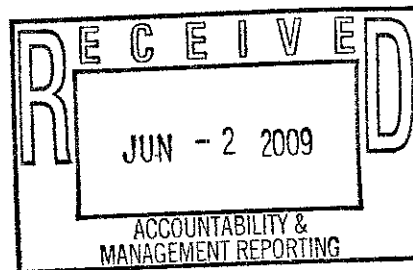


Audited Financial Statements

Valley Comprehensive Community Mental Health  
Center, Inc., d/b/a Valley HealthCare System

Years Ended June 30, 2008 and 2007



Gibbons  
& Kawash  
Certified Public Accountants

Audited Financial Statements  
VALLEY HEALTHCARE SYSTEM  
Years Ended June 30, 2008 and 2007

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-15
Accompanying Information:	
Schedule of Expenditures of Federal Awards	16
Note to the Schedule of Expenditures of Federal Awards	17
Schedule of Expenditures of State Awards	18
Schedule of BHHF Funding Status	19
Schedule of BHHF Funded Fixed Assets	20-26
Schedule of Standardized Financial Statements - Balance Sheet	27
Schedule of Standardized Financial Statements - Statement of Activities	28
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29-30
Report on Compliance with Requirements Applicable to the Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	31-32
Schedule of Findings and Questioned Costs	33-36
Summary Schedule of Prior Audit Findings	37-39

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Valley HealthCare System  
Morgantown, West Virginia

We have audited the accompanying statement of financial position of Valley Comprehensive Community Mental Health Center, Inc., d/b/a Valley HealthCare System as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Valley HealthCare System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valley HealthCare System as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

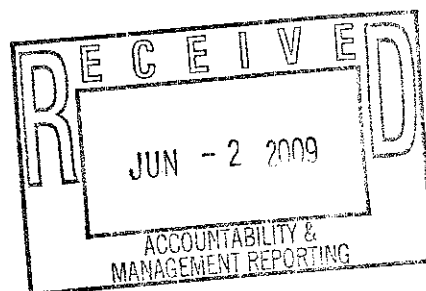
In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2009, on our consideration of Valley HealthCare System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Valley HealthCare System taken 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 (BHBF). The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These schedules are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Stebbins & Kawash*

May 29, 2009



VALLEY HEALTHCARE SYSTEM  
STATEMENT OF FINANCIAL POSITION

June 30, 2008 and 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and cash equivalents	\$ 50,151	\$ 687,996
Accounts receivable, less allowance for doubtful accounts of \$127,336 in 2008 and \$55,576 in 2007	1,248,131	927,964
Grants receivable	452,036	295,795
Prepaid behavioral health provider tax	25,394	21,455
Prepaid and other assets	<u>82,400</u>	<u>223,405</u>
Total current assets	<u>1,858,112</u>	<u>2,156,615</u>
Property and equipment, less accumulated depreciation and amortization	<u>2,182,640</u>	<u>1,912,820</u>
Investment	<u>12,994</u>	<u>12,994</u>
Total assets	<u>\$ 4,053,746</u>	<u>\$ 4,082,429</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 963,181	\$ 834,164
Line of credit	154,000	-
Accrued annual leave and payroll	568,984	406,474
Current maturities of Medicaid Waiver liability	42,194	-
Current maturities of long-term debt	26,091	15,566
Current obligation under capital lease	49,610	54,520
Deferred revenue	<u>19,132</u>	<u>49,539</u>
Total current liabilities	<u>1,823,192</u>	<u>1,360,263</u>
Postretirement benefit obligation	1,193,845	1,137,445
Long-term debt, less current maturities	535,055	325,208
Medicaid Waiver liability, less current maturities	707,984	548,466
Noncurrent obligation under capital lease	<u>61,224</u>	<u>111,320</u>
	<u>2,498,108</u>	<u>2,122,439</u>
Total liabilities	<u>4,321,300</u>	<u>3,482,702</u>
Unrestricted net assets	<u>(267,554)</u>	<u>599,727</u>
Total liabilities and net assets	<u>\$ 4,053,746</u>	<u>\$ 4,082,429</u>

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

## VALLEY HEALTHCARE SYSTEM

## STATEMENT OF ACTIVITIES

Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Changes in unrestricted net assets:		
Revenues:		
Net client revenues	\$ 8,740,063	\$ 8,469,364
State and federal grant revenues	4,662,981	3,939,920
Other grants and contracts	253,206	235,411
Other operating income	72,837	85,013
Residential facilities fee	<u>142,918</u>	<u>143,078</u>
	<u>13,872,005</u>	<u>12,872,786</u>
Non-operating revenues and gains:		
Interest	4,886	33,670
Other	<u>-</u>	<u>6,085</u>
	<u>4,886</u>	<u>39,755</u>
Expenses:		
Salaries and wages	7,507,517	6,536,794
Employee benefits	1,637,291	1,536,328
Contract labor and professional fees	2,699,747	2,445,994
Repairs and maintenance	118,731	132,628
Supplies	244,203	241,492
Utilities	336,191	299,076
Staff development and travel	192,319	205,821
Insurance	148,828	156,823
Taxes	317,320	298,584
Depreciation and amortization	289,320	284,340
Bad debt	66,998	32,890
Other	538,647	465,089
Interest expense	53,500	45,794
Postretirement health	131,434	116,474
Equipment rental	105,954	92,039
Rent	<u>356,172</u>	<u>361,567</u>
	<u>14,744,172</u>	<u>13,251,733</u>
Increase (decrease) in net assets before effect of adoption of FASB Statement No. 158	(867,281)	(339,192)
Effect of adoption of recognition provisions of FASB Statement No. 158	<u>-</u>	<u>(520,608)</u>
Increase (decrease) in net assets	(867,281)	(859,800)
Net assets, beginning of year	<u>599,727</u>	<u>1,459,527</u>
Net assets, end of year	<u>\$ (267,554)</u>	<u>\$ 599,727</u>

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

## VALLEY HEALTHCARE SYSTEM

## STATEMENT OF CASH FLOWS

Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (867,281)	\$ (859,800)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	289,320	284,340
Provision for bad debts	66,998	32,890
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(387,165)	(17,532)
Grants receivable	(156,241)	100,548
Prepaid behavioral health provider tax	(3,939)	(10,562)
Prepaid and other assets	141,005	7,161
Increase (decrease) in:		
Accounts payable and accrued expenses	129,017	114,082
Medicaid Waiver liability	201,712	75,645
Accrued annual leave and payroll	162,510	(110,680)
Postretirement benefit obligation	56,400	552,879
Deferred revenue	(30,407)	38,544
Net cash provided by (used in) operating activities	<u>(398,071)</u>	<u>207,515</u>
Cash flows used in investing activities:		
Purchases of property and equipment	<u>(559,140)</u>	<u>(304,355)</u>
Cash flows from financing activities:		
Proceeds from line of credit	154,000	-
Proceeds from the issuance of long-term debt	440,000	-
Principal payments on long-term debt	(219,628)	(4,648)
Principal payments on capital lease obligations	<u>(55,006)</u>	<u>(51,833)</u>
Net cash provided by (used in) financing activities	<u>319,366</u>	<u>(56,481)</u>
Net decrease in cash	(637,845)	(153,321)
Cash, beginning of year	<u>687,996</u>	<u>841,317</u>
Cash, end of year	<u>\$ 50,151</u>	<u>\$ 687,996</u>

The accompanying notes are an integral part of these financial statements

VALLEY HEALTHCARE SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
 Years Ended June 30, 2008 and 2007

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

Description of Organization

Valley HealthCare System (the Corporation) is a private, nonprofit, nonstock corporation organized under the laws of the State of West Virginia and exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Corporation operates comprehensive programs that serve persons who are mentally ill, chemically dependent, developmentally disabled, or who otherwise require related behavioral health services. The Corporation is based in Morgantown, West Virginia, and operates eighteen satellite facilities in Monongalia, Marion, Preston, and Taylor counties in West Virginia.

Basis of Accounting

Revenues and expenses are recognized on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred. The Corporation records grant monies received in advance as refundable advances and recognizes revenue as qualifying expenditures are incurred.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Included in cash and cash equivalents are amounts held for others of \$46,054 and \$36,394 at June 30, 2008 and 2007, respectively.

Property and Equipment

Property and equipment are stated at cost. Major purchases and improvements are capitalized beginning at \$500 while repairs and maintenance are expensed as incurred. Depreciation has been provided over the estimated useful lives using the straight-line method for buildings and improvements and furniture and equipment in accordance with the American Hospital Association guidelines. Estimated useful lives are as follows:

Buildings and improvements	15-40 years
Furniture and equipment	3-20 years

The use of facilities provided by the State of West Virginia is recognized as revenue and expense based on the fair value of the facility.



VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Years Ended June 30, 2008 and 2007

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

Net Client Revenues

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

Advertising

Advertising costs, which totaled \$20,503 in 2008 and \$28,831 in 2007, are expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Assets

Unrestricted net assets are resources over which the Board of Directors has discretionary control.

**2 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	June 30	
	2008	2007
Land and improvements	\$ 547,865	\$ 224,497
Buildings and improvements	3,382,218	3,376,067
Leasehold improvements	280,749	279,387
Furniture and equipment	2,468,224	2,270,520
Construction in progress	5,867	10,299
	<u>6,684,923</u>	<u>6,160,770</u>
Less accumulated depreciation and amortization	<u>(4,502,283)</u>	<u>(4,247,950)</u>
	<u>\$ 2,182,640</u>	<u>\$ 1,912,820</u>

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Years Ended June 30, 2008 and 2007

**2 - PROPERTY AND EQUIPMENT (Continued)**

Cost and accumulated depreciation of property and equipment purchased with West Virginia Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities (BHFF) grant funds were \$3,210,044 and \$3,163,346 at June 30, 2008, and \$2,665,565 and \$2,597,861 at June 30, 2007, respectively.

Net Assets

The State of West Virginia provides the land and building for the Morgantown main office for a one-time fee of \$1 under a 99 year lease expiring in 2080. The land and building cost of \$1,620,000 is recorded in these financial statements as property and equipment. The building is fully depreciated. The Corporation's continued use of the land and building is subject to its continued compliance with the State Department of Health and Human Resources rules and regulations and its purchase of service contracts.

**3 - DEBT**

Long-term debt consisted of the following:

	<u>2008</u>	<u>2007</u>
Note payable to bank, payable in monthly installments of \$3,600, including interest at 8%, due May 30, 2020, secured by deed of trust on real estate	\$ 325,584	\$ 340,774
Note payable to bank, payable in monthly installments of \$2,257, including interest at 7.625%, final payment due December 2022, secured by deed of trust on real estate	<u>235,562</u>	<u>-</u>
	561,146	340,774
Less current portion	<u>26,091</u>	<u>15,566</u>
	<u>\$ 535,055</u>	<u>\$ 325,208</u>

Maturities of the note payable are as follows:

<u>June 30</u>	
2009	\$ 26,091
2010	28,282
2011	30,656
2012	33,188
2013	36,017
Thereafter	<u>406,912</u>
	<u>\$ 561,146</u>

VALLEY HEALTHCARE SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Years Ended June 30, 2008 and 2007

**3 - DEBT (Continued)**

At June 30, 2008 the Corporation had \$446,000 available on a \$600,000 line of credit with Branch Banking and Trust. Outstanding balances on the line of credit bear interest at the bank's prime rate plus 1.25% and are secured by the Corporation's Grafton office and all client accounts receivable with a total book value of \$1,017,780 at June 30, 2008, and are limited to 70% of certain accounts receivable less than 120 days old. The bank's commitment to make advances on the line of credit expires on June 18, 2009. There were no amounts outstanding under this line of credit agreement at June 30, 2007.

Cash paid for interest during the years ended June 30, 2008 and 2007, was \$53,500 and \$45,794, respectively.

**4 - LEASES**

The Corporation leases certain office equipment and facilities under operating lease agreements that expire in various years through 2014. Rent expense on all operating leases was \$462,126 and \$453,606 for the years ended June 30, 2008 and 2007, respectively.

Future minimum lease payments under operating leases are as follows:

<u>Year Ending June 30,</u>	
2009	\$ 390,707
2010	323,643
2011	229,628
2012	82,776
2013	82,776
Thereafter	<u>13,796</u>
	<u>\$ 1,123,326</u>

The Corporation leases communications equipment under a long-term capital lease obligation which expires January 2011. The capital lease is payable in monthly installments of \$5,145 for 36 months and \$3,645 for 24 months including an implicit interest rate of 5.1%. Communications equipment under capital lease for the years ended June 30, 2008 and 2007, was \$248,194, with accumulated depreciation of \$29,001 and \$16,524, respectively.

VALLEY HEALTHCARE SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Years Ended June 30, 2008 and 2007

**4 - LEASES (Continued)**

Future minimum lease payments under the capital lease are as follows:

<u>June 30</u>	
2009	\$ 52,768
2010	43,742
2011	<u>21,842</u>
Future minimum lease payments	118,352
Less: Amount representing interest	<u>7,518</u>
Present value of future minimum lease payments	<u>\$ 110,834</u>

**5 - MEDICAID WAIVER LIABILITY**

During 2007, Valley's management identified a billing error relating to certain Medicaid Waiver services and reported the error to the appropriate State of West Virginia agency. The error affected billings for waiver residential services provided by Valley during the period beginning March 1, 2004 through January 31, 2007 and resulted in overbilling for services of \$981,036. The liability was originally estimated to be \$775,161 at June 30, 2007. During 2008, an additional liability of \$205,875 was recorded as a reduction of related revenues. Valley is repaying this amount over 10 years at \$8,041 per month at 0% interest. Valley has recorded the liability net of imputed interest using an incremental borrowing rate of 5%.

Future minimum payments related to the billing error are as follows:

<u>June 30</u>	
2009	\$ 72,371
2010	96,495
2011	96,495
2012	96,495
2013	96,495
Thereafter	<u>522,685</u>
Future minimum payments	981,036
Less: Amount representing imputed interest	<u>230,858</u>
Present value of future payments	<u>\$ 750,178</u>

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Years Ended June 30, 2008 and 2007

## 6 - CONTINGENCIES

The Corporation is subject to litigation in the normal course of business involving claims from individuals who have sued the Corporation for both compensatory and punitive damages. In the opinion of management and legal counsel, the ultimate resolution of these matters will not materially affect the Corporation's financial position or results of operations as all losses should be settled within the limits of insurance coverage. The Corporation maintains claims-made coverage for professional liability of up to \$1,000,000 for any one occurrence with umbrella coverage of up to \$1,000,000 in the aggregate. Incidents occurring through June 30, 2008, may result in the assertion of a claim. Other claims may be asserted arising from past services provided. Management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

## 7 - EMPLOYEE BENEFIT PLANS

The Corporation participates in the West Virginia Public Employees Retirement System (WVPERS), which is a defined benefit, cost-sharing, multiple employer pension plan. The Plan covers individuals who elected to remain in PERS after the establishment of a defined contribution retirement plan whose annual work hours exceed 1,040 and whose employment is not restricted as temporary or provisional. Members' rights to employee contributions vest immediately while members with one year or more contributing service and five years or more credited service shall be eligible to retire at age 60 or after and to receive an allowance for life based on the benefit program then in effect. The allowance is equal to a benefit percentage multiplied by the final average salary. Contributions to the WVPERS by the Corporation are 10.5% of eligible employees' compensation. In addition, 4.5% is withheld from eligible employees' compensation and remitted on a monthly basis to the WVPERS. The Corporation's contribution requirement was not actuarially determined. Contribution obligations and benefit provisions are statutorily established by the West Virginia Public Employees Retirement Act, as amended. Employer contributions for the years ended June 30, 2008 and 2007, were \$27,445 and \$21,379, respectively.

Information regarding benefit provisions, actuarial assumptions and funding method, pension benefit obligation (actuarial present value of credit projected benefits), net assets available for benefits, historical trends, and related party transactions is not readily available since such determinations are made and information is kept on a system-wide basis and not for the individual participating entities. This information is available in the separately issued financial statements of the WVPERS.

On April 20, 1997, the West Virginia legislature passed Senate Bill No. 544, which requires mental health centers participating in the WVPERS to provide a private pension plan for current employees at their option and for future employees within a certain time frame. During 1998, the Corporation established a 403(b) defined contribution retirement plan (the Plan) for those employees electing not to remain in WVPERS. Employees electing to participate in the Plan will not be entitled to postretirement medical benefits. Employees are eligible to participate in the Plan upon attaining the age of 21 years. The Board of Directors decides contributions each year; however, contributions

VALLEY HEALTHCARE SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Years Ended June 30, 2008 and 2007

**7 - EMPLOYEE BENEFIT PLANS (Continued)**

cannot exceed 4.5% of each covered employee's salary. Total contributions amounted to \$106,734 and \$105,491 for the years ended June 30, 2008 and 2007, respectively.

Postretirement Benefit Plans

The Corporation participates in the West Virginia Public Employees Retirement System and is required to contribute to the West Virginia Public Employees Insurance Agency (PEIA) to partially fund health insurance premiums for retired employees who elect to participate. The Plan is unfunded.

The Corporation has implemented Financial Accounting Standards Board's (FASB) Statement (FAS) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, an amendment of FASB Statement Nos. 87, 88, 106, and 132 (R). FAS No. 158 requires the recording in the statement of financial position the asset or liability related to an overfunded or underfunded position in a postretirement benefit plan and recognition of the changes in funded status in the year of change after operating income or loss. It also requires the measurement of plan disclosures to coincide with the entities' fiscal year end. This change in accounting principle was implemented during the year ended June 30, 2007 and increased liabilities by \$520,608 at that date.

The following represents information relating to the Plan as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Benefit obligation at June 30	\$ (1,137,445)	\$ (1,197,615)
Fair value of plan assets at June 30	<u>                    -</u>	<u>                    -</u>
Funded status	<u>\$ (1,137,445)</u>	<u>\$ (1,197,615)</u>
Accrued benefit cost recognized in the accompanying balance sheet	<u>\$ (1,193,845)</u>	<u>\$ (1,137,445)</u>
	<u>2008</u>	<u>2007</u>
Weighted-average assumptions as of June 30		
Discount rate	6.75%	6.25%
Expected return on plan assets	7.00%	7.00%
	<u>2008</u>	<u>2007</u>
Benefit cost	\$ 100,381	\$ 113,445
Employer contribution	82,669	81,174
Benefits paid	82,669	81,174

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Years Ended June 30, 2008 and 2007

**7 - EMPLOYEE BENEFIT PLANS (Continued)**

Postretirement Benefit Plans (Continued)

The assumed health care cost trend rates used in measuring the other postretirement benefit obligation was 6% for those currently receiving benefits and 6% for employees not yet receiving benefits. Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A 1% change in the assumed health care cost trend rate would have the following effect:

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on service and interest cost	\$ 7,267	\$ (7,391)
Effect on accumulated postretirement benefit obligation	107,662	(109,491)

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

The Corporation has agreements with Medicaid and Medicare that provide for payments to the Corporation at predetermined amounts that differ from its standard rates. The ability of the Corporation to receive future payments from these sources depends on legislation enacted and resources available to the State of West Virginia. The Corporation also receives payments for services from private payors, certain governmental agencies, and other third-party payors.

Revenue recognized from client services is as follows:

	<u>Year Ended June 30, 2008</u>		
	<u>Gross Client Revenue</u>	<u>Less: Contractual Adjustments, Charity Care, and Bad Debt Expense</u>	<u>Net Client Revenue</u>
Medicaid	\$ 1,532,030	\$ 360,911	\$ 1,171,119
Medicaid waiver	7,159,070	208,365	6,950,705
Medicare	104,907	26,166	78,741
Private pay	368,183	3,263	364,920
Insurance	151,305	30,978	120,327
Uncompensated care (Targeted/Nontargeted)	1,444,687	1,444,687	-
Other	<u>337,538</u>	<u>283,287</u>	<u>54,251</u>
Total	<u>\$ 11,097,720</u>	<u>\$ 2,357,657</u>	<u>\$ 8,740,063</u>

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Years Ended June 30, 2008 and 2007

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

Year Ended June 30, 2007			
	Gross Client Revenue	Less: Contractual Adjustments, Charity Care, and Bad Debt Expense	Net Client Revenue
Medicaid	\$ 1,206,515	\$ 198,204	\$ 1,008,311
Medicaid waiver	7,074,450	202,538	6,871,912
Medicare	105,611	24,723	80,888
Private pay	377,400	20,709	356,691
Insurance	134,268	22,540	111,728
Uncompensated care (Targeted/Nontargeted)	1,230,086	1,230,086	-
Other	604,642	564,808	39,834
Total	\$ 10,732,972	\$ 2,263,608	\$ 8,469,364

The Corporation also received state of West Virginia and federal grant funds passed through the State in the amount of \$4,662,981 and \$3,939,920 at June 30, 2008 and 2007, respectively. Such amounts are dependent upon the collection of sufficient revenues by the state to fund such grants as well as budgetary and other policy decisions that may apply to the awarding of these grant funds.

**9 - CONCENTRATION OF CREDIT RISK**

Financial instruments which potentially expose the Corporation to significant concentrations of credit risk consists of accounts receivable.

The Corporation 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. The Corporation maintains allowances for potential losses, which, when realized, have been within the range of management's expectations.

**10 - RELATED PARTY**

During 1999, the Corporation purchased an equity interest in First Choice Health Systems, Inc. (First Choice) for \$50,000. First Choice is a for-profit corporation comprised of twelve West Virginia mental health centers and two hospitals whose purpose is to explore investment and growth



VALLEY HEALTHCARE SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Years Ended June 30, 2008 and 2007

**10 - RELATED PARTY (Continued)**

opportunities and provide a provider network for mental health centers. The Corporation's net investment in First Choice is reflected in the accompanying balance sheets at \$12,994 at June 30, 2008 and 2007. During 2008 and 2007, the Corporation performed services in the normal course of business for First Choice resulting in revenue of \$3,890 and \$2,555 and a receivable of \$1,590 and \$670, respectively, at June 30, 2008 and 2007

**11 - FUNCTIONAL EXPENSES**

The Corporation provides mental health services to residents within Marion, Monongalia, Taylor, and Preston counties in West Virginia. Expenses related to providing these services for the years ended June 30, 2008 and 2007, are as follows:

	2008	2007
Health care services	\$ 12,151,116	\$ 10,782,603
General and administrative	2,593,056	2,469,130
	\$ 14,744,172	\$ 13,251,733

**12 - MANAGEMENT CONTRACT**

During May 2002, the Corporation entered into a management contract with Eastern Panhandle Mental Health Center, Inc., d/b/a Eastridge Health Systems (Eastridge). Under this contract, the Corporation provides administrative systems, accounting, utilization management, and other administrative services for Eastridge. The contract is renewable annually and stipulates a monthly fee of \$5,000 for accounting services along with fees charged per transaction for various management services. During the year ended June 30, 2008 and 2007, the Corporation recognized revenue of approximately \$203,006 and \$187,826, respectively, and has recorded a related receivable at June 30, 2008 and 2007, under the contract of approximately \$138,366 and \$49,481, respectively. The accounting and financial reporting components of the management contract were terminated at April 30, 2009. The Corporation continues to manage and perform the process of billing for services. As of April 30, 2009, the Corporation was owed \$130,912 for services rendered to Eastridge.

**ACCOMPANYING INFORMATION**

VALLEY HEALTHCARE SYSTEM

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2008

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>
<u>Major Programs</u>		
<u>Department of Health and Human Services:</u>		
Passed through State of West Virginia		
Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities:		
Federal Block Grants:		
Substance Abuse Services	93 959	8793-2008-2891-096-128-14152 8793-2008-2892-096-128-14152 8793-2008-2885-096-128-14152
Total Major Program		
Drug and Alcohol Services Information System	11 111	8723-2008-2849-096-128-09313
<u>Department of Health and Human Services:</u>		
Passed through State of West Virginia		
Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities:		
Federal Block Grant:		
Mental Health Services	93.958	8794-2008-2852-096-128-14153 8794-2008-2913-096-128-14153 8794-2008-2914-096-128-14153
Total Federal Awards		

See Independent Auditors' Report.

<u>Program or Award Amount</u>	<u>Refundable Advances July 1, 2007</u>	<u>Disbursements/ Expenditures</u>	<u>Refundable Advances June 30, 2008</u>
\$ 381,676	\$ -	\$ 381,676	\$ -
231,341	-	231,341	-
<u>129,955</u>	<u>-</u>	<u>129,955</u>	<u>-</u>
742,972	-	742,972	-
<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
\$ 193,292	\$ -	\$ 180,062	\$ -
1,800	-	1,800	-
<u>68,339</u>	<u>-</u>	<u>68,339</u>	<u>-</u>
263,431	-	250,201	-
<u>\$ 1,006,403</u>	<u>\$ -</u>	<u>\$ 993,173</u>	<u>\$ -</u>

## VALLEY HEALTHCARE SYSTEM

## NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2008

**1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Valley Health Services, and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

VALLEY HEALTHCARE SYSTEM

SCHEDULE OF EXPENDITURES OF STATE AWARDS

Year Ended June 30, 2008

<u>State Grantor/Program Title</u>	<u>State Grantor's Number</u>	<u>Program or Award Amount</u>
<u>West Virginia Department of Health and Human Resources</u>		
Crisis Improvement	0525-2008-2851-219-252/258	\$ 264,409
Case Management	0525-2008-2851-219-252/258	25,000
MH Client Core Services	0525-2008-2851-219-252/258	312,704
SA Adolescent Res. Services	0525-2008-2892-219-252/258	68,339
SA Adolescent Outpatient	0525-2008-2892-219-252/258	19,359
SA Core Services Discretionary	0525-2008-2884-219-252/258	36,000
Suicide Prevention Conference	0525-2008-2870-219-252/258	30,000
Family Support	0525-2008-2870-221-252/258	81,912
Uncompensated Care	0525-2008-3065-219-252/258	637,804
Supportive/Alternative Services	0525-2008-3041-219-252/258	449,970
SA Women	0525-2008-2890-219-252/258	213,083
Community Based Services	0525-2008-2923-219-252/258	42,000
Community Support	0525-2008-2874-803-252/258	197,100
DD Client Core Services	0525-2008-2867-219-252/258	190,166
Care Coordinators Improvement	0525-2008-3701-219-252/258	383,711
Community Supports Improvement	0525-2008-3702-219-252/258	123,952
Suic. Preven. Pro. New Beginnings ACT Unit	0525-2007-3702-219-252/258	234,083
Group Home Marlinton	0525-2008-3703-335-252/258	571,488
PI Services	0525-2008-2885-219-252/258	<u>58,700</u>
 Total Department of Health and Human Resources		 <u>\$ 3,939,780</u>

See Independent Auditors' Report.

<u>Deferred Revenue July 1, 2007</u>	<u>Disbursements/ Expenditures</u>	<u>Deferred Revenue June 30, 2008</u>
\$ -	\$ 264,409	\$ -
-	25,000	-
-	312,704	-
-	68,339	-
-	19,359	-
-	36,000	-
-	-	-
-	67,318	-
-	637,804	-
-	449,970	-
-	213,083	-
-	42,000	-
-	197,100	-
-	190,166	-
-	370,775	-
-	73,986	-
-	132,721	-
-	424,993	-
-	58,700	-
<u>\$ -</u>	<u>\$ 3,584,427</u>	<u>\$ -</u>

VALLEY HEALTHCARE SYSTEM

SCHEDULE OF BHHF FUNDING STATUS

Year Ended June 30, 2008

State Account Number	Award Amount	Award Deferred	
		Revenue July 1, 2007	Amount Earned
8793-2008-2891-096-128-14152	\$ 381,676	\$ -	\$ 381,676
8793-2008-2892-096-128-14152	231,341	-	231,341
8793-2008-2849-096-128-09313	20,000	-	20,000
8793-2008-2885-096-128-14152	129,955	-	129,955
8794-2008-2852-096-128-14153	193,292	-	180,062
8794-2008-2913-096-128-14153	1,800	-	1,800
8794-2008-2914-096-128-14153	68,339	-	68,339
0525-2008-2851-219-252/258	264,409	-	264,409
0525-2008-2851-219-252/258	25,000	-	25,000
0525-2008-2851-219-252/258	312,704	-	312,704
0525-2008-2892-219-252/258	68,339	-	68,339
0525-2008-2892-219-252/258	19,359	-	19,359
0525-2008-2884-219-252/258	36,000	-	36,000
0525-2008-2870-219-252/258	30,000	-	-
0525-2008-2870-221-252/258	81,912	-	67,318
0525-2008-3065-219-252/258	637,804	-	637,804
0525-2008-3041-219-252/258	449,970	-	449,970
0525-2008-2890-219-252/258	213,083	-	213,083
0525-2008-2923-219-252/258	42,000	-	42,000
0525-2008-2874-803-252/258	197,100	-	197,100
0525-2008-2867-219-252/258	190,166	-	190,166
0525-2008-3701-219-252/258	383,711	-	370,775
0525-2008-3702-219-252/258	123,952	-	73,986
0525-2007-3702-219-252/258	234,083	-	132,721
0525-2008-3703-335-252/258	571,488	-	424,993
0525-2008-2885-219-252/258	58,700	-	58,700
Total	<u>\$ 4,966,183</u>	<u>\$ -</u>	<u>\$ 4,597,600</u>

See Independent Auditors' Report



Amount Billed	Deferred Revenue June 30, 2008	Amount not Billed	Amount Collected in Current Year
\$ 381,676	\$ -	\$ -	\$ 381,676
231,341	-	-	231,341
20,000	-	-	20,000
129,955	-	-	129,955
180,062	-	13,230	180,062
1,800	-	-	1,800
68,339	-	-	68,339
264,409	-	-	264,409
25,000	-	-	25,000
312,704	-	-	312,704
68,339	-	-	68,339
19,359	-	-	19,359
36,000	-	-	36,000
-	-	30,000	-
67,318	-	14,594	67,318
637,804	-	-	637,804
449,970	-	-	449,970
213,083	-	-	213,083
42,000	-	-	42,000
197,100	-	-	197,100
190,166	-	-	190,166
370,775	-	12,936	370,775
73,986	-	49,966	73,986
132,721	-	101,362	132,721
424,993	-	146,495	424,993
58,700	-	-	58,700
<u>\$ 4,597,600</u>	<u>\$ -</u>	<u>\$ 368,583</u>	<u>\$ 4,597,600</u>

Valley HealthCare System  
 BHHF Assets - Equipment and Automobiles  
 Cumulative Property Schedule - June 30, 2008

Description	Asset Type	ID	Date	Life	Amount	State Account Number	Serial
Computer - Mitsubishi PC - 386 DX 33	Computer	2014	01-Oct-91	5	1,677	Unknown	1061326
Monitor - Mitsuba 14"	Computer	2651	01-Oct-91	5	543	Unknown	S92529
Panasonic KX-P1124	Computer	2854	25-Aug-92	5	671	Unknown	IDMCC13229
Quantex 386 SX/33	Computer	2427	15-May-92	5	919	Unknown	3001599733
Quantex 486 SX/33	Computer	2064	12-Aug-92	5	1,954	Unknown	3001610760
Tanning 14" Monitor	Computer	2063	12-Aug-92	5	291	Unknown	61461840
Quantex 486 SX/33	Computer	3149	12-Aug-92	5	1,954	Unknown	None
Tanning 14" Monitor	Computer	130	12-Aug-92	5	291	Unknown	F335GFKAC
Workstation - L-Shaped Exec. W/5 drawers	Computer	2488	01-Feb-80	10	1,473	Unknown	
Credenza - Wooden W/Shelves	Furniture	2258	01-Jul-80	10	2,598	Unknown	
Desk - Yellow W/Typewriter Space	Furniture	2423	01-Aug-79	10	543	Unknown	
Desk - Orange W/Typewriter Space	Furniture	2061	01-Aug-79	10	543	Unknown	
Couch - Blue/Black Tweed Fabric	Furniture	2332	01-Mar-80	10	565	Unknown	
Filing Cabinet Unit - Med Records	Furniture	2623	01-Sep-79	10	3,489	Unknown	
Typewriter - Smith Corona	Equipment	2492	01-Jan-79	10	600	Unknown	
Couch - Red Fabric W/Cushion	Furniture	1956	01-Mar-80	10	711	Unknown	
Refrigerator - Whirlpool Mach I Series	Furniture	2281	01-Jul-79	10	650	Unknown	
Seating Set - Peach Printed Vinyl W/Table	Furniture	2280	01-Mar-80	10	950	Unknown	
Seating Set - Peach Printed Vinyl W/Table	Furniture	2586	01-Mar-80	10	950	Unknown	
Seating Set - Peach Printed Vinyl W/Table	Furniture	2582	01-Mar-80	10	950	Unknown	
Seating Set - Peach Printed Vinyl W/Table	Furniture	2581	01-Mar-80	10	950	Unknown	
Seating Set - Peach Printed Vinyl W/Table	Furniture	2579	01-Mar-80	10	950	Unknown	
Seating Set - Peach Printed Vinyl W/Table	Furniture	2578	01-Mar-80	10	950	Unknown	
Desk - Gold W/Woodgrain Top	Furniture	1909	01-Aug-79	10	543	Unknown	
Couch - Brown	Furniture	379	01-Mar-80	10	565	Unknown	
Couch - Blue Plaid	Furniture	2507	01-Mar-80	10	565	Unknown	
Couch - Blue/Bin Tweed Chrome	Furniture	2444	01-Mar-80	10	565	Unknown	
Couch - Orange/Blue Striped	Furniture	2423	01-Mar-80	10	565	Unknown	
Desk - Woodgrain Top/Fan W/5 drawers	Furniture	2644	01-Aug-79	10	543	Unknown	
Bed - Hospital W/Rails	Furniture	1616	17-Jan-91	10	950	Unknown	
Bed - Hospital W/Rails	Furniture	1617	17-Jan-91	10	950	Unknown	
Bed - Hospital W/Rails	Furniture	1622	17-Jan-91	10	950	Unknown	
Bed - Hospital W/Rails	Furniture	1623	17-Jan-91	10	950	Unknown	
Bed - Hospital W/Rails	Furniture	1609	17-Jan-91	10	950	Unknown	
Love Seat - Brn & Beige Tweed	Furniture	1924	09-Sep-91	10	658	Unknown	
Respronic - Resp 367100	Equipment	5000	14-Jan-91	10	1,995	Unknown	
Wheelchair	Equipment	5000	26-Feb-91	10	2,210	Unknown	
Wheelchair	Equipment	5000	26-Feb-91	10	4,643	Unknown	
Wheelchair	Equipment	5000	26-Feb-91	10	4,675	Unknown	
Respronic - Rem Star	Equipment	5000	16-Jul-91	10	1,496	Unknown	
Wheelchair Lift	Equipment	5000	01-Sep-89	10	2,699	Unknown	
Bath Buddy	Equipment	5000	14-Jan-91	10	525	Unknown	
Bath Buddy	Equipment	5000	14-Jan-91	10	525	Unknown	
Love Seat - Check Fabric W/Wood base	Furniture	1083	07-Nov-91	10	891	Unknown	
Couch - Mauve Tweed	Furniture	1500	01-Mar-80	10	565	Unknown	
Couch - Maroon	Furniture	2244	01-Mar-80	10	565	Unknown	
PC-Gateway GA 4DX2-66 & moneywork 3.0	Computer	2035	28-Jul-95	5	1,393	8794-1996-2852-096-252-00585	3481527
Monitor Crystalscan 14"	Computer	2034	28-Jul-95	5	265	8794-1996-2852-096-252-00585	215B094934
PC-Gateway GA 4DX2-66 & moneywork 3.0	Computer	1037	28-Jul-95	5	1,327	8793-1996-2892-096-252-00586	3481517

Valley HealthCare System  
 BHHF Assets - Equipment and Automobiles  
 Cumulative Property Schedule - June 30, 2008

Description	Asset Type	ID	Date	Life	Amount	State Account Number	Serial
Monitor Crystalscan 14"	Computer	1038	28-Jul-95	5	265	8793-1996-2892-096-252-00586	727UD01J02077
PC-Gateway GA 4DX2-66 & moneywork 3.0	Computer	3169	28-Jul-95	5	1,686	8793-1996-2892-096-252-00586	23-A061341
Monitor Crystalscan 14"	Computer	5000	28-Jul-95	5	265	8793-1996-2892-096-252-00586	
PC-Gateway GA 4DX2-66 & moneywork 3.0	Computer	849	04-Aug-95	5	1,284	8793-1996-2892-096-252-00586	3657792
PC's - Gateway P5-133	Computer	2480	14-Jan-97	5	1,381	8793-1997-2885-096-252-00952	0006418084
CrystalScan 500 Monitors 13.9	Computer	2479	14-Jan-97	5	388	8793-1997-2885-096-252-00952	15013B079175
Workstation - Thompson's 30x72	Furniture	2032	25-May-95	10	675	Unknown	
Workstation - Thompson's 30x72	Furniture	2025	25-May-95	10	675	Unknown	
Computer Desk - Champion 24x60	Furniture	1994	25-Jan-96	10	510	Unknown	
Computer Desk - Champion 24x60	Furniture	1997	25-Jan-96	10	510	Unknown	
Computer Desk - Champion 24x60	Furniture	1999	25-Jan-96	10	510	Unknown	
Computer Desk - Champion 24x60	Furniture	2001	25-Jan-96	10	510	Unknown	
Filing Cabinet - Vertical File	Furniture	1996	25-Jan-96	10	625	Unknown	
Filing Cabinet - Vertical File	Furniture	1998	25-Jan-96	10	625	Unknown	
Credenza - Woodgrain Top	Furniture	1057	25-Jan-96	10	600	Unknown	
Credenza - Woodgrain Top	Furniture	1065	25-Jan-96	10	500	Unknown	
Credenza - Woodgrain Top	Furniture	1092	25-Jan-96	10	500	Unknown	
TV/VCR combo - RCA 20"	Furniture	1084	04-Oct-95	10	569	Unknown	
Gateway GF5-233 W/MMX	Computer	2070	30-Mar-98	5	1,440	5192-1998-2874-099-252	0009527456
Monitor EV 500 13.9	Computer	2071	30-Mar-98	5	218	5192-1998-2874-099-252	15009A468082
Monitor EV 500 13.9	Computer	2073	30-Mar-98	5	218	5192-1998-2874-099-252	15009A468080
HP Laserjet 6PXi Laser	Computer	5000	30-Jan-98	5	763	Unknown	USCD082951
Monitor - 15" SCE P531	Computer	1331	31-Dec-97	5	267	Unknown	727UD00J102077
Speakers - LAB LCS-1014	Computer	1331	31-Dec-97	5	27	Unknown	727UD00J102077
Rembrandt PC - Pentium 166	Computer	902	31-Dec-97	5	1,347	8793-1998-2885-096-252-02060	8651
Monitor - 15" SCE P531	Computer	901	31-Dec-97	5	267	8793-1998-2885-096-252-02060	727UD00J101868
Speakers - LAB LCS-1014	Computer	901	31-Dec-97	5	27	Unknown	727UD00J101868
Gateway - 2300 Deluxe Pentium PC	Computer	2074	02-Apr-98	5	2,723	5192-1998-2874-099-252	0009556202
HoyerLift - Sunmed HPL 400	Equipment	2970	05-Apr-98	10	1,853	5192-1998-2874-099-252	
HoyerLift - Sunmed HPL 400	Equipment	2919	05-Apr-98	10	1,824	5192-1998-2874-099-252	
Dinette - Seven Piece Wooden	Furniture	2922-2928	16-Feb-98	10	550	Unknown	
Couch- Sectional	Furniture	2987	27-Mar-98	10	798	Unknown	
Dinette - Seven Piece Wooden	Furniture	3099-3105	16-Feb-98	10	550	Unknown	
Dinette - Seven Piece Wooden	Furniture	3064-3070	16-Feb-98	10	550	Unknown	
Couch- Sectional	Furniture	3055	16-Feb-98	10	798	Unknown	
Couch- Sectional	Furniture	2933	16-Feb-98	10	1,200	5192-1998-2874-099-252	
Couch- Sectional	Furniture	2873	18-Feb-98	10	798	Unknown	
Dinette - Seven Piece Wooden	Furniture	2884-2890	18-Feb-98	10	550	Unknown	
Electric Bed - Proserv Medical	Equipment	5000	17-Mar-98	10	630	Unknown	
Electric Bed - Proserv Medical	Equipment	5000	17-Mar-98	10	945	Unknown	
Electric Bed - Proserv Medical	Equipment	5000	17-Mar-98	10	945	Unknown	
Lift Chair	Equipment	5000	08-Sep-98	10	625	Unknown	
Ropes Course - ACT Unit - Fairmont	Equipment	5000	08-Sep-98	10	625	Unknown	
Outbuilding for Adolescent (CrossRoads)-51	Building	5000	08-Apr-99	10	23,795	8793-1999-2892-096-252-03087	
Additional Mulch for Ropes Course-51	Equipment	5000	15-Jul-99	10	2,373	8793-1999-2892-096-252-03087	
Solo 2150CL - Laptop	Computer	3451	02-May-00	5	865	Unknown	0018540326
Gateway Essential 433C PC	Computer	3483	02-May-00	5	1,155	8793-2000-2892-096-128-04135	0018563854
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	04-May-00	5	302	8793-2000-2892-096-128-04135	
Gateway GCS-200 Speakers	Computer	5000	02-May-00	5	53	8793-2000-2892-096-128-04135	
Gateway Essential 433C PC	Computer	3453	02-May-00	5	1,155	8793-2000-2892-096-128-04135	0018563855

Valley HealthCare System  
 BHHF Assets - Equipment and Automobiles  
 Cumulative Property Schedule - June 30, 2008

Description	Asset Type	ID	Date	Life	Amount	State Account Number	Serial
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	04-May-00	5	302	8793-2000-2892-096-128-04135	
Gateway GCS-200 Speakers	Computer	5000	02-May-00	5	53	8793-2000-2892-096-128-04135	
Gateway Essential 433C PC	Computer	3459	02-May-00	5	1,155	8793-2000-2892-096-128-04135	0018563856
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	04-May-00	5	302	8793-2000-2892-096-128-04135	
Gateway GCS-200 Speakers	Computer	5000	02-May-00	5	53	8793-2000-2892-096-128-04135	
Gateway Essential 433C PC	Computer	3448	02-May-00	5	1,155	8793-2000-2892-096-128-04135	0018563857
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	04-May-00	5	302	8793-2000-2892-096-128-04135	
Gateway GCS-200 Speakers	Computer	5000	02-May-00	5	53	8793-2000-2892-096-128-04135	
Gateway Essential 433C PC	Computer	3465	02-May-00	5	1,155	8793-2000-2892-096-128-04135	0018563858
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	04-May-00	5	302	8793-2000-2892-096-128-04135	
Gateway GCS-200 Speakers	Computer	5000	02-May-00	5	53	8793-2000-2892-096-128-04135	
Gateway Select 700	Computer	3455	04-May-00	5	1,615	8793-2000-2892-096-128-04135	0018564331
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	04-May-00	5	302	8793-2000-2892-096-128-04135	
Gateway GCS-200 Speakers	Computer	5000	04-May-00	5	37	8793-2000-2892-096-128-04135	
Gateway Monitor EV 700 W/ 15.9 Viewable	Computer	5000	23-Jun-00	5	293	8793-2000-2892-096-128-04135	
Livingston Router	Computer	5000	10-Sep-00	5	750	Unknown	
Alcohol Sensors - Act Unit	Equipment	5000	10-Jul-01	5	1,063	0525-2003-2874-803-252	
Compaq Monitor - S7500 17"	Computer	4050	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC578
Compaq Monitor - S7500 17"	Computer	4065	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC579
Compaq Monitor - S7500 17"	Computer	4062	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC581
Compaq Monitor - S7500 17"	Computer	4044	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC582
Compaq Monitor - S7500 17"	Computer	4058	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC583
Compaq Monitor - S7500 17"	Computer	4043	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC586
Compaq Monitor - S7500 17"	Computer	4057	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC588
Compaq Monitor - S7500 17"	Computer	4047	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC590
Compaq Monitor - S7500 17"	Computer	4046	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC591
Compaq Monitor - S7500 17"	Computer	4052	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC982
Compaq Monitor - S7500 17"	Computer	4055	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC982
Compaq Monitor - S7500 17"	Computer	4057	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC983
Compaq Monitor - S7500 17"	Computer	4011	01-Mar-03	5	193	0525-2003-2874-803-252	CN245VB427
Compaq Monitor - S7500 17"	Computer	4045	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VB429
Compaq Monitor - S7500 17"	Computer	4062	01-Mar-03	5	193	0525-2003-2874-803-252	CN245VC159
Compaq Monitor - S7500 17"	Computer	4051	01-Mar-03	5	193	0525-2003-2874-803-252	CN245VC172
Compaq Monitor - S7500 17"	Computer	4054	01-Mar-03	5	193	0525-2003-2874-803-252	CN245VM493
Compaq Monitor - S7500 17"	Computer	4060	01-Mar-03	5	193	0525-2003-2874-803-252	CN249VC238
Compaq Monitor - S7500 17"	Computer	4063	01-Mar-03	5	193	0525-2003-2874-803-252	CN249VC245
Compaq Monitor - S7500 17"	Computer	4059	01-Mar-03	5	193	0525-2003-2874-803-252	CN249VC484
Compaq Monitor - S7500 17"	Computer	4049	01-Mar-03	5	193	8793-2003-2892-096-128-07887	CN250VB856
Compaq Labtop - EVO N800V P4	Computer	4066	01-Mar-03	5	1,663	8793-2003-2892-096-128-07887	5Y32K5QZ91WB
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4067	01-Mar-03	5	1,663	8793-2003-2892-096-128-07887	5Y32K5QZ91X7
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4027	01-Mar-03	5	833	8793-2003-2892-096-128-07887	V308LB4ZA369
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4026	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA382
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4019	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA383
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4020	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA412
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4028	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA415
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4037	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA418
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4032	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA439
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4029	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA442
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4034	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA451
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4016	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA569

Valley HealthCare System  
 BHHF Assets - Equipment and Automobiles  
 Cumulative Property Schedule - June 30, 2008

Description	Asset Type	ID	Date	Life	Amount	State Account Number	Serial
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4014	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA571
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4030	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA587
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4010	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA602
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4040	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA603
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4025	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA612
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4012	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA617
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4024	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA626
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4036	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA631
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4031	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA634
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4035	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA636
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4018	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA641
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4038	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA648
Billiard Table and Accessories	Furniture	5000	10-Apr-03	7	718	Unknown	
CDW LapTop PC TOS 6100 - CRW XPP	Computer	5000	14-May-03	5	1,604	8794-2003-2915-096-128-07888	S33054403P
CDW INFOCUS XGA Projector	Computer	5000	14-May-03	5	3,137	8794-2003-2915-096-128-07888	1S7KN30790758
CDW Laptop HP NC8000 CRW XPP - Compaq	Computer	4271	04-May-04	5	1,815	8723-2004-2852-096-128-10550	CNU4061J02
LapTop PC - CDW HP CPQ NC8000 C9/1.5 40GB CRW XPP	Computer	5000	19-Aug-04	7	1,913	0525-2005-2923-219-252/238	SCNU419XX3
HP SB NC8000 40GB CRW XPP - Lap Top	Computer	4301	07-Feb-05	5	1,976	8723-2004-2852-096-128-10550	SCNU504FM45
CDW - SB NC8000 1.6 40GB CRW XPP LAPTOP PC	Computer	4115	01-Feb-05	5	1,982	8793-2005-2892-096-128-10596	SCHNU503FINC
HP LapTop - CDW	Computer	5000	06-Jun-05	5	1,709	8723-2004-2852-096-128-10550	SCNU3200BL5
PC - CDW - HP-DC5100 40GB -XPP-w/Kingston memory Upgrade	Computer	5000	06-Jun-05	5	948	8723-2004-2852-096-128-10550	SMXL5210S12
PC - CDW - HP-DC5100 40GB -XPP-w/Kingston memory Upgrade	Computer	5000	06-Jun-05	5	948	8723-2004-2852-096-128-10550	SMXL5210S0T
Monitor - CDW - Acer AL1912B - 19 inch	Computer	5000	06-Jun-05	5	332	8723-2004-2852-096-128-10550	51200F34ED47
Monitor - CDW - Acer AL1912B - 19 inch	Computer	5000	06-Jun-05	5	332	8723-2004-2852-096-128-10550	51200F34ED47
Shower Trolley - Accessible Environments Inc.	Equipment	5000	10-Aug-06	5	3,608	Unknown	
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4406	12-Sep-06	5	1,694	Unknown	SMXM63100WR
Planar 17in PL 1700 Monitor	Computer	4416	12-Sep-06	5	214	Unknown	AG632H40561
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4409	12-Sep-06	5	1,694	Unknown	SMXM63100XXN
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4407	12-Sep-06	5	1,694	Unknown	SMXM63100X7
Planar 17in PL 1700 Monitor	Computer	4424	12-Sep-06	5	214	Unknown	AG632H40566
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4405	12-Sep-06	5	1,694	Unknown	SMXM6310100
Planar 17in PL 1700 Monitor	Computer	4402	12-Sep-06	5	214	Unknown	AG632H38164
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4404	12-Sep-06	5	1,694	Unknown	SMXM63100FM
Planar 17in PL 1700 Monitor	Computer	4401	12-Sep-06	5	214	Unknown	AG632H40202
Laptop PC HP NX 9420	Computer	4389	11-Sep-06	5	2,163	Unknown	SCND625BSM
Phone System - Catalyst - 3560 2SFP Standard Image	Equipment	5000	20-Oct-06	20	4,998	Unknown	
Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	20-Oct-06	20	3,347	Unknown	CAT1036NXXJ
Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	20-Oct-06	20	441	Unknown	
Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	20-Oct-06	20	441	Unknown	
Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	20-Oct-06	20	441	Unknown	
Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	20-Oct-06	20	441	Unknown	
HON- Corner Desk - Champion	Furniture	4462	26-Oct-06	10	783	Unknown	
HON- Corner Desk - Champion	Furniture	4467	26-Oct-06	10	783	Unknown	
HON- Corner Desk - Champion	Furniture	4497	26-Oct-06	10	783	Unknown	
HON- Corner Desk - Champion	Furniture	4485	26-Oct-06	10	783	Unknown	
HON- Corner Desk - Champion	Furniture	4457	26-Oct-06	10	783	Unknown	
HON- Corner Desk - Champion	Furniture	4516	26-Oct-06	10	684	Unknown	
PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4545	15-Nov-06	5	1,667	Unknown	MXM63801MK

Valley HealthCare System  
 BHHF Assets - Equipment and Automobiles  
 Cumulative Property Schedule - June 30, 2008

PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	4529	15-Nov-06	5	1,667	Unknown	MXM6380JNY
PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	4544	15-Nov-06	5	1,667	Unknown	MXM6380IN3
PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	4528	15-Nov-06	5	1,667	Unknown	MXM6380LFF
Monitor - Planar 1910 - 19in LCD - CDW	4526	15-Nov-06	5	284	Unknown	A1639G3752
Monitor - Planar 1910 - 19in LCD - CDW	4542	15-Nov-06	5	284	Unknown	A1639G37526
PC - HP DC7600C - 80 GB w/MS PRO Plus 2007 - CDW	5000	06-Mar-07	5	1,132	Unknown	S2UA7030SCK
Monitor - Planar 1700 - 17in LCD - CDW	5000	06-Mar-07	5	191	Unknown	AG704H83314
PC - HP DC7600C - 80 GB w/MS PRO Plus 2007 - CDW	4554	06-Mar-07	5	1,132	Unknown	S2UA7030S99
Monitor - Planar 1700 - 17in LCD - CDW	5000	06-Mar-07	5	191	Unknown	AG704H83317
Van - 1992 Dodge Maxi - Title #10-9201	9201	13-Feb-92	7	22,141	Unknown	2B5WV35ZXXNK125504
Van 1997 Dodge W/Lift	9701	23-Jul-97	7	21,451	5192-1998-2874-099-252	2B5WB3573UK581335
Van 1997 Dodge W/Lift - (30/70)	9703	23-Jul-97	7	21,451	5192-1998-2874-099-252	2B5WB3543CK581337
Van Lifts for 1997 Dodges - (30/70)	9701	28-Feb-98	7	9,900	5192-1998-2874-099-252	2B5WB3573UK581335
Van Lifts for 1997 Dodges	9703	28-Feb-98	7	9,900	5192-1998-2874-099-252	2B5WB3543CK581337
KIA Sedona	0302	15-Apr-03	7	17,785	Unknown	KNDUP131436440280
2001 Dodge PT Cruiser (20/80)	0401	19-May-04	5	10,000	Unknown	3C4FY4BB2JT300734
2005 Chevrolet V3500	0502	22-Feb-06	7	20,580	0525-2006-2874-803-258	1GAHG39UX51258087
2005 Chevrolet V3500	501	22-Feb-06	7	33,678	Unknown	1GAHG39U951266654
Computer		01-Dec-07	5	1,764	Unknown	
Computers		01-Oct-07	5	1,704	Unknown	
Refrigerator/Freezer		07-Nov-07	5	667	Unknown	
DVD Blumer		12-Feb-08	5	1,813	Unknown	
Computer		12-Mar-08	5	1,237	Unknown	SCNU808808SN4
Scanners-EMR GRANT		12-Mar-08	5	5,640	Unknown	
Computer-EMR GRANT		12-Mar-08	5	1,674	Unknown	
Signature Pads-EMR GRANT		28-Mar-08	5	3,488	Unknown	
Dishwasher		02-May-08	5	667	Unknown	
Wifi System		16-Jun-08	5	711	Unknown	

\$ 401,191

Valley HealthCare System  
 BHHF Assets - Leaseholds, Land and Buildings  
 Cumulative Property Schedule - June 30, 2008

Description	Vendor	Date	Amount	Life
Marion Day Treatment - Paul Rice	RU 68	01-Jun-91	8,292	10
Unknown Improvements	RU 10	01-Jul-92	6,060	10
Sewer Upgrade at ACT Unit - T.Chickerell	RU 52	03-Aug-01	19,000	10
Decking Addition - ACT Unit	RU 52	31-Aug-01	1,132	10
Heating/Cooling Unit - Holly House - Grafton - DC Kennedy	RU 520	01-Sep-02	2,935	10
Drywall, Lumber, ect - RU 505 STRU - Lowe's*	RU 505	12-Aug-03	631	10
Fire Door - B&B Glass*	RU 505	12-Aug-03	2,141	10
Smoke Alarm/Security System - Secure US*	RU 505	12-Aug-03	1,140	10
Carpeting - Hall's Carpeting*	RU 505	12-Aug-03	2,192	10
Drywall, Lumber, ect - RU 505 STRU - Lowe's*	RU 505	12-Aug-03	1,773	10
New Door for Crisis Unit plus remodeling of windows	RU 505	12-Aug-03	2,353	10
Tiling for Valley Main Office - Halls Classic Carpets	RU 10	23-Jan-04	33,749	10
Roof Repairs for Holly House - Quiet Valley Construction	RU 520	21-Oct-04	3,378	10
Holly House-roof replacement	RU520	01-Apr-08	8,905	10
Dumpster Pad	RU 507	10-Jun-08	5,500	10
Traffic Circle in Parking Lot - 301 Scott Ave	RU 10	26-Sep-03	11,364	10
ACT Unit Sewage Line relocate	RU 52	30-May-06	19,825	10
Paving/Excavation	RU 508	12-May-08	13,712	10
Land - Office	Scott Avenue	2-Nov-81	60,500	N/A
Land - ACT Unit	Farmont	31-Dec-95	60,005	N/A
Building - Office	RU 10	01-Jul-77	1,620,404	20
Roof Replacement	RU 10	01-Oct-89	175,802	10
Eng. Fees - Roof	RU 10	01-Oct-89	6,801	10
Holly House E. Washington Street	RU 520	01-Jun-91	20,000	20
Fuse Panel	RU 520	01-Dec-91	175	10
Architect Services - Gustafson	RU 52	01-Jun-94	9,216	10
Architect Services - Gustafson	RU 52	15-Jun-95	24,533	10
Accordia - Builders Risk Insurance	RU 52	19-Jan-95	900	10
Roadway Work - Harman Const.	RU 52	31-Oct-94	11,900	10
Brewer & Co. - Sprinkler System	RU 52	20-Dec-94	16,839	10
Emsweller - Fire Alarm System	RU 52	10-Feb-95	3,817	10
Water Line - Chickerell Excavating	RU 52	21-Apr-95	5,382	10
Adjustment - 1995	RU 52	31-Dec-95	(1,080)	10
Construction Costs - Huffman	RU 52	03-May-95	395,119	10
Construction Costs - Huffman	RU 52	17-Nov-95	6,965	10
Decking Addition - Huffman	RU 52	29-Sep-95	3,484	10
Brewer & Co. - Sprinkler System	RU 52	08-Sep-95	1,115	10
Brewer & Co. - Breaker Boxes	RU 52	01-Jul-95	233	10
Emsweller - Fire Alarm	RU 52	02-Sep-95	1,909	10
Emsweller - Manual Station	RU 52	14-Aug-95	125	10
Drapery Sales & Service	RU 52	17-Aug-95	999	10
Architect Services - Gustafson	RU 52	15-Jul-95	694	10
Pixier Fire Improvements	Rubicon Development	01-Jun-91	50,000	5

Valley HealthCare System  
 BHHF Assets - Leaseholds, Land and Buildings  
 Cumulative Property Schedule - June 30, 2008

Description	Vendor	Date	Amount	Life
Pixler Hill - Building	RU 508	01-Jan-91	50,000	10
Stone Grading - Pixler	RU 508	01-Mar-92	2,500	5
Pixler Hill Building Improvements	Rubicon Development	01-Feb-91	20,000	5
Concrete Driveway - Sabraton	CMC Company	05-May-98	950	10
Office Conversion to Shower Room	OV Valley LLC - Herman	18-Feb-98	14,500	20
Office Conversion to Shower Room	OV Valley LLC - Sabraton	18-Feb-98	14,500	20
Plumbing & Fire Conversions	CMC Company-	05-Feb-98	20,016	20
Plumbing & Fire Conversions	CMC Company -	05-Feb-98	6,759	20
Plumbing & Fire Conversions	CMC Company -	05-Feb-98	14,754	20
Plumbing & Fire Conversions	CMC Company -	05-Feb-98	4,574	20
Plumbing & Fire Conversions	CMC Company -	05-Feb-98	4,574	20
Plumbing & Fire Conversions	CMC Company -	05-Feb-98	24,096	20
Rear Entrance Ramp @ Harlem St.	CMC Company -	28-Sep-98	3,300	20
White Vinyl Fence in Front Yard	CMC Company -	13-Nov-98	3,300	10
Carpet @ Harlem Street	Wholesale Carpet Outlet	14-Nov-00	1,246	5
Wood Floor @ McCartney Ave	Wholesale Carpet Outlet	04-Dec-00	3,867	5

TOTALS 6/30/2008

\$ 2,808,854



**VALLEY HEALTHCARE SYSTEM**  
**BUREAU FOR BEHAVIORAL HEALTH AND HEALTH FACILITIES**  
**SCHEDULE OF STANDARDIZED FINANCIAL STATEMENTS - BALANCE SHEET**  
**FOR COMPREHENSIVE AND MR/DD FACILITIES**  
**ACCRUAL BASIS**

**June 30, 2008**

**ASSETS**

CURRENT ASSETS:		
1	Cash	\$ 50,151
2	Short-term investments	-
3	Accounts receivable - BHHF	452,036
4	Accounts receivable - Client	65,267
5	Accounts receivable - Medicaid	343,225
6	Accounts receivable - Medicaid MR/DD Waiver	670,396
7	Accounts receivable - Other	296,579
7a	Allowance for doubtful accounts	(127,336)
8	Inventory	3,178
9	Prepaid/Other	<u>79,222</u>
10	TOTAL CURRENT ASSETS (total of lines 1-9)	1,832,718
NON-CURRENT ASSETS:		
FIXED ASSETS		
11	Property, land, and equipment - BHHF	3,210,044
12	Less accumulated depreciation	(2,665,565)
13	Property, land, and equipment - Other	3,474,879
14	Less accumulated depreciation	<u>(1,836,718)</u>
15	Total property, land, and equipment (NET)	2,182,640
OTHER NON-CURRENT ASSETS:		
16	Long-term investments	12,994
17	Other	<u>-</u>
18	TOTAL ASSETS (Total of lines 10, 15, 16, and 17)	<u>\$ 4,028,352</u>

**LIABILITIES**

CURRENT LIABILITIES:		
19	Accounts payable	\$ 599,930
20	Taxes payable	170,518
20a	Provider taxes payable	(25,394)
21	Line of credit - payable	154,000
22	Short-term notes payable	26,091
23	Accrued expenses	715,663
24	Other current liabilities	<u>156,990</u>
25	TOTAL CURRENT LIABILITIES (Total of lines 19-24)	1,797,798
LONG-TERM LIABILITIES		
26	Long-term notes payable	535,055
27	Other long-term liabilities	<u>1,963,053</u>
28	TOTAL LIABILITIES (Total of lines 25, 26, and 27)	2,498,108
NET ASSETS		
29	Unrestricted net assets	(267,554)
30	Board designated net assets	-
31	Permanently restricted net assets	<u>-</u>
32	TOTAL LIABILITIES AND NET ASSETS (Total of lines 26-31)	<u>\$ 4,028,352</u>

See Independent Auditors' Report

**VALLEY HEALTHCARE SYSTEM**  
**BUREAU FOR BEHAVIORAL HEALTH AND HEALTH FACILITIES**  
**SCHEDULE OF STANDARDIZED FINANCIAL STATEMENTS**  
**STATEMENT OF ACTIVITIES FOR COMPREHENSIVE AND MR/DD FACILITIES**  
**ACCURAL BASIS**  
**June 30, 2008**

**REVENUE AND SUPPORT**

1.	Charity Care	\$ -
1a	Charity Care (BHFF target funds)	(704,899)
1b.	Charity Care (BHFF non-target funds)	(739,788)
1c	Charity Care	-
1d	Charity Care	-
1e.	Charity Care	-
1f.	Charity Care	-
1g	Charity Care	(260,632)
1h.	Contractual write-off charity	-
1i	Charity Care revenue	1,444,687
1j.	Supportive/Alternative Services Revenue	<u>260,632</u>
	Total (Should equal zero)	-
2.	Gross client service revenue	11,097,720
3.	Contractual adjustments (Target funds)	(704,899)
3a	Contractual adjustments (Non-target funds)	<u>(1,652,758)</u>
5	Net client service revenue	8,740,063
	Net client service revenue	
6	Medicaid (Target funds)	
6a.	Medicaid (Non-target funds)	1,171,119
7.	Medicaid MR/DD waiver (Non-target funds)	6,950,705
8.	ICF/MR (Non-target funds)	2,658
9	Private pay (Non-target funds)	364,920
9a	Private pay (BHFF target funds)	-
9b.	Private pay (BHFF non-target funds)	-
10.	Other client service revenue (Target funds)	-
10a.	Other client service revenue (Non-target funds)	<u>250,661</u>
11	Total net client service revenue (Line 10 must agree with line 4)	8,740,063
12.	BHFF support	4,662,981
13.	Other/Public support	253,206
14.	Other	<u>220,641</u>
15.	TOTAL REVENUE AND SUPPORT (Total of lines 11-14)	<u>13,876,891</u>
	<b>EXPENSES</b>	
16	Salaries	7,507,517
17	Fringe benefits	1,637,291
18.	Contractual services	2,699,747
19.	Provider tax	317,320
19a.	Bad debt	66,998
19b.	Bad debt (BHFF target funds)	-
19c	Bad debt (BHFF non-target funds)	-
20	Depreciation expense	289,320
21	Other expenses (including adoption of recognition provisions FASB Statement No 158)	<u>2,225,979</u>
22	TOTAL EXPENSES (Total of lines 15-20)	<u>14,744,172</u>
23.	NET INCOME (LOSS)	<u>\$ (867,281)</u>

**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  
Valley HealthCare System  
Morgantown, West Virginia

We have audited the financial statements of Valley HealthCare System (the Corporation) as of and for the year ended June 30, 2008, and have issued our report thereon dated May 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Corporation internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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*.

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

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



May 29, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Board of Directors  
Valley HealthCare System  
Morgantown, West Virginia

Compliance

We have audited the compliance of Valley HealthCare System (the Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Corporation's compliance with those requirements.

In our opinion, the Corporation complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

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

compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the corporation's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

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



May 29, 2009

VALLEY HEALTHCARE SYSTEM  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008

**Section I - Summary of Auditors' Results**

*Financial Statements*

Type of auditors' reports issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 501(a) of Circular A-133?

Yes  No

Identification of Major programs:

CFDA Number

Name of Federal Program or Cluster

93.959

Substance Abuse Services

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

Yes  No

VALLEY HEALTHCARE SYSTEM  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008  
(Continued)

---

**Section II - Financial Statement Findings**

---

**2008-1 Journal Entry Review and Approval**

Condition:

We noted that general journal entries are posted to the Corporation's general ledger without documented supervisory review and approval.

Criteria:

All transactions that are posted to the Corporation's general ledger should be subjected to appropriate supervisory review and approval to ensure that the transaction is correctly accounted for and appropriate in nature. The supervisory approval should be documented by the individual performing the review and include the date the review was completed.

Effect:

Without appropriate supervisory review, errors or irregularities in the Corporation's financial statements may not be detected in a timely manner by employees in the normal course of performing their assigned functions

Cause:

All general journal entries are initiated by the Director of Finance, and the Corporation has not established a procedure that requires review and approval of the initiation, development, and posting of these entries to the Corporation's general ledger.

Recommendation:

Management should develop procedures to ensure that all significant general journal entries posted to the Corporation's general ledger system have been reviewed and approved by someone with the requisite knowledge of the Corporation's operations and the accounting principles used in the preparation of its basic financial statements. This supervisory review and approval process should be documented on the item being reviewed.

Management's Response:

Management at Valley HealthCare System has implemented procedures to insure oversight and approval of non system produced monthly journal entries.



VALLEY HEALTHCARE SYSTEM  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2008  
(Continued)

---

**Section II - Financial Statement Findings (Continued)**

---

**2008-2 Segregation of Duties**

Condition:

We noted that the accounts payable clerk has the ability to perform vendor maintenance, is responsible for printing checks, using the signature stamp to sign checks, and also mails the checks.

Criteria:

A fundamental concept of an effective system of internal control is adequate segregation of incompatible duties. The basic premise is that no one employee should have access to both the physical asset and the related accounting records or to all phases of a transaction.

Effect:

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

Cause:

The current procedures for disbursements allow the accounts payable clerk access to all phases of the transaction.

Recommendation:

Management should establish procedures to segregate the check printing, check signing, and check mailing functions. We recommend that the signature stamp remain in a secure location, and only in the possession of an individual who is an authorized check signer. The employee responsible for printing checks should not have access to the signature stamp, and signed checks should not be returned to that individual for mailing. Additionally, management should periodically review the validity of new vendors added and changes made to existing vendor accounts.

Management's Response:

Management at Valley HealthCare System has implemented procedures to insure that the accounts payable clerk will have restricted access to the signature stamp and different accounting office staff will have responsibility for vendor maintenance. In addition, management will implement periodic checks of new vendors.

VALLEY HEALTHCARE SYSTEM  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2008  
(Continued)

---

**Section III - Federal Award Findings and Questioned Costs**

---

NONE

VALLEY HEALTHCARE SYSTEM  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2008

**2007-1 Journal Entry Review and Approval**

Condition and Criteria:

The auditor noted that general journal entries were posted to the Corporation's general ledger without documented supervisory review and approval.

Recommendation:

The auditor recommended that management develop procedures to ensure that all significant general journal entries posted to the Corporation's general ledger system are reviewed and approved by someone with the requisite knowledge of the Corporation's operations and the accounting principles used in the preparation of its basic financial statements.

Current Status:

A similar finding is reported in the June 30, 2008 audit.

**2007-2 Segregation of Duties**

Condition and Criteria:

The auditor noted that the accounts payable clerk had the ability to perform vendor maintenance, was responsible for printing checks, using the signature stamp to sign checks, and also mails the checks.

Recommendation:

The auditor recommended that management establish procedures to segregate the check printing, check signing, and check mailing functions, that the signature stamp remain in a secure location, and only in the possession of an individual who is an authorized check signer. The auditor recommended that the employee responsible for printing checks should not have access to the signature stamp, and signed checks should not be returned to that individual for mailing. Additionally, the auditor also recommended that management periodically review the validity of new vendors added and changes made to existing vendor accounts.

VALLEY HEALTHCARE SYSTEM  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2008  
(Continued)

**2007-2 Segregation of Duties (Continued)**

Current Status:

A similar finding is reported in the June 30, 2008 audit.

**2007-3 Reconciliation of Control Account**

Condition and Criteria:

The auditor noted that fixed asset accounts were not reconciled to supporting detailed schedules throughout the year.

Recommendation:

The auditor recommended that management ensure that all general ledger control accounts are reconciled to the underlying subsidiary ledgers on a monthly basis, and that all reconciling items be investigated and appropriate adjustments made during this process.

Current Status:

No similar finding is noted in the June 30, 2008 audit

**2007-4 Bank Reconciliations**

Condition and Criteria:

The auditor noted that the preparer did not document completion of the bank reconciliations by initialing and dating it, and there was no management supervisory review and approval of these monthly bank reconciliations.

Recommendation:

The auditor recommended that the Corporation require all supervisory review and approval of the bank reconciliations be performed and documented on the item being reviewed, and that the preparer also document the preparation of the bank reconciliation by initialing and dating the reconciliation.

VALLEY HEALTHCARE SYSTEM  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2008  
(Continued)

**2007-4 Bank Reconciliations (Continued)**

Current Status:

No similar finding is noted in the June 30, 2008 audit.