degree possible.

**Condition:** Analysis of the internal control system indicated a lack of segregation of duties.

**Cause:** The Organization has a limited number of employees who are responsible for the approval, execution, recording and custody associated with all financial transactions. This limits the degree to which these responsibilities can be segregated.

**Effect:** Because of the lack of segregation of duties, internal control elements do not reduce to a relatively low level the risk that irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

**Recommendation:** Responsibilities of approval, executing, recording and custody associated with all financial transactions should be distributed among the accounting staff to the highest degree possible. We would also recommend that the board of directors continue to take an active role in oversight.

**Entity's Response:** To the extent possible, the Organization has segregated the responsibilities of approval, execution, recording and custody associated with all financial transactions. Any further segregation of duties would not be economically feasible.

**DODDRIDGE COUNTY SENIOR CITIZENS CENTER, INC.  
SCHEDULE OF FEDERAL AND STATE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

<u>GRANTOR AGENCY</u>	<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>GRANT NUMBER</u>	<u>FINANCIAL AWARDS RECOGNIZED</u>
<b><u>FEDERAL AWARDS</u></b>				
U.S. Department of Health and Human Services				
Passed through the WV Bureau of Senior Services and Bel-O-Mar Regional Council:				
	Title III-B - Special Progress for the Aging	93.044	21235	\$ 26,703
	Title III-D - Special Progress for the Aging	93.043	21235	605
	Title III-E - National Family Caregiver Support	93.052	21235	3,774
	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	21272	<u>8,000</u>
	<b>TOTAL FEDERAL FUNDS</b>			<b>\$ <u><u>39,082</u></u></b>

The accompanying independent auditor's report and notes are integral parts of this schedule.

DODDRIDGE COUNTY SENIOR CITIZENS CENTER, INC.  
 SCHEDULE OF FEDERAL AND STATE FUNDS (CONT'D)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2012

<u>GRANTOR AGENCY</u>	<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>GRANT NUMBER</u>	<u>FINANCIAL AWARDS RECOGNIZED</u>
<b><u>STATE AWARDS</u></b>				
WV Bureau of Senior Services through the Bel-O-Mar Regional Council:	Title III-B - State	N/A	21235	\$ 29,253
	Title III-D - State	N/A	21235	70
	LIFE	N/A	21202 21302	177,193
	Lighthouse	N/A	21249 21349	130,016
	Fair	N/A	21249 21349	26,495
	<b>TOTAL STATE FUNDS</b>			<b>\$ <u><u>363,027</u></u></b>

The accompanying independent auditor's report and notes are integral parts of this schedule.



**DODDRIDGE COUNTY SENIOR CITIZENS, INC.  
NOTES TO THE SCHEDULE OF FEDERAL AND STATE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

**Note 1    Basis of Presentation:**

The accompanying Schedule of Federal and State Funds is prepared on the accrual basis of accounting which is the same basis used in the preparation of the financial statements.

The accompanying independent auditor's report is an integral part of these notes.