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***Financial and  
Compliance Report  
June 30, 2009***

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS,  
SUPPLEMENTARY SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS AND OTHER SUPPLEMENTARY INFORMATION**

To the Board of Directors  
Cabin Creek Health Systems, Inc.  
Dawes, West Virginia

We have audited the accompanying balance sheets of Cabin Creek Health Systems, Inc., as of June 30, 2009 and 2008, and the related statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Cabin Creek Health Systems, Inc.'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 Cabin Creek Health Systems, Inc., as of June 30, 2009 and 2008, and the results of its operations, changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2009, on our consideration of Cabin Creek Health Systems, Inc.'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 for the year ended June 30, 2009. We issued a similar report for the year ended June 30, 2008, dated January 7, 2009, which has not been included with the 2009 financial statements. The purpose of these reports are 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit of each year.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Also, the accompanying schedules of state awards and RHEP grant activity and RHEP property and equipment are presented for purposes of additional analysis of the basic financial statements and are not a required part of such 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.

ARNETT & FOSTER, P.L.L.C.

*Arnett + Foster, P.L.L.C.*

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Charleston, West Virginia  
November 24, 2009

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**CABIN CREEK HEALTH SYSTEMS, INC.****BALANCE SHEETS**  
**June 30, 2009 and 2008**

<b>ASSETS</b>	<b>2009</b>	<b>2008</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 664,930	\$ 581,082
Patient receivables, net of allowances for doubtful accounts of \$524,843 and \$874,607, respectively	572,384	542,812
Estimated third-party payor settlements	96,022	-
Grants receivable	137,288	182,292
Inventory	113,307	118,471
<b>Total current assets</b>	<b>1,583,931</b>	<b>1,424,657</b>
<b>Land, buildings and equipment, net</b>	<b>388,916</b>	<b>264,731</b>
<b>Total assets</b>	<b>\$ 1,972,847</b>	<b>\$ 1,689,388</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 10,577	\$ 2,438
Capital lease obligation	-	5,660
Accounts payable and accrued expenses	394,508	333,129
Accrued sales taxes	22,000	22,000
Estimated third-party payor settlements	-	13,978
Deferred grant revenue	60,612	21,719
Deferred income	38,055	38,634
<b>Total current liabilities</b>	<b>525,752</b>	<b>437,558</b>
Long-term debt, less current portion	91,280	51,815
<b>Total liabilities</b>	<b>617,032</b>	<b>489,373</b>
<b>Net assets, unrestricted</b>	<b>1,355,815</b>	<b>1,200,015</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,972,847</b>	<b>\$ 1,689,388</b>

## CABIN CREEK HEALTH SYSTEMS, INC.

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS  
Years Ended June 30, 2009 and 2008

	2009	2008
<b>Operating revenues:</b>		
Patient service revenues, net	\$ 5,284,339	\$ 5,736,619
Grant revenue	1,714,638	1,256,177
Donation of pharmaceuticals	367,609	201,911
Other income	49,184	3,801
	<u>7,415,770</u>	<u>7,198,508</u>
<b>Cost of drugs sold:</b>		
Cost of drugs sold	773,950	951,493
Use of donated pharmaceuticals	367,609	201,911
	<u>1,141,559</u>	<u>1,153,404</u>
<b>Operating revenues, net of cost of drugs sold</b>	<u>6,274,211</u>	<u>6,045,104</u>
<b>Operating expenses:</b>		
Salaries and wages	3,261,902	3,034,547
Payroll taxes and benefits	812,864	767,325
Laboratory	76,946	125,962
Office supplies	188,005	142,284
Drugs	10,067	6,879
Medical supplies	212,368	206,140
Repairs and maintenance	94,970	126,269
Travel and education	99,447	80,028
Occupancy	277,947	274,438
Advertising	5,845	7,743
Dues and subscriptions	26,209	25,231
Purchased services	378,961	339,295
Interest	3,059	4,120
Depreciation	42,555	102,000
Provision for bad debts	454,603	342,640
Other	273,869	198,143
	<u>6,219,617</u>	<u>5,783,044</u>
<b>Total operating expenses</b>	<u>6,219,617</u>	<u>5,783,044</u>
<b>Operating income</b>	54,594	262,060
<b>Non-operating revenue:</b>		
Interest income	1,627	9,199
Capital contributions	99,579	-
	<u>101,206</u>	<u>9,199</u>
<b>Excess of revenues over expenses and change in unrestricted net assets</b>	155,800	271,259
<b>Net assets, unrestricted - beginning of year</b>	<u>1,200,015</u>	<u>928,756</u>
<b>Net assets, unrestricted - end of year</b>	<u>\$ 1,355,815</u>	<u>\$ 1,200,015</u>

See Notes to Financial Statements

**CABIN CREEK HEALTH SYSTEMS, INC.**
**STATEMENTS OF CASH FLOWS**
**Years Ended June 30, 2009 and 2008**

	2009	2008
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 155,800	\$ 271,259
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	42,555	102,000
Provision for bad debts	454,603	342,640
Changes in assets and liabilities:		
(Increase) in patient receivables	(484,175)	(429,639)
(Increase) decrease in grants receivable	45,004	(48,614)
Decrease in inventory and deferred income	4,585	93,384
Increase in accounts payable and accrued expenses	61,379	63,822
(Decrease) in settlement amounts due to third-party reimbursement programs	(110,000)	
Increase (decrease) in deferred grant revenue	38,893	(401)
<b>Net cash provided by operating activities</b>	<u>208,644</u>	<u>49,515</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	<u>(166,740)</u>	-
<b>Net cash (used in) investing activities</b>	<u>(166,740)</u>	-
<b>Cash Flows from Financing Activities</b>		
Proceeds from long-term debt	50,000	-
Principal payments on long-term debt	(2,396)	(5,687)
Principal payments on capital lease obligation	<u>(5,660)</u>	<u>(20,517)</u>
<b>Net cash provided by (used in) financing activities</b>	<u>41,944</u>	<u>(26,204)</u>
<b>Net increase in cash and cash equivalents</b>	83,848	23,311
<b>Cash and cash equivalents:</b>		
Beginning	<u>581,082</u>	<u>557,771</u>
Ending	<u>\$ 664,930</u>	<u>\$ 581,082</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash payments for interest	<u>\$ 3,059</u>	<u>\$ 4,120</u>

**CABIN CREEK HEALTH SYSTEMS, INC.****NOTES TO FINANCIAL STATEMENTS**

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**Note 1. Nature of Activities and Significant Accounting Policies**

**Nature of activities:** Cabin Creek Health Systems, Inc. (the Organization) is a non-profit, non-stock corporation organized under the laws of West Virginia. The Organization is a Federally Qualified Health Center (FQHC) that provides primary care services, promotes health education for students in health care specialties, and provides health education to the residents of Kanawha and surrounding counties in West Virginia. The Organization began operations in 1973 and has the following locations:

- Cabin Creek Health Center in Dawes, West Virginia;
- Riverside Health Center in Belle, West Virginia;
- Clendenin Health Center in Clendenin, West Virginia; and
- Sissonville Health Center in Sissonville, West Virginia.

**Stewardship responsibilities:** All assets of the Organization have been used for the purpose for which they were contributed, or have been accumulated to allow management to conduct the operations of the Organization as effectively and efficiently as possible.

**A summary of significant accounting policies follows:**

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in determining the allowance for uncollectible accounts and settlement amounts due from third-party reimbursement programs because of the uncertainty in estimating the amounts that will ultimately be collected. It is at least reasonably possible that the significant estimates used will change within the next year.

**Cash and cash equivalents:** For purposes of reporting the statement of cash flows, the Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value.

**Patient receivables:** Patient receivables are reported at estimated net realizable amounts from patients and responsible third-party payors. Amounts owed to the Organization are reported net of allowances. Allowances include estimates of contractual adjustments, charity care and bad debts. Specific patient balances are written off at the time they are determined to be uncollectible. The process for estimating the ultimate collection of receivables involves significant assumptions and judgment. In this regard, the Organization has implemented a standardized approach to estimate and review the collectability of its receivables based on accounts receivable aging trends. Historical collection and payor reimbursement experience are an integral part of the estimation process related to determining allowances for contractual allowances and doubtful accounts. In addition, the Organization assesses the current state of its billing function in order to identify any known collection or reimbursement issues to determine the impact, if any, on its reserve estimates, which involve judgment. Revisions in reserve estimates are recorded as an adjustment to net patient service revenue or the provision for doubtful accounts in the period of revision. The Organization believes that its collection and reserve processes, along with the monitoring of its billing processes, help to reduce the risk associated with material revisions to reserve estimates resulting from adverse changes in collection, reimbursement experience, and billing functions. Recoveries of accounts previously written off are recorded as a reduction to bad debt expense when received. Interest is not charged on patient accounts receivable.

**Inventories:** Inventories consist primarily of drugs used in the operations of the Organization and are stated at latest invoice cost, which approximates lower of cost (first-in, first-out method) or market.

**CABIN CREEK HEALTH SYSTEMS, INC.****NOTES TO FINANCIAL STATEMENTS**

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**Property and equipment:** Property and equipment is reported at cost for purchased items and fair value for contributed items. Depreciation is computed using the straight-line method over the estimated useful life of each depreciable asset. The Organization's policy is to capitalize and depreciate all fixed assets with a cost at or above a limit determined by the Board of Directors with an estimated useful life of greater than one year.

Contributions of long-lived assets such as land, buildings, and equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Organization's activities).

**Basis of presentation:** Net assets and revenues, gains, and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted** - Resources over which the Board of Directors has discretionary control. Designated amounts, if any, represent those net assets which the Organization has set aside for a particular purpose.

**Temporarily restricted** - Resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time. There were no temporarily restricted net assets at June 30, 2009 and 2008.

**Permanently restricted** - Resources subject to donor imposed restrictions that they be maintained permanently by the Organization. There were no permanently restricted net assets at June 30, 2009 and 2008.

The Organization has elected to present temporarily restricted contributions, which are fulfilled in the same time period, within the unrestricted net assets class.

Contributions of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

Contribution of pharmaceutical drugs are recorded as revenue when utilized by patients of the Organization. Donated pharmaceutical drugs on hand at year end are reflected as inventory and deferred revenue and were \$38,055 and \$38,634 as of June 30, 2009 and 2008, respectively.

**Method of accounting:** The Organization follows the accrual basis of accounting and accounting principles generally accepted in the United States of America for financial reporting purposes.

**Funding and revenue recognition:** Funding for general operations of the Organization was obtained from patient fees generated by providing medical services and grants from the U. S. Department of Health and Human Services, the West Virginia Department of Health and Human Resources, and various other grantors. The grant period varied with each individual grant.

Grant revenue resulting from exchange transactions is recognized when the related costs are incurred, except for the Community Health Centers Grant, which is recognized ratably over the grant period. Deferred revenue consists of grant funds that the Organization has received but for which it has not incurred related expenses.



**CABIN CREEK HEALTH SYSTEMS, INC.****NOTES TO FINANCIAL STATEMENTS**

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Patient service revenue is recorded at standard billing rates when the service is rendered with contractual adjustments and sliding fee adjustments deducted to arrive at net patient service revenue.

**Reimbursement agreements:** The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates per encounter, reimbursed costs, and discounted charges. Net patient service revenue is reported at the estimated realizable amounts from patients, third-party payors, and others for services rendered, including retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Net patient service revenue is reported at the estimated net realizable amounts from patients and third-party payors. These revenues are based, in part, on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries.

**Medicare and Medicaid patient services:** Payments for covered Federally Qualified Health Clinic (FQHC) services furnished to Medicare and Medicaid patients are made by means of an all-inclusive rate for each visit. FQHC services are reimbursed based on allowable costs, regardless of the charges made for the FQHC services. Allowable FQHC costs are divided by total visits for FQHC services to calculate a cost per visit, which is then compared to the federal payment limit per FQHC visit. At cost report settlement, the FQHC is paid the lower of its actual cost per visit or the federal payment limit per visit.

**Charity care:** The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care provided during the year ended June 30, 2009 and 2008, was \$589,716 and \$491,199, respectively, measured at standard charges for services. The extent of charity care provided by the Organization is considered directly and indirectly in the determination of levels of grant funding provided to the Organization.

**Advertising:** The Organization expenses advertising as it is incurred. Advertising expense was \$5,845 and \$7,743 for the years ended June 30, 2009 and 2008, respectively.

**Interest:** All interest costs incurred during the years ended June 30, 2009 and 2008, have been expensed.

**Excess of revenues over expenses:** The statement of operations includes excess of revenues over expenses and change in unrestricted net assets. Changes in unrestricted net assets which are excluded from excess of revenues over expenses, consistent with industry practice and when existing, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

**Income taxes:** The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is recognized as exempt from income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code and similar sections of state statutes. The Organization is classified as other than a private foundation under Section 509(a)(1) and accordingly qualifies to receive charitable contribution deductions under Section 170(b)(1)(A)(iii).

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements

**CABIN CREEK HEALTH SYSTEMS, INC.****NOTES TO FINANCIAL STATEMENTS**

tax positions taken or expected to be taken on a tax return including positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income. If there are changes in net assets as a result of application of FIN 48, these will be accounted for as an adjustment to the opening balance of net assets. Additional disclosures about the amounts of such liabilities will be required also. The Organization presently discloses or recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5 *Accounting for Contingencies*. The Organization has elected to defer the application of Interpretation 48 in accordance with FASB Staff Position (FSP) FIN 48-3. This FSP defers the effective date of Interpretation 48 for nonpublic enterprises, such as the Organization, included within its scope to the annual financial statements for fiscal years beginning after December 15, 2008. Management is currently assessing the impact of FIN 48 on its financial position and results of operations and has not yet completed its analysis; however, management does not anticipate the adoption of FIN 48 will have a material impact on the financial statements. The Organization will be required to adopt FIN 48 in its 2010 annual financial statements.

**Dissolution of the Organization:** Upon dissolution of the Organization, the Board of Directors shall, after paying or making provision for the payment of all liabilities, dispose of all of the assets exclusively for the purposes of the Organization in such manner or to such organization or organizations organized and operated exclusively for charitable, educational or scientific purposes as described in Section 501(c)(3) of the Internal Revenue Code.

**Reclassification:** Certain amounts from the 2008 financial statements have been reclassified to conform to the 2009 presentation.

**Note 2. Cash Concentration**

As of June 30, 2009, approximately \$486,000 of the Organization's cash was uninsured under banking insurance regulations on that date. In management's opinion, this amount does not pose a significant risk to the Organization.

**Note 3. Patient Receivables and Patient Service Revenues**

Patient receivables are recorded at the net amount expected to be collected. A summary of the gross and net patient receivables at June 30 is as follows:

	2009	2008
Medicare	\$ 168,172	\$ 260,939
Medicaid	142,233	153,327
Commercial insurance	236,385	321,484
Private pay and sliding fee	447,090	575,419
Pharmacy	109,242	118,145
Unapplied cash	(5,895)	(11,895)
Patient receivables, gross	<u>1,097,227</u>	<u>1,417,419</u>
Less allowances for contractual adjustments, bad debts, and charity care	<u>524,843</u>	<u>874,607</u>
Patient receivables, net	<u>\$ 572,384</u>	<u>\$ 542,812</u>

**CABIN CREEK HEALTH SYSTEMS, INC.****NOTES TO FINANCIAL STATEMENTS**

	2009	2008
Patient service revenues consist of the following:		
Clinic service revenues	\$ 4,661,222	\$ 5,165,495
Pharmacy service revenues	2,834,744	2,023,454
Less contractual adjustments	<u>(2,211,627)</u>	<u>(1,452,330)</u>
	<u>\$ 5,284,339</u>	<u>\$ 5,736,619</u>

**Note 4. Property and Equipment**

A summary of land, buildings and equipment is as follows:

	2009	2008
Land and buildings	\$ 80,000	\$ 80,000
Equipment	809,253	743,481
Furniture and fixtures	81,908	81,908
Leasehold improvements	<u>436,815</u>	<u>335,846</u>
	<u>1,407,976</u>	<u>1,241,235</u>
Less accumulated depreciation	<u>1,019,060</u>	<u>976,504</u>
	<u>\$ 388,916</u>	<u>\$ 264,731</u>

Certain of the Organization's property and equipment was acquired with grant funds and may be required to be returned to the grantor agency upon termination of the grant or when the Organization ceases doing business.

**Note 5. Long-term Debt**

Long-term debt consists of the following at June 30:

	2009	2008
Note payable to Huntington National Bank, due in monthly installments of \$446 through May 2013, with a final balloon payment of approximately \$41,347, including interest of 5.5%, secured by property with net book value of \$59,467	\$ 51,857	\$ 54,253
Note payable to JP Morgan Chase Bank, due in monthly installments of \$984 through June 2014, including interest of 6.625%, secured by equipment with a net book value of \$56,357	<u>50,000</u>	-
	<u>101,857</u>	54,253
Less current portion	<u>10,577</u>	2,438
Long-term debt	<u>\$ 91,280</u>	<u>\$ 51,815</u>

Aggregate maturities of debt obligations at June 30, 2009, are as follows:

Year ending June 30,	
2010	\$ 10,577
2011	12,020
2012	12,808
2013	54,299
2014	<u>12,153</u>
	<u>\$ 101,857</u>

**CABIN CREEK HEALTH SYSTEMS, INC.****NOTES TO FINANCIAL STATEMENTS****Note 6. Capital Lease Obligation**

The capital lease obligation consists of the following at June 30:

	2009	2008
Capital lease obligation, paid.	\$ -	\$ 5,660

**Note 7. Accrued Sales Taxes**

The State of West Virginia had assessed the Organization \$325,847 for consumer sales and use taxes. Of that amount, \$266,499 was for taxes and \$59,348 was for interest. The assessment related to the period from October 1, 1998, through September 30, 2003. The Organization has disputed the assessment and tentatively reached a settlement with the State of West Virginia regarding the payment of taxes in future years. The amount of any settlement for the taxes assessed from prior years has not been finalized, but has been estimated at \$22,000 at June 30, 2009 and 2008.

**Note 8. Estimated Third-Party Payor Settlements**

The Organization is reimbursed by the Medicare and Medicaid programs based on cost reimbursement formulas. At June 30, 2009 and 2008, estimated cost reimbursement settlements are as follows:

	2009	2008
Medicare	\$ 96,022	\$ (17,947)
Medicaid	-	3,969
Total due from (to) third-party payors	\$ 96,022	\$ (13,978)

**Note 9. Deferred Grant Revenue**

Deferred grant revenue results when grant funds are received prior to incurring qualifying expenditures. The components of deferred grant revenue at June 30, 2009 and 2008, follows:

	2009	2008
Threat Preparedness	\$ 12,550	\$ 12,550
U.S. Department of Health and Human Services:		
Community Health Centers	47,872	-
Miscellaneous	190	-
Sisters of St. Joseph	-	9,169
	\$ 60,612	\$ 21,719

**Note 10. Grant Revenue and Subsequent Event**

The following is a summary of grant revenue for the years ended June 30, 2009 and 2008:

	2009	2008
U. S. Department of Health and Human Services:		
Community Health Centers	\$ 810,168	\$ 610,714
ARRA – Health Center Integrated Services Initiative	39,800	-
West Virginia Department of Health and Human Resources:		
Uncompensated Care Grant	276,473	233,535
Recruitments and Retention Grants	60,000	10,000

**CABIN CREEK HEALTH SYSTEMS, INC.****NOTES TO FINANCIAL STATEMENTS**

	2009	2008
West Virginia University Research Corporation: Basic/Core Area Health Education Centers	239,424	143,317
West Virginia University School of Pharmacy: Instructional and Mentoring Services	74,494	74,494
West Virginia Higher Education Policy Commission: West Virginia Rural Health Education Partnership	131,215	131,215
Sisters of St. Joseph Mental Health Services – Riverside School-Based Health Center	42,503	44,151
Obesity Grant	2,500	5,000
Other miscellaneous grants	38,061	3,751
Total grant revenue	<u>\$ 1,714,638</u>	<u>\$ 1,256,177</u>

Community Health Centers Grant Funding

The U.S. Department of Health and Human Services, Health Resources and Services Administration awarded the Organization with Community Health Centers grants of \$767,239 for the period March 1, 2009 through February 28, 2010, \$757,032 for the period March 1, 2008 through February 28, 2009, and \$615,248 for the period March 1, 2007 through February 28, 2008. The Organization received \$908,583 and expended \$810,168 during the year ended June 30, 2009 and received \$617,498 and expended \$610,714 during the year ended June 30, 2008. The Community Health Centers grant is issued to community health centers to increase the access to comprehensive primary and preventative health care and improve the health status of underserved population.

Uncompensated Care Grant Funding

The West Virginia Department of Health and Human Resources, Bureau of Public Health awarded the Organization with an Uncompensated Care Grant of \$276,473 for the period July 1, 2008 through June 30, 2009 and \$233,535 for the period July 1, 2007 through June 30, 2008. The Organization received \$276,473 and expended \$276,473 for the year ended June 30, 2009 and received \$182,157 and expended \$233,535 during the year ended June 30, 2008. The intent of this grant is to provide deficit funding so that the Organization can continue to serve patients who cannot pay for services. The grant is subject to numerous requirements. To maintain continued eligibility, the Organization must be experiencing a financial deficit created when the Organization's revenues do not offset expenses incurred while rendering primary care services.

Surplus funds will be determined using the last three prior years' audits with adjustments made to identify allowable excess funds. Any such surpluses, determined in accordance with state requirements, could cause reductions in future awards.

West Virginia Rural Health Education Partnerships Grant Funding

The West Virginia Higher Education Policy Commission awarded the Organization as a representative of the Kanawha Valley Health Consortium a West Virginia Rural Health Education Partnerships (WVRHEP) grant of \$131,215 for the period July 1, 2008 through June 30, 2009 and \$131,215 for the period July 1, 2007 through June 30, 2008. The Organization received \$131,215 and expended \$131,215 for the year ended June 30, 2009 and received \$131,215 and expended \$131,215 during the year ended June 30, 2008. The purpose of the grant is to improve health education programs; increase the placement of students, interns, medical residents, faculty and other health care providers in rural areas; and to improve the health care services in the Organization's service area. All expenditures incurred are for program expenses related to conducting the activities of the WVRHEP program.

**CABIN CREEK HEALTH SYSTEMS, INC.****NOTES TO FINANCIAL STATEMENTS**Capital Improvement Program

The Organization received notice of a new Capital Improvement Program grant award in October 2009 of \$714,730. The award runs through June 2011.

**Note 11. Retirement Plan**

The Organization sponsors a defined contribution retirement plan covering substantially all employees. The Organization's contribution to the plan is based on a percentage determined annually of each eligible employee's annual compensation and approval by the Board of Trustees. During the fiscal years ended June 30, 2009 and 2008, the calculated contributions on behalf of employees to be made to the plan were \$161,729 and \$130,732, respectively.

**Note 12. West Virginia Health Care Provider Tax**

The State of West Virginia levies a broad-based health care tax on gross receipts for services provided by physicians, nurses, therapists, and others. The taxes paid by the Organization totaled \$9,365 and \$19,326 for the years ended June 30, 2009 and 2008, respectively.

**Note 13. Classification of Expenses**

An allocation of operating expenses by functional category at June 30, 2009, is as follows:

	<b>2009</b>	<b>2008</b>
Program services	\$ 4,903,348	\$ 4,766,289
General and administrative	<u>1,316,269</u>	<u>1,016,755</u>
	<b><u>\$ 6,219,617</u></b>	<b><u>\$ 5,783,044</u></b>

**Note 14. Concentrations of Credit Risk**

The Organization provides health care services through its outpatient care facilities located in Kanawha County, West Virginia, and surrounding areas. The Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from the Organization's patients and third-party payors is as follows:

	<b>2009</b>	<b>2008</b>
Medicare	31%	33%
Medicaid	26%	22%
Other third-party payors	36%	39%
Private pay	<u>7%</u>	<u>6%</u>
	<b><u>100%</u></b>	<b><u>100%</u></b>

**Note 15. Commitments and Contingencies**Malpractice Insurance

The Organization's health professionals are covered by the Federal Tort Claims Act and therefore, no professional liability insurance is necessary. Pursuant to Section 224 of the Public Health Service Act, 42

**CABIN CREEK HEALTH SYSTEMS, INC.****NOTES TO FINANCIAL STATEMENTS**

USC 233, the Federal Tort Claims Act covers alleged negligent medical care during the performance of official duties for Community Health Centers funded under Section 330 of the PHS Act. Under the Federal Tort Claims Act, the U.S. Government consented to be sued for any damage to property or for personal injury or death caused by the negligence or wrongful act or omission of Federal employees who were acting within the scope of their employment.

The Organization's Directors are covered by professional liability insurance on a claims made basis. Policy limits have provided per occurrence coverage up to \$1,000,000 with an aggregate limit of \$1,000,000. No losses in excess of the per occurrence or aggregate limits have been asserted, and management does not believe any assertions are probable.

Economic Dependency and Geographic Concentration

The Organization generates a substantial portion of its patient service revenue from services provided to Medicaid and Medicare beneficiaries. Changes in payment rates or methodologies by those programs could significantly impact its operations. The Organization also receives significant funding from the Federal government, Health Resources and Services Administration and from the West Virginia Department of Health and Human Resources. Discontinuation of support from these sources could also significantly impact operations.

Patient service revenue that the Organization generates is primarily limited to services to the residents of Kanawha County and surrounding rural communities. General economic conditions in the area can, therefore, significantly influence the Organization's level of charity care provided and its ability to collect fees for services rendered.

Operating Leases

The Organization leases various office space and equipment which are classified as operating leases in the accompanying financial statements and expire at various dates in the future. Rent expense for the years ended June 30, 2009 and 2008, was \$143,880 and \$135,201, respectively.

The future minimum payments under noncancelable operating leases are as follows:

<u>Year ending June 30</u>	
2010	\$ 22,332
2011	14,832
2012	14,832
2013	<u>17,719</u>
	<u>\$ 69,715</u>

**Note 16. Health Care Legislation and Regulation**

The health care industry is subject to numerous laws and regulations of Federal, state and local governments. Government activity has increased with respect to investigations and allegations concerning possible violations of various statutes and regulations by health care providers. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Management believes that the Organization is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the Organization is found in violation of these laws, the Organization could be subject to substantial monetary fines, civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs.

**CABIN CREEK HEALTH SYSTEMS, INC.****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services, Health Resources and Services Administration			
Direct Awards:			
Consolidated Health Centers	93.224	H80CS00294	\$ 810,168
ARRA – Health Centers Integrated Services Development Initiative	93.703	H8BCS12036	39,800
Passed through West Virginia University Research Corporation:			
Basic/Core Area Health Education Centers	93.824	00-293-CCHS	239,424
Geriatric Education Centers	93.969	00-251-KVHC	3,078
Passed through West Virginia Department of Health and Human Services:			
Grants to States for Loan Repayment Program	93.165	G090692	<u>20,000</u>
Total Expenditures of Federal Awards			<u>\$ 1,112,470</u>



**CABIN CREEK HEALTH SYSTEMS, INC.****NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2009**

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**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of Cabin Creek Health Systems, Inc. (the Organization) and is presented on the accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CABIN CREEK HEALTH SYSTEMS, INC.****SCHEDULE OF STATE AWARDS  
Year Ended June 30, 2009**

<u>State Grantor/Program Title</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Grant Award</u>	<u>Grant Receipts</u>	<u>Grant Expenditures</u>
West Virginia Department of Health and Human Resources, Bureau for Public Health, Office of Community Health Systems:					
Uncompensated Care Grant	G090039	7/1/08-6/30/09	\$ 276,473	\$ 276,473	\$ 276,473
Recruitment and Retention Community Project	G090692	1/1/09-6/30/09	20,000	20,000	20,000
Recruitment and Retention Community Project	G090874	1/1/09-6/30/09	20,000	20,000	20,000
West Virginia Higher Education Policy Commission:					
West Virginia Rural Health Education Partnership	2009-WVRHEP-3	7/1/08-6/30/09	131,215	131,215	131,215
West Virginia University School of Pharmacy	P000019117	7/1/08-6/30/09	74,494	74,494	74,494
West Virginia Development Office Flex-E-Grant	09-ARC-P0532Z	10/1/2008	10,000	8,000	8,000
Total state awards			<u>\$ 532,182</u>	<u>\$ 530,182</u>	<u>\$ 530,182</u>

## CABIN CREEK HEALTH SYSTEMS, INC.

**SCHEDULE OF RHEP GRANT ACTIVITY AND RHEP PROPERTY AND EQUIPMENT**  
 Year Ended June 30, 2009
**RHEP Grant Activity**

	RHEP FY 08-09 APPROVED BUDGET	RHEP FY 08-09 YTD EXPENDITURES	RHEP FY 08-09 UNEXPENDED BUDGET
<b><u>Budget Line Items</u></b>			
Total Salaries	\$ 43,180	\$ 44,716	\$ (1,536)
Employee Benefits	12,954	10,307	2,647
On-Site Clinical Director - Contractual	11,040	11,040	-
Operating Costs (LRC and Office)	16,796	25,008	(8,212)
Travel - Staff	9,500	4,708	4,792
Development - Staff	3,000	1,539	1,461
Annual Honorarium	5,220	5,210	10
Faculty Development	3,000	1,189	1,811
IDS Prep & Present	4,340	5,969	(1,629)
Recruitment and Retention	1,000	-	1,000
Community Service/Health Promotion	10,000	11,707	(1,707)
Student/Resident Housing	2,000	738	1,262
Administrative Cost - Lead Agency	9,185	9,084	101
	<u>\$ 131,215</u>	<u>\$ 131,215</u>	<u>\$ -</u>

**Property and Equipment**

Date of Acquisition	ID #	Description of Equipment/Asset	Qty	Vendor Name	State Acct Number	Grant Number	Total Cost	RHEP % of Cost
<b>FY 05 - Equipment</b>								
FY 05	51	Inspiron 8600 Laptop	1	Dell	4925-2005-0441-036-083	2004-WVRHEP	2,500.00	2,500.00
							2,500.00	2,500.00
<b>FY 06 - Equipment</b>								
FY 06	-	Inspiron 640M Laptop (Clendenin and Sissonville Sites)	2	Dell	4925-2006-0441-036-083	2006-WVRHEP-3	4,000.00	4,000.00
FY 06	OT7570	Inspiron 640M Laptop	1	Dell	4925-2006-0441-036-083	2006-WVRHEP-3	3,000.00	3,000.00
							\$7,000.00	\$7,000.00
<b>FY 07 - Equipment</b>								
FY 07	3118	Dell 3110cn Color Laser Printer	1	Dell	4925-2007-0441-036-083	2007-WVRHEP-3	\$1,100.00	\$1,100.00
							\$1,100.00	\$1,100.00
<b>Grand Total</b>							<u>\$10,600.00</u>	<u>\$10,600.00</u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Cabin Creek Health Systems, Inc.  
Dawes, West Virginia

We have audited the financial statements of Cabin Creek Health Systems, Inc. as of and for the year ended June 30, 2009, and have issued our report thereon dated November 24, 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 Cabin Creek Health Systems, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cabin Creek Health Systems, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cabin Creek Health Systems, Inc.'s internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies over financial reporting or material weaknesses. However, as described below, we identified a certain deficiency in internal control over financial reporting that we considered to be a significant deficiency.

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 entity'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 entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We considered the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 09-01 to be a significant deficiency 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 entity's internal control.

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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, of the significant deficiency described above, we consider item 09-01 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cabin Creek Health Systems, 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*.

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

ARNETT & FOSTER, P.L.L.C.

*Arnett + Foster, P. L.L.C.*

Charleston, West Virginia  
November 24, 2009

DHHR - Finance

DEC 8 2009

Date Received



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

To the Board of Directors  
Cabin Creek Health Systems, Inc.  
Dawes, West Virginia

**Compliance**

We have audited the compliance of Cabin Creek Health Systems, Inc. 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, 2009. Cabin Creek Health Systems, Inc.'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 Cabin Creek Health Systems, Inc.'s management. Our responsibility is to express an opinion on Cabin Creek Health Systems, Inc.'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 Cabin Creek Health Systems, Inc.'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 on Cabin Creek Health Systems, Inc.'s compliance with those requirements.

As described in item 09-02 in the accompanying Schedule of Findings and Questioned Costs, Cabin Creek Health Systems, Inc. did not comply with requirements regarding reporting that is applicable to its Community Health Centers Program. Compliance with such requirements is necessary, in our opinion, for Cabin Creek Health Systems, Inc. to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Cabin Creek Health Systems, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

**Internal Control Over Compliance**

The management of Cabin Creek Health Systems, Inc. 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 Cabin Creek Health Systems, Inc.'s internal control over compliance with requirements that could have a direct and material

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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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cabin Creek Health Systems, Inc.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the Schedule of Findings and Questioned Costs as item 09-02 to be a significant deficiency.

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. We did not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Cabin Creek Health Systems, Inc.'s response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Cabin Creek Health Systems, 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, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

ARNETT & FOSTER, P.L.L.C.

*Arnett + Foster, P. L. L. C.*

Charleston, West Virginia  
November 24, 2009

DHHR - Finance

DEC 8 2009

Date Received

**CABIN CREEK HEALTH SYSTEMS, INC.****SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009****SECTION I. SUMMARY OF AUDITOR'S RESULTS**

## Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?   X   yes    no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?    yes   X   none reported

Noncompliance material to financial statements noted?    yes   X   no

## Federal Awards

Internal control over major programs:

- Material weakness(es) identified?    yes   X   none reported
- Significant deficiency(ies) identified that are not considered to be material weaknesses?   X   yes    no

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?   X   yes    no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Amount Expended</u>
93 224	U.S. Department of Health and Human Services Direct Award: Community Health Centers	<u>\$ 810,168</u>

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000Auditee qualified as low-risk auditee?    yes   X   no



**CABIN CREEK HEALTH SYSTEMS, INC.****SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**Year Ended June 30, 2009**

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**SECTION II. FINANCIAL STATEMENT FINDINGS****09-01 Monthly Reconciliation of Account Balances and Valuation of Receivables**Criteria or Specific Requirement

Subsidiary ledgers of general ledger accounts should be reconciled to the general ledger on a monthly basis and receivables should be valued based on their age and expected collections.

Condition

Key general ledger accounts were not reconciled to supporting subsidiary records on a monthly, quarterly, or annual basis. The accounts receivable allowance did not consider the age of accounts and expected collections.

Cause

There was no full time CFO during the year.

Effect

These conditions resulted in the occurrence of potentially misstated interim financial statements and delays in producing financial data necessary for management to properly adjust year-end account balances and required management approved audit adjustments as a part of the annual audit process.

Recommendation

Account balances should be reconciled each month prior to the preparation of monthly financial statements to supporting schedules and other information to insure their accuracy and completeness. Receivables should be valued at expected collections and should consider the age of outstanding claims. Key management and Board decisions require accurate interim financial information.

Views of Responsible Officials and Planned Corrective Actions

See Auditee's Corrective Action Plan at page 26.

**SECTION III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

CFDA #93.224 U.S. Department of Health and Human Services, Health Resources and Services Administrator – Consolidated Health Centers.

**09-02 Reporting**Criteria or Specific Requirement

Compliance for this program as specified in the grant agreement for the budget period March 1, 2008 through February 28, 2009, includes filing an annual report, SF-269, *Financial Status Report* which is to be completed within 90 days from the end of the budget reporting period unless an extension is granted.

**CABIN CREEK HEALTH SYSTEMS, INC.****SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
Year Ended June 30, 2009**

---

Condition

The required report was not completed, nor was an extension granted for the budget reporting period ended February 28, 2009.

Context

This condition affected the final reporting for this grant.

Cause

No system was in place that tracked report due dates.

Effect

Lack of reporting prevents the granting agency from being able to review the activities related to the grant and from properly monitoring the program.

Recommendation

The aforementioned final report should be filed as soon as possible. In addition, the entity should assign one individual to oversee grants to track and maintain the status of all reporting and other requirements.

Views of Responsible Officials and Planned Corrective Actions

See Auditee's Corrective Action Plan at page 26.

**CABIN CREEK HEALTH SYSTEMS, INC.****AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended June 30, 2009**

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No findings were reported for Federal awards for the year ended June 30, 2008.

**CABIN CREEK HEALTH SYSTEMS, INC.****AUDITEE'S CORRECTIVE ACTION PLAN  
Year Ended June 30, 2009****Cabin Creek Health Systems****Corrective Action Plan for the FY Ending 2009**

**Cabin Creek  
Health Systems  
Administrative Office**  
P.O. Box 70  
Dawes, WV 25054  
Phone 304.734.2040  
Fax 304.734.2047

**Cabin Creek  
Health Center**  
Route 79, P.O. Box 70  
Dawes, WV 25054  
Phone 304.595.5006  
Fax 304.595.2937

**Riverside  
Health Center**  
1 Warrior Way, Suite 103  
Belle, WV 25015  
Phone 304.949.3591  
Fax 304.949.3791

**Clendenin  
Health Center**  
301 Elk River Rd., South  
Clendenin, WV 25045  
Phone 304.548.7272  
Fax 304.548.7149

**Sissonville  
Health Center**  
7133 Sissonville Drive  
Sissonville WV 25320  
Phone 304.984.1576  
Fax 304.984.1565

**09-01 Monthly Reconciliation of Account Balances and Valuation****Criteria or Specific Requirement**

Subsidiary ledgers of federal ledger accounts should be reconciled to the general ledger on a monthly basis and receivables should be valued based on their age and expected collections.

**Condition**

Key general ledger accounts were not reconciled to supporting subsidiary records as necessary on a monthly, quarterly, or annual basis. The accounts receivable allowance did not consider age of accounts and expected collections.

**Cause**

There was no full time CFO during the year.

**Effect**

These conditions resulted in the occurrence of potentially misstated interim financial statements and delays in producing financial data necessary for management to properly adjust year-end account balances and required management approved audit adjustments as a part of the annual audit process.

**Recommendation**

Account balances should be reconciled each month prior to the preparation of monthly financial statements to supporting schedules and other information to insure their accuracy and completeness. Receivables should be valued at expected collections and should consider the age of claims. Key management and Board decisions require accurate interim financial information.

**Corrective Action**

Monthly reconciliation of subsidiary ledgers will be completed timely and the Chief Financial Officer will review to determine appropriate entries to be made to the general ledger. A procedure will be developed by the Chief Financial Officer to review the accounts receivable allowance monthly and adjust to properly value receivables considering collections, aging, and other factors.

**CABIN CREEK HEALTH SYSTEMS, INC.****AUDITEE'S CORRECTIVE ACTION PLAN  
Year Ended June 30, 2009**

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**09-02 Reporting****Criteria or Specific Requirement**

Compliance for this program as specified in the grant agreement for the budget period March 1, 2008 through February 28, 2009, includes filing an annual report, SF-269, Financial Status Report which is to be completed within 90 days from the end of the budget reporting period unless an extension is granted.

**Condition**

The required report was not completed, nor was an extension granted for the budget reporting period ended February 28, 2009.

**Context**

This condition affected the final reporting for this grant.

**Cause**

No system was in place that tracked report due dates.

**Effect**

Lack of reporting prevents the granting agency from being able to review the activities related to the grant and from properly monitoring the program.

**Recommendation**

The aforementioned final report should be filed as soon as possible. In addition, the entity should assign one individual to oversee grants to track and maintain the status of all reporting and other requirements.

**Corrective Action**

The SF-269 Financial Status report has been submitted. A schedule of all reporting requirements for the health center will be developed and monitored by the Chief Financial Officer insuring that reports are filed in a timely manner.