

Audited Financial Statements

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

Years Ended June 30, 2010 and 2009

DHHR - Finance

JAN 31 2011

Date Received

Gibbons
& Kawash
Certified Public Accountants

Audited Financial Statements
VALLEY HEALTHCARE SYSTEM
Years Ended June 30, 2010 and 2009

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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, 2010 and 2009, 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, 2010 and 2009, 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 November 30, 2010, 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 should be considered in 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.

Atkins & Kawash

November 30, 2010

DHHR - Finance

JAN 31 2011

Date Received

VALLEY HEALTHCARE SYSTEM
STATEMENT OF FINANCIAL POSITION

June 30, 2010 and 2009

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 55,622	\$ 55,744
Accounts receivable, less allowance for doubtful accounts of \$85,416 in 2010 and \$88,319 in 2009	1,157,418	1,341,188
Grants receivable	727,336	503,328
Prepaid and other assets	<u>54,469</u>	<u>73,072</u>
Total current assets	<u>1,994,845</u>	<u>1,973,332</u>
Property and equipment, less accumulated depreciation and amortization	<u>2,046,409</u>	<u>2,160,249</u>
Investments	<u>187,836</u>	<u>12,994</u>
Total assets	<u>\$ 4,229,090</u>	<u>\$ 4,146,575</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 948,587	\$ 1,032,027
Line of credit	11,540	372,399
Accrued annual leave and payroll	657,753	595,522
Accrued behavioral health provider tax	33,299	4,839
Current maturities of Medicaid Waiver liability	62,359	59,029
Current maturities of long-term debt	69,201	38,703
Current obligation under capital lease	25,058	41,484
Deferred revenue	<u>24,454</u>	<u>13,077</u>
Total current liabilities	<u>1,832,251</u>	<u>2,157,080</u>
Postretirement benefit obligation	1,219,578	1,140,557
Long-term debt, less current maturities	547,533	552,720
Medicaid Waiver liability, less current maturities	586,596	648,955
Obligation under capital lease, less current portion	<u>-</u>	<u>21,518</u>
	<u>2,353,707</u>	<u>2,363,750</u>
Total liabilities	<u>4,185,958</u>	<u>4,520,830</u>
Unrestricted net assets	<u>43,132</u>	<u>(374,255)</u>
Total liabilities and net assets	<u>\$ 4,229,090</u>	<u>\$ 4,146,575</u>

The accompanying notes are an integral part of these financial statements

VALLEY HEALTHCARE SYSTEM

STATEMENT OF ACTIVITIES

Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Changes in unrestricted net assets:		
Revenues:		
Net client revenues	\$ 10,230,170	\$ 9,633,901
State and federal grant revenues	5,825,016	4,815,470
Other grants and contracts	61,362	193,545
Other operating income	70,348	45,462
Residential facilities fee	<u>202,083</u>	<u>159,918</u>
	<u>16,388,979</u>	<u>14,848,296</u>
Non-operating revenues and gains:		
Interest and other	2,020	4,006
Unrealized gain on investment	<u>172,827</u>	<u>-</u>
	<u>174,847</u>	<u>4,006</u>
Expenses:		
Salaries and wages	7,974,511	7,546,113
Employee benefits	1,848,572	1,661,645
Contract labor and professional fees	2,989,929	2,825,994
Repairs and maintenance	174,501	135,672
Supplies	259,732	240,331
Utilities	420,216	458,832
Staff development and travel	198,492	208,072
Insurance	156,605	142,687
Taxes	368,093	356,699
Depreciation and amortization	270,596	294,864
Bad debt	47,401	56,722
Other	697,507	470,974
Interest expense	93,473	103,522
Postretirement health	159,024	8,936
Equipment rental	90,961	65,510
Rent	<u>396,826</u>	<u>382,430</u>
	<u>16,146,439</u>	<u>14,959,003</u>
Increase (decrease) in net assets	417,387	(106,701)
Net assets, beginning of year	<u>(374,255)</u>	<u>(267,554)</u>
Net assets, end of year	<u>\$ 43,132</u>	<u>\$ (374,255)</u>

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

VALLEY HEALTHCARE SYSTEM

STATEMENT OF CASH FLOWS

Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 417,387	\$ (106,701)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	270,596	294,864
(Gain) loss on disposal of property and equipment	12,453	8,389
Provision for bad debts	47,401	56,722
Net unrealized (gain) loss on investments	(174,842)	-
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	136,369	(149,779)
Grants receivable	(224,008)	(51,292)
Prepaid behavioral health provider tax	-	25,394
Prepaid and other assets	18,603	9,328
Increase (decrease) in:		
Accounts payable and accrued expenses	(83,440)	68,846
Accrued behavioral health provider tax	28,460	4,839
Medicaid Waiver liability	(59,029)	(42,194)
Accrued annual leave and payroll	62,231	26,538
Postretirement benefit obligation	79,021	(53,288)
Deferred revenue	11,377	(6,055)
Net cash provided by operating activities	<u>542,579</u>	<u>85,611</u>
Cash flows used in investing activities:		
Proceeds from dispositions of property and equipment	-	18,749
Purchases of property and equipment	<u>(169,209)</u>	<u>(299,611)</u>
Net cash used in investing activities	<u>(169,209)</u>	<u>(280,862)</u>
Cash flows from financing activities:		
Proceeds from (repayment of) line of credit, net	(360,859)	218,399
Proceeds from the issuance of long-term debt	82,000	678,047
Principal payments on long-term debt	(56,689)	(647,770)
Principal payments on capital lease obligations	<u>(37,944)</u>	<u>(47,832)</u>
Net cash provided by (used in) financing activities	<u>(373,492)</u>	<u>200,844</u>
Net increase (decrease) in cash	(122)	5,593
Cash, beginning of year	<u>55,744</u>	<u>50,151</u>
Cash, end of year	<u>\$ 55,622</u>	<u>\$ 55,744</u>

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

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS

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 nineteen satellite facilities in Monongalia, Marion, Preston, Taylor, and Pocahontas 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 grant 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 \$51,125 and \$52,081 at June 30, 2010 and 2009, respectively.

Property and Equipment

Property and equipment are stated at cost. Major purchases and improvements of \$1,000 or more are capitalized 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

Investments

An investment comprising substantially all of investments is stated at fair value. Fair value is based principally on quoted market prices when available. The fair value of this investment, for which no quoted market prices exist, is determined principally from the estimated fair value of future cash flows from the investment.

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

General advertising and employment opportunity advertising costs, which totaled \$20,064 in 2010 and \$19,819 in 2009, are expensed as incurred.

Income Taxes

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

Effective July 1, 2009, the Corporation implemented the accounting guidance for uncertainty in income taxes using the provisions of Financial Accounting Standards Board [FASB] ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities.

As of June 30, 2010, the Corporation had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

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.

VALLEY HEALTHCARE SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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

Subsequent Events

The date to which events occurring after June 30, 2009 have been evaluated for possible adjustment to or disclosure in the financial statements is November 30, 2010, which is the date on which the financial statements were available to be issued.

2 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30	
	2010	2009
Land and improvements	\$ 547,865	\$ 547,865
Buildings and improvements	3,466,736	3,437,707
Leasehold improvements	291,855	280,749
Furniture and equipment	2,519,391	2,504,035
Construction in progress	<u>9,250</u>	<u>32,261</u>
	6,835,097	6,802,617
Less accumulated depreciation and amortization	<u>(4,788,688)</u>	<u>(4,642,368)</u>
	<u>\$ 2,046,409</u>	<u>\$ 2,160,249</u>

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 (BHHF) grant funds were \$3,244,876 and \$3,279,730 at June 30, 2010, and \$2,698,278 and \$2,676,937 at June 30, 2009, 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.

VALLEY HEALTHCARE SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

3 - DEBT

Long-term debt consisted of the following:

	2010	2009
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	\$ 287,562	\$ 308,943
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	216,170	226,111
Note payable to bank, payable in monthly installments of \$1,115, including interest at 5.726%, final payment due April 14, 2014, secured by equipment	45,887	56,369
Note payable to bank, payable in monthly installments of \$2,489, including interest at 5.75%, final payment due November 2, 2012, secured by equipment	67,115	-
	616,734	591,423
Less current portion	69,201	38,703
	\$ 547,533	\$ 552,720

Maturities of the note payable are as follows:

June 30		
2011	\$	69,201
2012		73,149
2013		60,515
2014		49,905
2015		42,323
Thereafter		321,641
	\$	616,734

At June 30, 2010 and 2009, respectively, the Corporation had \$588,460 and \$227,601 available on a \$600,000 line of credit with Branch Banking and Trust. Outstanding balances on the line of credit bear

VALLEY HEALTHCARE SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

3 - DEBT (Continued)

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 \$1,093,891 and \$1,193,775 at June 30, 2010 and 2009, respectively. The borrowing base is 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, 2011.

Cash paid for interest during the years ended June 30, 2010 and 2009, was \$93,473 and \$103,522, 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 \$487,787 and \$447,940 for the years ended June 30, 2010 and 2009, respectively.

Future minimum lease payments under operating leases are as follows:

<u>Year Ending June 30,</u>	
2011	\$ 370,592
2012	200,530
2013	166,982
2014	<u>15,402</u>
	<u>\$ 753,506</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, 2010 and 2009, was \$248,194, with accumulated depreciation of \$53,820 and \$41,111, respectively.

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

<u>June 30</u>	
2011	<u>\$ 25,487</u>
Future minimum lease payments	25,487
Less: Amount representing interest	<u>429</u>
Present value of future minimum lease payments	<u>\$ 25,058</u>

VALLEY HEALTHCARE SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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 5.5%.

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

<u>June 30</u>	
2011	\$ 96,495
2012	96,495
2013	96,495
2014	96,495
2015	96,495
Thereafter	<u>329,693</u>
Future minimum payments	812,168
Less: Amount representing imputed interest	<u>163,213</u>
Present value of future payments	<u>\$ 648,955</u>

6 - CONTINGENCIES

The Corporation is subject to litigation in the normal course of business involving claims from individuals who are seeking both compensatory and punitive damages from the Corporation. 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, 2010, 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.

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 for the years ended June 30, 2010 and 2009, were 11% and 10.5%, respectively, 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, 2010 and 2009, were \$9,837 and \$19,050, 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 cannot exceed 4.5% of each covered employee's salary. Total contributions amounted to \$110,539 and \$107,017 for the years ended June 30, 2010 and 2009, respectively.

Postretirement Benefit Plans

For those employees that participate in the West Virginia Public Employees Retirement System, the Corporation is required to contribute to the West Virginia Public Employees Insurance Agency (PEIA) to partially fund health insurance premiums for retired employees who elected to participate. The Corporation's obligation to provide those benefits is unfunded.

VALLEY HEALTHCARE SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

7 - EMPLOYEE BENEFIT PLANS (Continued)

The following represents information relating to the benefit obligation as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Benefit obligation at June 30	\$ (1,140,557)	\$ (1,184,409)
Fair value of plan assets at June 30	<u>-</u>	<u>-</u>
Funded status	<u>\$ (1,140,557)</u>	<u>\$ (1,184,409)</u>
Accrued benefit cost recognized in the accompanying balance sheet	<u>\$ (1,219,578)</u>	<u>\$ (1,140,557)</u>
	<u>2010</u>	<u>2009</u>
Weighted-average assumptions as of June 30		
Discount rate	5.50%	6.25%
Expected return on plan assets	7.00%	7.00%
	<u>2010</u>	<u>2009</u>
Benefit cost	\$ 99,453	\$ 110,793
Employer contribution	83,570	73,910
Benefits paid	83,570	73,910

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	\$ 7,256	\$ (6,211)
Effect on accumulated postretirement benefit obligation	131,936	(112,924)

VALLEY HEALTHCARE SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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:

	Year Ended June 30, 2010		
	Gross Client Revenue	Less: Contractual Adjustments, Charity Care, and Bad Debt Expense	Net Client Revenue
Medicaid	\$ 2,379,446	\$ 208,380	\$ 2,171,066
Medicaid waiver	7,651,517	302,341	7,349,176
Medicare	99,194	28,125	71,069
Private pay	419,765	11,955	407,810
Insurance	154,584	16,742	137,842
Uncompensated care (Targeted/Nontargeted)	1,651,340	1,651,340	-
Other	254,011	160,804	93,207
Total	\$ 12,609,857	\$ 2,379,687	\$ 10,230,170

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

	Year Ended June 30, 2009		
	Gross Client Revenue	Less: Contractual Adjustments, Charity Care, and Bad Debt Expense	Net Client Revenue
Medicaid	\$ 2,198,244	\$ 277,396	\$ 1,920,848
Medicaid waiver	7,214,380	181,066	7,033,314
Medicare	101,713	23,208	78,505
Private pay	420,096	6,950	413,146
Insurance	169,565	24,818	144,747
Uncompensated care (Targeted/Nontargeted)	1,725,330	1,725,330	-
Other	250,562	207,221	43,341
Total	\$ 12,079,890	\$ 2,445,989	\$ 9,633,901

The Corporation also received state of West Virginia and federal grant funds passed through the State in the amount of \$5,825,016 and \$4,815,470 during the years ended June 30, 2010 and 2009, 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 consist 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 PARTIES

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

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

10 - RELATED PARTIES (Continued)

Virginia mental health centers and two hospitals whose purpose is to explore investment and growth opportunities and provide a provider network for mental health centers. The Corporation's net investment in First Choice is carried at cost, adjusted for permanent declines in value, and is reported in the investment balance of the accompanying balance sheets at \$15,009 and \$12,994, respectively, at June 30, 2010 and 2009. During 2010 and 2009, the Corporation performed services in the normal course of business for First Choice resulting in revenue of \$1,340 and \$1,940 and a receivable of \$340 and \$1,010, respectively, at June 30, 2010 and 2009.

As described in Note 11, the Corporation entered into a contract with Alliance Medical Services, Inc. to become a shareholder in Valley-Alliance Treatment Services, Inc. (VATS), established for the purpose of providing substance abuse treatment services in the north central West Virginia area. The Corporation's net investment in VATS is reported at fair value in the investment balance of the accompanying balance sheet at \$172,827 at June 30, 2010. During 2010, the Corporation received distributions in the amount of \$25,825, rent revenue of \$12,000, and training revenue of \$1,150. During 2009, the Corporation received rent revenue of \$5,000.

11 - FAIR VALUE MEASUREMENT

As described in Note 10, the Corporation has a 10% equity interest in VATS, which is carried in the Corporation's financial statements at fair value. The fair value for this investment has been determined as follows.

The Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures (formerly FASB Statement No. 157) defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 defines fair value as the amount that would be received to sell an investment or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. the exit price)

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories.

Level I - Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I are publicly traded equity securities.

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category are publicly traded equity securities with restrictions.

VALLEY HEALTHCARE SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

11 - FAIR VALUE MEASUREMENT (Continued)

Level III - Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. Investments that are included in this category generally include private investments, limited partnerships, investment companies and certain derivatives.

The equity interest in VAIS has been valued using the income approach to valuation. The valuation is based on projected future cash flows to be received as equity distributions. Valley receives equity distributions of 10% of monthly adjusted net income of VAIS. Future projections of equity distributions have factored in plans for expansion and are based on projected revenues and industry average profit margins for Methadone Treatment Facilities in West Virginia. Projected cash receipts have been converted to after tax amounts assuming maximum effective tax rates for federal and state income taxes. The projected after tax cash distributions were then discounted in perpetuity using applicable risk premiums.

In accordance with ASC 820, the Corporation's valuation of its equity interest in VAIS is classified as a Level III investment. The equity interest has been valued at \$172,827 on June 30, 2010 and is included in investments of \$187,836 on the balance sheet as of June 30, 2010.

The changes in investments measured at fair value for Level III inputs are as follows:

	2010
Balance, beginning of year	\$ -
Net unrealized gain	172,827
Balance, end of year	\$ 172,827

12 - 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, 2010 and 2009, are as follows:

VALLEY HEALTHCARE SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

12 - FUNCTIONAL EXPENSES (Continued)

	2010	2009
Health care services	\$ 13,549,175	\$ 12,611,435
General and administrative	2,597,264	2,347,568
	\$ 16,146,439	\$ 14,959,003

13 - 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 provided administrative systems, accounting, utilization management, and other administrative services for Eastridge. The contract stipulated a monthly fee of \$7,000 for accounting services along with fees charged per transaction for various management services. During the years ended June 30, 2010 and 2009, the Corporation recognized revenue of approximately \$22,962 and \$146,913, respectively, and recorded a related receivable at June 30, 2009, under the contract of approximately \$133,735. The accounting and financial reporting components of the management contract were terminated at April 30, 2009. The Corporation continued to manage and perform the process of billing patients and third parties for services provided by Eastridge through October 2009.

14 - NEW ACCOUNTING PRONOUNCEMENTS

In August 2010, Accounting Standards Update (ASU) 2010-23, entitled Health Care Entities -- Measuring Charity Care for Disclosure was issued. The ASU, which is effective for the Corporation's fiscal year ending June 30, 2012, will require health care entities to measure and disclose charity care based on the costs of providing such care. The use of a revenue measurement in disclosing charity care is eliminated. The effect of implementing this ASU on the Corporation's disclosure of charity care amounts has not been determined.

ACCOMPANYING INFORMATION

VALLEY HEALTHCARE SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Program or Award Amount	Refundable Advances July 1, 2009	Disbursements/Expenditures	Refundable Advances June 30, 2010
<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	8793-2010-2885-096-128-15582	\$ 17,375	-	\$ 17,375	-
		8793-2010-2885-096-128-16746	129,955	-	126,478	-
		8793-2010-2891-096-128-16746	461,676	-	449,331	-
		8793-2010-2892-096-128-16746	231,341	-	150,698	-
Total Major Program			<u>840,347</u>	-	<u>743,882</u>	-
<u>Non-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:						
Substance Abuse and Mental Health Services Regional and National Significance						
	93.243	8723-2009-2885-096-128-16616	28,636	-	28,636	-
		8723-2011-2849-096-128-17653	7,500	-	7,500	-
		8723-2011-2886-096-128-17782	260,148	-	101,854	-
			<u>296,284</u>	-	<u>137,990</u>	-
<u>Federal Block Grant:</u>						
Mental Health Services						
	93.958	8794-2009-2913-096-128-15581	18,311	-	18,311	-
		8794-2010-2851-096-128-16747	206,600	-	206,544	-
		8794-2010-2913-096-128-16747	65,000	-	36,414	-
			<u>289,911</u>	-	<u>261,269</u>	-
Passed through State of West Virginia Department of Health and Human Resources, Bureau of Public Health						
Preventive Health and Health Services Block Grant						
	93.991	8753-2010-0506-096-128	10,000	-	8,352	-
Total Federal Awards			<u>\$ 1,436,542</u>	-	<u>\$ 1,151,493</u>	-

See independent Auditors' Report.

VALLEY HEALTHCARE SYSTEM

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2010

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, 2010

State Grantor/Program Title	State Grantor's Number	Program or Award Amount	Deferred Revenue July 1, 2009	Disbursements/Expenditures	Deferred Revenue June 30, 2010
<u>West Virginia Department of Health and Human Resources</u>					
Crisis Improvement	0525-2010-2851-219-252	\$ 264,409	\$ -	\$ 264,396	\$ -
Crisis Improvement	0525-2009-2851-219-252	49,277	-	49,180	-
Case Management	0525-2010-2851-219-252	25,000	-	25,000	-
MH Client Core Services	0525-2010-2851-219-252	312,704	-	312,704	-
SA Adolescent Res. Services	0525-2010-2892-219-252	73,170	-	73,170	-
WV Council Prevention of Suicide	0525-2009-2892-219-252	6,868	-	5,514	-
SA Adolescent Outpatient	0525-2003-2892-219-252	26,360	-	21,103	-
Family Support	0525-2010-2870-221-252	81,285	-	81,285	-
Uncompensated Care	0525-2010-3065-219-252	637,571	-	637,571	-
Uncompensated Care	0525-2009-3065-219-252	200,000	-	200,000	-
Supportive/Alternative Services	0525-2010-3041-219-252	449,970	-	449,970	-
SA Women	0525-2010-2890-219-252	354,083	-	290,572	-
Community Placement	0525-2010-2870-803-252	197,100	-	197,100	-
DD Client Core Services	0525-2010-2870-219-252	190,166	-	190,166	-
Care Coordinators Improvement	0525-2010-3701-219-252	383,711	-	383,711	-
Community Support Improvement	0525-2010-3702-219-252	123,952	-	111,996	-
Forensic Homes	0525-2009-3702-335-252	137,786	-	137,786	-
Forensic Homes	0525-2010-3703-335-252	1,178,488	-	1,094,146	-
PI Services	0525-2010-2885-219-252	58,700	-	58,700	-
Perdue Pharmacy	5207-2010-2891-099-252-13260	53,477	-	4,655	-
Total Department of Health and Human Resources		\$ 4,804,077	\$ -	\$ 4,588,725	\$ -

See Independent Auditors' Report.

VALLEY HEALTHCARE SYSTEM
 SCHEDULE OF BHPF FUNDING STATUS

Year Ended June 30, 2010

State Account Number	Award Amount	Award Deferred Revenue July 1, 2009	Amount Earned	Amount Billed	Deferred Revenue June 30, 2010	Amount not Billed	Amount Collected in Current Year
8793-2010-2891-096-128-16746	\$ 461,676	\$ -	\$ 449,331	\$ 449,331	\$ -	\$ 12,345	\$ 379,379
8793-2010-2892-096-128-16746	231,341	-	150,698	150,698	-	80,643	117,006
8723-2009-2885-096-128-16616	28,636	-	28,636	28,636	-	-	28,636
8723-2010-2886-096-128-17782	260,148	-	101,854	101,854	-	158,294	75,569
8723-2011-2849-096-128-17653	7,500	-	7,500	7,500	-	-	-
8793-2010-2885-096-128-15582	17,375	-	17,375	17,375	-	-	17,375
8793-2010-2885-096-128-16746	129,955	-	126,478	126,478	-	3,477	87,994
8794-2010-2851-096-128-16747	206,600	-	206,544	206,544	-	56	175,923
8794-2009-2913-096-128-15581	18,311	-	18,311	18,311	-	-	18,311
8794-2010-2913-096-128-16747	65,000	-	36,414	36,414	-	28,586	9,951
0525-2010-2851-219-252	264,409	-	312,704	312,704	-	13	312,704
0525-2010-2851-219-252	49,277	-	264,396	264,396	-	97	247,185
0525-2009-2851-219-252	25,000	-	49,180	49,180	-	-	20,612
0525-2010-2851-219-252	25,000	-	25,000	25,000	-	-	64,784
0525-2010-2892-219-252	73,170	-	73,170	73,170	-	-	-
0525-2009-2892-219-252	6,868	-	5,514	5,514	-	1,354	-
0525-2010-2892-219-252	26,360	-	21,103	21,103	-	5,257	17,929
0525-2010-2870-803-252	197,100	-	197,100	197,100	-	-	179,159
0525-2010-2870-221-252	81,285	-	81,285	81,285	-	-	71,103
0525-2010-3065-219-252	637,571	-	637,571	637,571	-	-	637,571
0525-2009-3065-219-252	200,000	-	200,000	200,000	-	-	200,000
0525-2010-3041-219-252	449,970	-	449,970	449,970	-	-	449,970
0525-2010-2890-219-252	354,083	-	290,572	290,572	-	63,511	232,093
0525-2010-2870-219-252	190,166	-	190,166	190,166	-	-	190,166
0525-2010-3701-219-252	383,711	-	383,711	383,711	-	-	346,527
0525-2010-3702-219-252	123,952	-	111,996	111,996	-	11,956	73,518
0525-2009-3702-335-252	137,786	-	137,786	137,786	-	-	137,786
0525-2010-3703-335-252	1,178,488	-	1,094,146	1,094,146	-	84,342	875,732
0525-2010-2885-219-252	58,700	-	58,700	58,700	-	-	47,547
5207-2010-2891-099-252-13560	53,477	-	4,655	4,655	-	48,822	-
Total	\$ 6,230,619	\$ -	\$ 5,731,866	\$ 5,731,866	\$ -	\$ 498,753	\$ 5,014,530

See Independent Auditors' Report.

Valley HealthCare System

BHHF Assets - Equipment and Automobiles

Cumulative Property Schedule - June 30, 2010

Description	Asset Type	ID	RU	Date	Life	Amount	State Account Number	Serial
Typewriter - Smith Corona	Equipment	2492		01-Jan-79	10	600	Unknown	
Refrigerator - Whirlpool Mach I Series	Furniture	2281		01-Jul-79	10	650	Unknown	
Desk - Orange W/Typewriter Space	Furniture	2061	10	01-Aug-79	10	543	Unknown	
Desk - Yellow W/Typewriter Space	Furniture	2423	10	01-Aug-79	10	543	Unknown	
Desk - Gold W/Woodgrain Top	Furniture	1909		01-Aug-79	10	543	Unknown	
Desk - Woodgrain Top/1an W/5 drawers	Furniture	2644		01-Aug-79	10	543	Unknown	
Filing Cabinet Unit - Med Records	Furniture	2623		01-Sep-79	10	3,489	Unknown	
Workstation - L-Shaped Exec. W/5 drawers	Furniture	2488	4	01-Feb-80	10	1,473	Unknown	
Couch - Maroon	Furniture	2244		01-Mar-80	10	565	Unknown	
Couch - Mauve Tweed	Furniture	1590	68	01-Mar-80	10	565	Unknown	
Couch - Brown	Furniture	379		01-Mar-80	10	565	Unknown	
Couch - Red Fabric W/Cushion	Furniture	1936		01-Mar-80	10	711	Unknown	
Couch - Blue/Black Tweed Fabric	Furniture	2332		01-Mar-80	10	565	Unknown	
Couch - Blue/Bm Tweed Chrome	Furniture	2444		01-Mar-80	10	565	Unknown	
Couch - Blue Plaid	Furniture	2507		01-Mar-80	10	565	Unknown	
Couch - Orange/Blue Striped	Furniture	2523		01-Mar-80	10	565	Unknown	
Seating Set - Peach Printed Vinyl W/Table	Furniture	2578		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	2580		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	2582		01-Mar-80	10	950	Unknown	
Seating Set - Peach Printed Vinyl W/Table	Furniture	2586		01-Mar-80	10	950	Unknown	
Seating Set - Peach Promised Vinyl W/Table	Furniture	2258	10	01-Jul-80	10	2,598	Unknown	
Wheelchair - Lift	Equipment	5000	508	01-Sep-89	10	2,699	Unknown	
Bath Buddy	Equipment	5000	508	14-Jan-91	10	525	Unknown	
Bath Buddy	Equipment	5000	508	14-Jan-91	10	525	Unknown	
Respirator - Resp 367100	Equipment	5000	508	14-Jan-91	10	1,995	Unknown	
Bed - Hospital W/Rails	Furniture	1609	508	17-Jan-91	10	950	Unknown	
Bed - Hospital W/Rails	Furniture	1616	508	17-Jan-91	10	950	Unknown	
Bed - Hospital W/Rails	Furniture	1617	508	17-Jan-91	10	950	Unknown	
Bed - Hospital W/Rails	Furniture	1622	508	17-Jan-91	10	950	Unknown	
Bed - Hospital W/Rails	Furniture	1623	508	17-Jan-91	10	950	Unknown	
Wheelchair	Equipment	5000	508	26-Feb-91	10	2,210	Unknown	
Wheelchair	Equipment	5000	508	26-Feb-91	10	4,643	Unknown	
Wheelchair	Equipment	5000	508	26-Feb-91	10	4,675	Unknown	
Respirator - Rem Star	Equipment	5000	508	16-Jul-91	10	1,466	Unknown	
Low Seat - Bin & Bojars Tweed	Furniture	1924	508	09-Sep-91	10	658	Unknown	
Computer - Mitsubishi PC - 386 DX 33	Computer	2014	7	01-Oct-91	5	1,677	Unknown	1061326
Monitor - Mitsuba 14"	Computer	2651	211	01-Oct-91	5	545	Unknown	S92529
Lowseat - Check Fabric W/Wood base	Furniture	1083	52	07-Nov-91	10	891	Unknown	
Quantex 386 SX/33	Computer	2427	36	15-May-92	5	919	Unknown	3001599733
Filing 14" Monitor	Computer	1530	7	12-Aug-92	5	291	Unknown	F335GFKAC
Filing 14" Monitor	Computer	2063	36	12-Aug-92	5	291	Unknown	61461840
Penasonic KX-P1124	Computer	2854	36	25-Aug-92	5	671	Unknown	IDMCC13229
Workstation - Thompson's 30x72	Furniture	2025	10	25-May-95	10	675	Unknown	
Workstation - Thompson's 30x72	Furniture	2032	13	25-May-95	10	675	Unknown	
Monitor Crystalscan 14"	Computer	1038	11	28-Jul-95	5	265	8793-1996-2892-096-252-00586	727UD0102077
Monitor Crystalscan 14"	Computer	5000	7	28-Jul-95	5	265	8793-1996-2892-096-252-00586	
PC-Gateway GA 4DX2-66 & money/work 3.0	Computer	849	7	04-Aug-95	5	1,284	8793-1996-2892-096-252-00586	3657792
TV/VCR combo - RCA 20"	Furniture	1084	52	04-Oct-95	10	569	Unknown	
Computer Desk - Champion 24x60	Furniture	1994	15	25-Jan-96	10	510	Unknown	
Filing Cabinet - Vertical File	Furniture	1996	15	25-Jan-96	10	625	Unknown	
Computer Desk - Champion 24x60	Furniture	1997	13	25-Jan-96	10	510	Unknown	
Filing Cabinet - Vertical File	Furniture	1998	13	25-Jan-96	10	625	Unknown	
Computer Desk - Champion 24x60	Furniture	1999	15	25-Jan-96	10	510	Unknown	
Workstation - Woodgrain Top	Furniture	1037	52	25-Jan-96	10	600	Unknown	
Creedanza - Woodgrain Top	Furniture	1065	52	25-Jan-96	10	500	Unknown	

See Independent Auditors' Report.

Valley HealthCare System

BHHF Assets - Equipment and Automobiles (Continued)

Cumulative Property Schedule - June 30, 2010

Description	Asset Type	ID	RÜ	Date	Life	Amount	State Account Number	Serial
Credenza - Woodgrain Top	Furniture	1092	52	25-Jan-96	10	500	Unknown	
Computer Desk - Champion 24x60	Furniture	2601	113	25-Jan-96	10	510	Unknown	
Speakers - LAB LCS-1014	Computer	901	7	31-Dec-97	5	27	8793-1998-2885-096-252-02060	727UD001101868
Reinhardt PC - Pentium 166	Computer	902	7	31-Dec-97	5	1347	8793-1998-2885-096-252-02060	8651
Speakers - LAB LCS-1014	Computer	1531	251	31-Dec-97	5	27	Unknown	727UD001102077
EP Laserjet 6PXT Laser	Computer	5000	51	30-Jan-98	5	763	Unknown	USCD082951
Electric Bed - Proserv Medical	Equipment	5000	521	17-Mar-98	10	945	Unknown	
Electric Bed - Proserv Medical	Equipment	5000	521	17-Mar-98	10	945	Unknown	
Monitor EV 500 13.9	Equipment	5000	531	17-Mar-98	10	630	Unknown	
Gateway - 2300 Deluxe Pentium PC	Computer	2073	89	30-Mar-98	5	218	5192-1998-2874-099-252	15009A46080
HoyerLift - Stammed HPL 400	Equipment	2974	211	02-Apr-98	5	2723	5192-1998-2874-099-252	0009556202
HoyerLift - Stammed HPL 400	Equipment	2975	311	05-Apr-98	10	1824	5192-1998-2874-099-252	
HooverLift - Stammed HPL 400	Equipment	2970	521	05-Apr-98	10	1853	5192-1998-2874-099-252	
Lift Chair	Equipment	5000	527	08-Sep-98	10	625	Unknown	
Ropes Course - ACT Unit - Fairmont	Building	5000	59	15-Jul-99	10	23,795	8793-1999-2892-096-252-03087	
Outbuilding for Adolescent (CrossRoads)-51	Building	5000	59	15-Jul-99	10	2,373	8793-1999-2892-096-252-03087	
Additional Malech for Ropes Course-51	Equipment	5000	59	16-Sep-99	10	865	Unknown	
Gateway Essential 433C PC	Computer	3448	55	02-May-00	5	1,155	8793-2000-2892-096-128-04135	0018563857
Solo 2150GL-Laptop	Computer	3451	201	02-May-00	5	2,968	8793-2000-2892-096-128-04135	0018563856
Gateway Essential 433C PC	Computer	3453	9	02-May-00	5	1,155	8793-2000-2892-096-128-04135	0018563855
Gateway Essential 433C PC	Computer	3459	30	02-May-00	5	1,155	8793-2000-2892-096-128-04135	0018563856
Gateway Essential 433C PC	Computer	3465	52	02-May-00	5	1,155	8793-2000-2892-096-128-04135	0018563858
Gateway GCS-200 Speakers	Computer	5000	7	02-May-00	5	53	8793-2000-2892-096-128-04135	
Gateway GCS-200 Speakers	Computer	5000	9	02-May-00	5	53	8793-2000-2892-096-128-04135	
Gateway GCS-200 Speakers	Computer	5000	30	02-May-00	5	53	8793-2000-2892-096-128-04135	
Gateway GCS-200 Speakers	Computer	5000	52	02-May-00	5	53	8793-2000-2892-096-128-04135	
Gateway Select 700	Computer	5000	55	02-May-00	5	53	8793-2000-2892-096-128-04135	
Gateway GCS-200 Speakers	Computer	3455	8	04-May-00	5	1,615	8793-2000-2892-096-128-04135	0018564331
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	7	04-May-00	5	302	8793-2000-2892-096-128-04135	
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	8	04-May-00	5	302	8793-2000-2892-096-128-04135	
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	8	04-May-00	5	302	8793-2000-2892-096-128-04135	
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	9	04-May-00	5	302	8793-2000-2892-096-128-04135	
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	30	04-May-00	5	302	8793-2000-2892-096-128-04135	
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	52	04-May-00	5	302	8793-2000-2892-096-128-04135	
Gateway Monitor EV 700 W/ 15.9 Viewable	Computer	5000	9	23-Jan-00	5	293	8793-2000-2892-096-128-04135	
Livingston Router	Computer	5000	52	10-Sep-00	5	750	Unknown	
Alcohol Saver - Act Unit	Equipment	5000	52	10-Jul-01	5	1,063	0525-2003-2890-219-252	
Compaq - FC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4010	9	01-Mar-03	5	833	0525-2003-2890-219-252	V3081B4ZA602
Compaq - FC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4011	5	01-Mar-03	5	193	0525-2003-2890-219-252	CN235VB427
Compaq - FC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4012	7	01-Mar-03	5	833	0525-2003-2890-219-252	V3081B4ZA617
Compaq - FC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4014	7	01-Mar-03	5	833	0525-2003-2890-219-252	V3081B4ZA571
Compaq - FC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4016	52	01-Mar-03	5	833	0525-2003-2890-219-252	V3081B4ZA569
Compaq - FC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4018	52	01-Mar-03	5	833	0525-2003-2890-219-252	V3081B4ZA641
Compaq - FC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4019	52	01-Mar-03	5	833	0525-2003-2890-219-252	V3081B4ZA383
Compaq - FC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4020	29	01-Mar-03	5	833	0525-2003-2890-219-252	V3081B4ZA412
Compaq - FC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4024	55	01-Mar-03	5	833	0525-2003-2890-219-252	V3081B4ZA626
Compaq - FC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4025	55	01-Mar-03	5	833	0525-2003-2890-219-252	V3081B4ZA612
Compaq - FC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4026	301	01-Mar-03	5	833	0525-2003-2890-219-252	V3081B4ZA382
Compaq - FC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4027	505	01-Mar-03	5	833	8793-2003-2892-096-128-07887	V3081B4ZA369
Compaq - FC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4028	70	01-Mar-03	5	833	0525-2003-2890-219-252	V3081B4ZA415
Compaq - FC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4029	7	01-Mar-03	5	833	0525-2003-2890-219-252	V3081B4ZA442
Compaq - FC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4030	10	01-Mar-03	5	833	0525-2003-2890-219-252	V3081B4ZA587
Compaq - FC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4031	251	01-Mar-03	5	833	0525-2003-2890-219-252	V3081B4ZA634
Compaq - FC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4032	9	01-Mar-03	5	833	0525-2003-2890-219-252	V3081B4ZA439
Compaq - FC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4034	20	01-Mar-03	5	833	0525-2003-2890-219-252	V3081B4ZA451
Compaq - FC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4035	52	01-Mar-03	5	833	0525-2003-2890-219-252	V3081B4ZA636

Valley HealthCare System

BHHC Assets - Equipment and Automobiles (Continued)

Cumulative Property Schedule - June 30, 2010

Description	Asset Type	ID	RU	Date	Life	Amount	State Account Number	Serial
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4036	52	01-Mar-03	5	833	0525-2003-2890-219-252	V308LBAZA631
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4037	13	01-Mar-03	5	833	0525-2003-2890-219-252	V308LBAZA418
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4038	251	01-Mar-03	5	833	0525-2003-2890-219-252	V308LBAZA648
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4040	5	01-Mar-03	5	833	0525-2003-2890-219-252	V308LBAZA603
Compaq Monitor - S7500 17"	Computer	4045	55	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VB429
Compaq Monitor - S7500 17"	Computer	4046	505	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC591
Compaq Monitor - S7500 17"	Computer	4049	35	01-Mar-03	5	193	8793-2003-2892-4966-128-07887	CN250VB856
Compaq Monitor - S7500 17"	Computer	4050	13	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC578
Compaq Monitor - S7500 17"	Computer	4051	201	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC172
Compaq Monitor - S7500 17"	Computer	4052	52	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC952
Compaq Monitor - S7500 17"	Computer	4055	52	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC982
Compaq Monitor - S7500 17"	Computer	4058	20	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC583
Compaq Monitor - S7500 17"	Computer	4059	7	01-Mar-03	5	193	0525-2003-2874-803-252	CN249XB484
Compaq Monitor - S7500 17"	Computer	4060	7	01-Mar-03	5	193	0525-2003-2874-803-252	CN249VC238
Compaq Monitor - S7500 17"	Computer	4063	7	01-Mar-03	5	193	0525-2003-2874-803-252	CN249VC245
Compaq Monitor - S7500 17"	Computer	4065	10	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC579
Compaq Laptop - EVO N800V P4	Computer	4066	201	01-Mar-03	5	1,663	8793-2003-2892-4966-128-07887	5Y31K50281WB
Compaq Laptop - EVO N800V P4	Computer	4067	301	01-Mar-03	5	1,663	8793-2003-2892-4966-128-07887	5Y32K50291X7
Billed Table and Accessories	Furniture	5000	537	10-Apr-03	7	718	Unknown	
KIA Sedona	Vehicle	0302	523	15-Apr-03	7	17,785	Unknown	KNDUP1314364402R0
CDW INFOCUS XGA Projector	Computer	5000	89	14-May-03	5	3,137	8794-2003-2915-4966-128-07888	187KN30790758
CDW Lap Top PC TOS 6100 - CRW XPP	Computer	5000	89	14-May-03	5	1,604	8794-2003-2915-4966-128-07888	S33054403P
CDW Laptop HP NC8000 CRW XPP - Compaq	Computer	4271	JUDY	04-May-04	5	1,815	8723-2004-2852-4966-128-10530	CNU406102
Lap Top PC - CDW HP CPO NC3000 C9/L5 40GB CRW XPP	Computer	5000	89	19-Aug-04	7	1,913	0525-2005-2923-219-252/258	SCN1010XKX3
HP SB NC8000 40GB CRW XPP - Lap Top	Computer	4115	351	01-Feb-05	5	1,982	8793-2005-2892-4966-128-10596	SCRN503FFNC
CDW - HP NC8000 40GB CRW XPP - Lap Top	Computer	4301	89	07-Feb-05	5	1,976	8723-2004-2852-4966-128-10550	SCNU504PM4S
Monitor - CDW - Acer AL1912B - 19 inch	Computer	5000	89	06-Jun-05	5	332	8723-2004-2852-4966-128-10550	51200F34ED47
HP Lap Top - CDW	Computer	5000	89	06-Jun-05	5	332	8723-2004-2852-4966-128-10550	51200F34ED47
HP PC - CDW - HP-DC5100 40GB -XPP-w/Kingston memory Upgrade	Computer	5000	89	06-Jun-05	5	1,709	8723-2004-2852-4966-128-10530	SCNU5200BL5
PC - CDW - HP-DC5100 40GB -XPP-w/Kingston memory Upgrade	Computer	5000	89	06-Jun-05	5	948	8723-2004-2852-4966-128-10530	SMX152108J7
2005 Chevrolet V3500	Vehicle	5011	521	22-Feb-06	7	33,678	8723-2004-2852-4966-128-10550	SMX152108J2
2005 Chevrolet V3500	Vehicle	0502	527	22-Feb-06	7	20,580	Unknown	1GAGH939U951266654
Shower Trolley - Accessible Environments Inc.	Equipment	5000	531	10-Aug-06	5	3,608	Unknown	1GAGH939U951266654
Laptop PC HP NX 9420	Computer	4389	251	11-Sep-06	5	2,163	Unknown	SCND6253B8SM
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4407	511	12-Sep-06	5	1,694	Unknown	SMX4632H40561
Planar 17in PL 1700 Monitor	Computer	4416	511	12-Sep-06	5	214	Unknown	AG632H40561
Planar 17in PL 1700 Monitor	Computer	4402	511	12-Sep-06	5	214	Unknown	AG632H40561
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4405	511	12-Sep-06	5	1,694	Unknown	SMX4632H40561
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4404	511	12-Sep-06	5	1,694	Unknown	SMX4632H40561
Planar 17in PL 1700 Monitor	Computer	4424	511	12-Sep-06	5	214	Unknown	SMX4632H40561
Planar 17in PL 1700 Monitor	Computer	4401	511	12-Sep-06	5	214	Unknown	AG632H40561
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4406	511	12-Sep-06	5	1,694	Unknown	SMX4632H40561
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4409	511	12-Sep-06	5	1,694	Unknown	SMX4632H40561
Phone System - Catalyst - 3560 2SFP Standard Image	Equipment	4525	511	20-Oct-06	20	3,347	Unknown	SMX4632H40561
Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	511	20-Oct-06	20	441	Unknown	SMX4632H40561
Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	511	20-Oct-06	20	441	Unknown	SMX4632H40561
Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	511	20-Oct-06	20	441	Unknown	SMX4632H40561
Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	511	20-Oct-06	20	441	Unknown	SMX4632H40561
Phone System - Handsets - for Cisco phone system	Equipment	5000	511	20-Oct-06	20	4,998	Unknown	SMX4632H40561
Phone System - Telecomm installation	Equipment	5000	511	20-Oct-06	20	820	Unknown	SMX4632H40561
HON - Corner Desk - Champion	Furniture	4455	511	26-Oct-06	10	783	Unknown	CAT1036NXXJ
HON - Corner Desk - Champion	Furniture	4462	511	26-Oct-06	10	783	Unknown	
HON - Corner Desk - Champion	Furniture	4467	511	26-Oct-06	10	783	Unknown	
HON - Corner Desk - Champion	Furniture	4487	511	26-Oct-06	10	783	Unknown	
HON - Corner Desk - Champion	Furniture	4497	511	26-Oct-06	10	783	Unknown	
HON - Corner Desk - Champion	Furniture	4516	511	26-Oct-06	10	684	Unknown	

Valley HealthCare System

BHHF Assets - Equipment and Automobiles (Continued)

Cumulative Property Schedule - June 30, 2010

Description	Asset Type	ID	RU	Date	Life	Amount	State Account Number	Serial
PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4529	511	15-Nov-06	5	1,667	Unknown	MXM63801NY
Monitor - Planar 1910 - 19in LCD - CDW	Computer	4526	511	15-Nov-06	5	284	Unknown	A659G37322
PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4528	511	15-Nov-06	5	1,667	Unknown	MXM63801PF
Monitor - Planar 1910 - 19in LCD - CDW	Computer	4542	511	15-Nov-06	5	284	Unknown	A659G37576
PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4544	511	15-Nov-06	5	1,667	Unknown	MXM63801NS
PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4545	511	15-Nov-06	5	1,667	Unknown	MXM63801MK
Monitor - Planar 1700 - 17in LCD - CDW	Computer	5000	55	06-Mar-07	5	191	Unknown	AG704H8314
PC - HP DC7600C - 80 GB w/MS PRO Plus 2007 - CDW	Computer	5000	55	06-Mar-07	5	1,132	Unknown	S2UA70908CK
PC - HP DC7600C - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4554	NANCY	06-Mar-07	5	1,132	Unknown	S2UA7030S99
Monitor - Planar 1700 - 17in LCD - CDW	Computer	5000	NANCY	06-Mar-07	5	191	Unknown	AG704H8317
PC - SB DC5700 CE4500-80 GB w/PRO Plus 2007-CDW	Computer	507	507	01-Oct-07	5	287	Unknown	PD07753S09499
Refrigerator/Freezer	Furniture	507	507	01-Oct-07	5	1,416	Unknown	SMCM75407PB
PC - HP SB 67108 17100 80 GB w/DVR - CDW	Computer	351	01-Dec-07	5	667	Unknown	Unknown	SCNU74302XO
DVD Burner	Furniture	89	12-Feb-08	5	1,813	Unknown	Unknown	SCNU8080SN4
Scanner-EMR GRANT	Computer	7	12-Mar-08	5	5,640	Unknown	Unknown	SCNU74302XO
Computer-EMR GRANT	Computer	37	12-Mar-08	5	1,257	Unknown	Unknown	SCNU8080SN4
Signature Pad-EMR GRANT	Computer	7	28-Mar-08	5	3,488	Unknown	Unknown	SCNU8080SN4
Dishwasher	Furniture	507	02-May-08	5	667	Unknown	Unknown	SCNU8080SN4
WH System	Computer	507	16-Jun-08	5	711	Unknown	Unknown	SCNU8080SN4
Dining Set	Furniture	507	01-Jul-08	5	530	0525-2009-3703-335-252	Unknown	SCNU8080SN4
Dining Set	Furniture	507	01-Jul-08	5	530	0525-2009-3703-335-252	Unknown	SCNU8080SN4
Monitor-Viewsonic VC3030WM 20" Wide - CDW	Computer	5219	89	09-Jul-08	5	316	8794-2009-2914-096-128-15581	OCC082184369
Monitor-Viewsonic VC3030WM 20" Wide - CDW	Computer	5220	89	09-Jul-08	5	316	8794-2009-2914-096-128-15581	OCC082184378
PC-HP XW4600T E8400 250GB XPP w/DVR - CDW	Computer	5221	807	09-Jul-08	5	1,486	8794-2009-2914-096-128-15581	S2UA8230WGH
2008 Ford Van	Vehicle	804	507	23-Sep-08	7	28,698	0525-2009-3703-335-252	IFTNS24L78DBR5978
2006 FT CRUISER	Vehicle	603	525	13-Jan-09	7	7,805	0525-2009-3703-335-252	3A8FY38B567257097
2009 Ford Econline Van	Vehicle	902	514	24-Mar-09	7	29,242	0525-2009-3703-335-252	IFTNS24L79DA50187
Monitor - Viewsonic VA926 19" CDW	Computer	5260	514	14-Apr-09	5	205	0525-2009-3703-335-252	OU2090700425
Monitor - Viewsonic VA926 19" CDW	Computer	5261	514	14-Apr-09	5	205	0525-2009-3703-335-252	OU3090700343
PC HP DC5800 E7200 160GB w/ Office PRO Plus 2007 - CDW	Computer	5262	514	14-Apr-09	5	888	0525-2009-3703-335-252	SMXL9110GQC
PC HP DC5800 E7200 160GB w/ Office PRO Plus 2007 - CDW	Computer	5263	514	14-Apr-09	5	888	0525-2009-3703-335-252	SMXL9110H92
Phone Equipment	Equipment	514	514	17-Apr-09	5	5,726	0525-2009-3703-335-252	SMXL9110H92
Xerox Phaser	Equipment	514	514	17-Apr-09	5	2,224	0525-2009-3703-335-252	LBP248448
Laptop 4 OF 6	Computer	5279	320	18-Aug-09	5	2,033	8723-2009-0506-096-128	LS74499EUR00CYP3
Laptop 2 OF 6	Computer	5268	320	18-Aug-09	5	2,033	8723-2009-0506-096-128	LS74499EUR00CYN1
Laptop 3 OF 6	Computer	5269	320	18-Aug-09	5	2,033	8723-2009-0506-096-128	LS74499EUR00CYP4
Laptop 1 OF 6	Computer	5272	320	18-Aug-09	5	2,033	8723-2009-0506-096-128	LS74499EUR00CYNB
Laptop 6 OF 6	Computer	5280	320	18-Aug-09	5	2,033	8723-2009-0506-096-128	LS74499EUR00DVS3R
Laptop 5 OF 6	Computer	5281	320	18-Aug-09	5	2,033	8723-2009-0506-096-128	LS74499EUR00DVS3M
COMPUTER	Computer	5278	89	25-Aug-09	5	1,703	8794-2009-2914-096-128-15581	S2UA9331CW5
Storage Building - Browns Mill	Building	514	514	29-Sep-09	10	1,060	0525-2009-3703-335-252/258	LS74499EUR00DVS3M
Generator - Browns Mill	Equipment	514	514	20-Nov-09	10	27,369	0525-2009-3703-335-252/258	LS74499EUR00DVS3M
TOTALS 6/30/2010						\$ 406,703		
Plus: Bureau of Public Health PP&E						1,019		
TOTALS						407,722		

BHHF Assets - Leaseholds, Land and Buildings
 Cumulative Property Schedule - June 30, 2010

Description	Vendor	RU	Date	Amount	Life
Building - Office	RU 10	10	01-Jul-77	1,620,404	20
Land - Office	Scott Avenue	10	2-Nov-81	60,500	N/A
Roof Replacemnt	RU 10	10	01-Oct-89	175,802	10
Eng. Fees - Roof	RU 10	10	01-Oct-89	6,801	10
Pixler Hill Building Improvements	Rubicon Development	508	01-Feb-91	20,000	5
Marion Day Treatment - Paul Rice	RU 68	68	01-Jun-91	8,292	10
Pixler Fire Improvements	Rubicon Development	508	01-Jun-91	50,000	5
Pixler Hill - Building	RU 508	508	01-Jun-91	50,000	10
Holly House E. Washington Street	RU 520	520	01-Jun-91	20,000	20
Fuse Panel	RU 520	520	01-Dec-91	175	10
Stone Grading - Pixler	RU 508	508	01-Mar-92	2,500	5
Unknown Improvements	RU 10	10	01-Jul-92	6,060	10
Architect Services - Gustafson	RU 52	52	01-Jun-94	9,216	10
Roadway Work - Harman Const.	RU 52	52	31-Oct-94	11,900	10
Brewer & Co. - Sprinkler System	RU 52	52	20-Dec-94	16,839	10
Accordia - Builders Risk Insurance	RU 52	52	19-Jan-95	900	10
Emsweller - Fire Alarm System	RU 52	52	10-Feb-95	3,817	10
Water Line - Chickereil Excavating	RU 52	52	21-Apr-95	5,382	10
Constructon Costs - Huffman	RU 52	52	03-May-95	395,119	10
Architect Services - Gustafson	RU 52	52	15-Jun-95	24,533	10
Brewer & Co. - Breaker Boxes	RU 52	52	01-Jul-95	233	10
Architect Services - Gustafson	RU 52	52	15-Jul-95	694	10
Emsweller - Manual Station	RU 52	52	14-Aug-95	125	10
Drapery Sales & Service	RU 52	52	17-Aug-95	999	10
Emsweller - Fire Alarm	RU 52	52	02-Sep-95	1,909	10
Brewer & Co. - Sprinkler System	RU 52	52	08-Sep-95	1,115	10
Decking Addition - Huffman	RU 52	52	29-Sep-95	3,484	10
Constructon Costs - Huffman	RU 52	52	17-Nov-95	6,965	10
Adjustment - 1995	RU 52	52	31-Dec-95	(1,080)	10
Land - ACT Unit	Fairmont	52	31-Dec-95	60,005	N/A
Plumbing & Fire Conversions	CMC Company-	521	05-Feb-98	20,016	20
Plumbing & Fire Conversions	CMC Company -	523	05-Feb-98	6,759	20
Plumbing & Fire Conversions	CMC Company -	525	05-Feb-98	14,754	20
Plumbing & Fire Conversions	CMC Company -	527	05-Feb-98	4,574	20
Plumbing & Fire Conversions	CMC Company -	529	05-Feb-98	4,574	20
Plumbing & Fire Conversions	CMC Company -	531	05-Feb-98	24,096	20
Office Conversion to Shower Room	OV Valley LLC - Sabraton	521	18-Feb-98	14,500	20
Office Conversion to Shower Room	OV Valley LLC - Herman	531	18-Feb-98	14,500	20

See Independent Auditors' Report.

BHIF Assets - Leascholds, Land and Buildings (Continued)

Cumulative Property Schedule - June 30, 2010

Description	Vendor	RU	Date	Amount	Life
Concrete Driveway - Sabraton	CMC Company	521	05-May-98	950	10
Rear Entrance Ramp @ Harlem St	CMC Company -	527	28-Sep-98	3,300	20
White Vinyl Fence in Front Yard	CMC Company -	525	13-Nov-98	3,300	10
Carpet @ Harlem Street	Wholesale Carpet Outlet	527	14-Nov-00	1,246	5
Wood Floor @ McCartney Ave	Wholesale Carpet Outlet	523	04-Dec-00	3,867	5
Sewer Upgrade at ACT Unit - T.Chickereil	RU 52	52	03-Aug-01	19,000	10
Decking Addition - ACT Unit	RU 52	52	31-Aug-01	1,132	10
Heating/Cooling Unit - Holly House - Grafton - DC Kennedy	RU 520	520	01-Sep-02	2,935	10
Drywall, Lumber, ect - RU 505 STRU - Lowe's*	RU 505	505	12-Aug-03	631	10
Fire Door - B&B Glass*	RU 505	505	12-Aug-03	2,141	10
Smoke Alarm/Security System - Secure US*	RU 505	505	12-Aug-03	1,140	10
Carpeting - Hall's Carpeting*	RU 505	505	12-Aug-03	2,192	10
Drywall, Lumber, ect - RU 505 STRU - Lowe's*	RU 505	505	12-Aug-03	1,773	10
New Door for Crisis Unit plus remodeling of windows	RU 505	505	12-Aug-03	2,353	10
Traffic Circle in Parking Lot - 301 Scott Ave	RU 10	10	26-Sep-03	11,364	10
Tiling for Valley Main Office - Halls Classic Carpets	RU 10	10	23-Jan-04	33,749	10
Roof Repairs for Holly House - Quiet Valley Construction	RU 520	520	21-Oct-04	3,378	10
ACT Unit Sewage Line relocate	RU 52	52	30-May-06	19,825	10
Holly House-roof replacement	RU 520	520	01-Apr-08	8,905	10
Paving/Excavation	RU 508	508	12-May-08	13,712	10
Dumpster Pad	RU 507	507	10-Jun-08	5,500	10
Generator	Jeff Keiss	507	01-Jul-08	21,300	10
Deck and Double Doors	Jeff Keiss	507	01-Jul-08	7,000	10

TOTALS 6/30/2010

\$ 2,837,154

**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, 2010

ASSETS

CURRENT ASSETS:		
1	Cash	\$ 55,622
2	Short-term investments	-
3	Accounts receivable - BHHF	717,336
4	Accounts receivable - Client	75,615
5	Accounts receivable - Medicaid	394,304
6	Accounts receivable - Medicaid MR/DD Waiver	643,541
7	Accounts receivable - Other	138,102
7a	Allowance for doubtful accounts	(85,416)
8	Inventory	1,671
9	Prepaid/Other	<u>54,069</u>
10	TOTAL CURRENT ASSETS (total of lines 1-9)	1,994,844
NON-CURRENT ASSETS:		
FIXED ASSETS		
11	Property, land, and equipment - BHHF	3,244,875
12	Less accumulated depreciation	(2,698,277)
13	Property, land, and equipment - Other	3,590,221
14	Less accumulated depreciation	<u>(2,090,411)</u>
15	Total property, land, and equipment (NEI)	2,046,408
OTHER NON-CURRENT ASSETS:		
16	Long-term investments	187,838
17	Other	<u>-</u>
18	TOTAL ASSETS (Total of lines 10, 15, 16, and 17)	\$ 4,229,090

LIABILITIES

CURRENT LIABILITIES:		
19	Accounts payable	\$ 638,423
20	Taxes payable	134,006
20a	Provider taxes payable	33,299
21	Line of credit - payable	11,540
22	Short-term notes payable	69,201
23	Accrued expenses	782,536
24	Other current liabilities	<u>163,246</u>
25	TOTAL CURRENT LIABILITIES (Total of lines 19-24)	1,832,251
LONG-TERM LIABILITIES		
26	Long-term notes payable	547,533
28	Other long-term liabilities	<u>1,806,174</u>
	TOTAL LIABILITIES (Total of lines 25, 26, and 27)	4,185,958
NET ASSETS		
29	Unrestricted net assets	\$ 43,132
30	Board designated net assets	-
31	Permanently restricted net assets	<u>-</u>
32	TOTAL LIABILITIES AND NET ASSETS (Total of lines 26-31)	\$ 4,229,090

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
Year Ended June 30, 2010

REVENUE AND SUPPORT		
1.	Charity Care	\$ -
1a	Charity Care (BHFF target funds)	(893,547)
1b	Charity Care (BHFF non-target funds)	(757,793)
1c	Charity Care	-
1d	Charity Care	-
1e	Charity Care	-
1f	Charity Care	-
1g	Charity Care	(142,999)
1h	Contractual write-off charity	-
1i	Charity Care revenue	1,651,340
1j	Supportive/Alternative Services Revenue	<u>142,999</u>
	Total (Should equal zero)	-
2	Gross client service revenue	12,609,855
3	Contractual adjustments (Target funds)	(893,547)
3a	Contractual adjustments (Non-target funds)	<u>(1,486,138)</u>
5	Net client service revenue	10,230,170
	Net client service revenue	
6.	Medicaid (Target funds)	-
6a.	Medicaid (Non-target funds)	2,203,618
7.	Medicaid MR/DD waiver (Non-target funds)	7,329,983
8.	ICF/MR (Non-target funds)	-
9.	Private pay (Non-target funds)	407,810
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>288,759</u>
11	Total net client service revenue (Line 10 must agree with line 4)	10,230,170
12.	BHFF support	5,731,866
13.	Other/Public support	131,550
14.	Other	<u>468,225</u>
15	TOTAL REVENUE AND SUPPORT (Total of lines 11-14)	<u>16,561,811</u>
	EXPENSES	
16	Salaries	7,974,510
17.	Fringe benefits	1,998,917
18.	Contractual services	3,209,197
19.	Provider tax	363,582
19b.	Bad debt	47,401
	Bad debt (BHFF target funds)	-
19c.	Bad debt (BHFF non-target funds)	-
20	Depreciation expense	270,597
21	Other expenses	<u>2,280,225</u>
22	TOTAL EXPENSES (Total of lines 15-20)	<u>16,144,429</u>
23	NET INCOME (LOSS)	<u>\$ 417,382</u>

See Independent Auditors' Report

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

The Board of Directors
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, 2010, and have issued our report thereon dated November 30, 2010. 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'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 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.

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

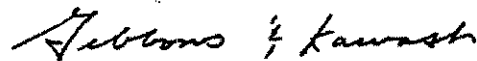
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as 2010-1, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 finding 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 Directors, 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.



November 30, 2010

**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 its major federal program for the year ended June 30, 2010. The Corporation's major federal program is 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 its major federal program 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, 2010.

Internal Control Over Compliance

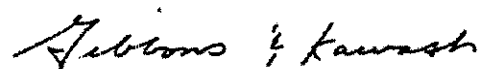
The management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal

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 deficiency in 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 material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected, and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, 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.

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 these specified parties.



November 30, 2010

DHHR - Finance

JAN 31 2011

Date Received

VALLEY HEALTHCARE SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

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
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2010

Section II - Financial Statement Findings

2010-1 Segregation of Duties

Condition:

We noted that the signature stamp and blank check stock are stored in locations which are accessible to approximately 6 employees.

Criteria:

Fundamental concepts of an effective system of internal control include adequate segregation of incompatible duties and physical security of assets. 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:

Controls are inadequate to prevent unauthorized disbursements.

Cause:

Physical security of the blank check stock and the signature stamp are not adequate.

Recommendation:

Management should establish procedures to segregate the check printing and check signing functions. We recommend that custody of the signature stamp be maintained by an authorized check signer without access to blank check stock.

Management's Response:

Management will ensure that all employees do not have access to both the check stock and the signature stamp.