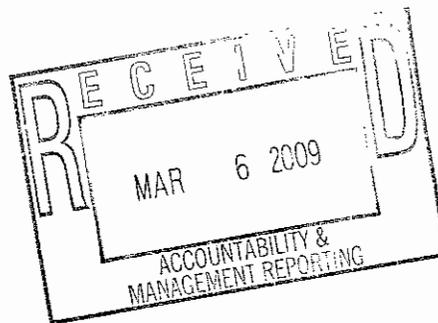




LOGAN MINGO AREA
MENTAL HEALTH

Audited Financial Statements

Years Ended June 30, 2008 and 2007

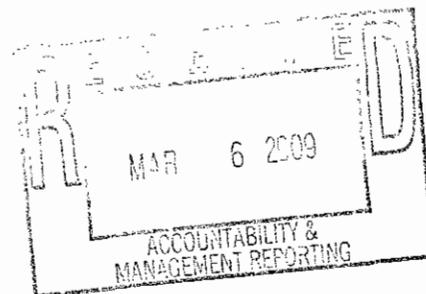


Gibbons
& Kawash
Certified Public Accountants

Audited Financial Statements
LOGAN-MINGO AREA MENTAL HEALTH, INC
Years Ended June 30, 2008 and 2007

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Logan-Mingo Area Mental Health, Inc.
Logan, West Virginia

We have audited the accompanying statement of financial position of Logan-Mingo Area Mental Health, Inc. (the Center) as of June 30, 2008 and 2007, and the related statements of activity and cash flows for the years then ended. These financial statements are the responsibility of the Center'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 the Center, as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

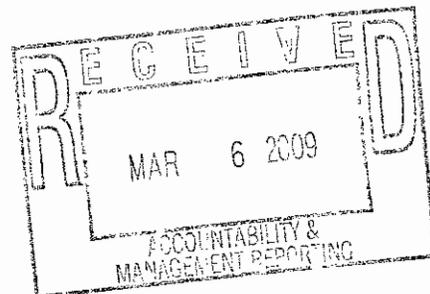
In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2008, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Center taken as a whole. The accompanying schedules of BHHF funded fixed assets, BHHF funding status, 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.

These accompanying 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

Jebbons & Kawash

October 22, 2008



LOGAN MINGO AREA MENTAL HEALTH

STATEMENT OF FINANCIAL POSITION

June 30, 2008 and 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and cash equivalents	\$ 339,751	\$ 448,591
Certificates of deposit	171,023	592,863
Accounts receivable, less allowance for doubtful accounts of \$322,293 and \$320,732 at June 30, 2008 and 2007, respectively	552,594	551,465
Grants receivable	215,962	195,367
Other	<u>21,236</u>	<u>32,618</u>
Total current assets	<u>1,300,566</u>	<u>1,820,904</u>
Certificates of deposit	313,665	-
Property and equipment, less accumulated depreciation and amortization	<u>1,074,314</u>	<u>1,164,418</u>
Total assets	<u>\$ 2,688,545</u>	<u>\$ 2,985,322</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 34,962	\$ 15,437
Accrued and withheld liabilities	121,727	101,292
Accrued annual leave	151,728	151,905
Current maturities of long-term debt	<u>44,497</u>	<u>91,672</u>
Total current liabilities	<u>352,914</u>	<u>360,306</u>
Unrestricted net assets	<u>2,335,631</u>	<u>2,625,016</u>
Total liabilities and net assets	<u>\$ 2,688,545</u>	<u>\$ 2,985,322</u>

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

LOGAN MINGO AREA MENTAL HEALTH

STATEMENT OF ACTIVITY

Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Changes in unrestricted net assets:		
Revenues:		
Net patient revenue	\$ 4,255,545	\$ 4,555,453
State and federal grant	2,039,709	2,131,518
Local and county grant	23,857	22,657
Contracted services	52,882	52,508
	<u>6,371,993</u>	<u>6,762,136</u>
Non-operating revenues:		
Interest	30,500	26,202
Total unrestricted revenues	<u>6,402,493</u>	<u>6,788,338</u>
Expenses:		
Salaries and wages	3,208,899	3,283,552
Employee benefits	1,109,048	1,309,751
Contracted services	1,334,478	1,184,393
Facility	152,665	164,484
Repairs and maintenance	43,630	26,506
Travel	166,208	136,441
Bad debt	32,995	12,922
Provider tax	72,185	84,523
Depreciation	123,137	125,607
Food and drug	43,287	73,019
Miscellaneous	57,266	35,242
Office supplies	25,085	19,446
Telephone	25,517	28,171
Printing and postage	58,096	51,767
Professional fees	59,078	56,357
Subscriptions and books	13,968	14,793
Insurance	138,510	178,932
Accounting	23,616	23,016
Interest	4,210	5,882
Total expenses	<u>6,691,878</u>	<u>6,814,804</u>
Decrease in net assets	(289,385)	(26,466)
Net assets, beginning of year	<u>2,625,016</u>	<u>2,651,482</u>
Net assets, end of year	<u>\$ 2,335,631</u>	<u>\$ 2,625,016</u>

The accompanying notes are an integral part of these financial statements

LOGAN MINGO AREA MENTAL HEALTH

STATEMENT OF CASH FLOWS

Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (289,385)	\$ (26,466)
Adjustments to reconcile change in net assets to net cash provided by operating expenses:		
Depreciation	123,137	125,607
Provision for bad debts	32,995	11,782
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(34,124)	(244,025)
Grants receivable	(20,595)	(95,540)
Other	11,382	12,115
Increase (decrease) in:		
Accounts payable	19,525	8,606
Accrued and withheld liabilities	20,435	9,299
Accrued annual leave	<u>(177)</u>	<u>7,284</u>
Net cash used in operating activities	<u>(136,807)</u>	<u>(191,338)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(33,033)	-
Maturities of certificates of deposit	421,840	-
Purchases of certificates of deposit	<u>(313,665)</u>	<u>(145,373)</u>
Net cash provided by (used in) investing activities	<u>75,142</u>	<u>(145,373)</u>
Cash flows from financing activities		
Principal payments on long-term debt	<u>(47,175)</u>	<u>(42,926)</u>
Net cash used in financing activities	<u>(47,175)</u>	<u>(42,926)</u>
Net decrease in cash and cash equivalents	(108,840)	(379,637)
Cash and cash equivalents, beginning of year	<u>448,591</u>	<u>828,228</u>
Cash and cash equivalents, end of year	<u>\$ 339,751</u>	<u>\$ 448,591</u>

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

LOGAN-MINGO AREA MENTAL HEALTH, INC

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESDescription of Organization

Logan-Mingo Area Mental Health, Inc. (the Center) is a nonprofit, nonstock corporation organized under the laws of the State of West Virginia, exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and classified as other than a private foundation. The primary purpose of the Center is to develop, operate, and maintain facilities and services for mentally ill and developmentally delayed individuals and substance abuse services in Logan and Mingo 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 Center recognizes grant revenues when qualifying expenditures are incurred.

Cash and Cash Equivalents

The Center considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Net Client Revenues

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. Net client revenue is reported at the estimated net realizable amounts from patients, 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 Center's policy for writing off bad debts includes writing off all accounts over 365 days past due if no payment is received.

Property and Equipment

Property and equipment are stated at cost. Major purchases and improvements are capitalized while repairs and maintenance are expensed as incurred. Donations of property and equipment are recorded as increases in unrestricted net assets. Depreciation has been provided over the estimated useful lives using the straight-line method in accordance with the American Hospital Association guidelines. Estimated useful lives are as follows:

Buildings and improvements	5 - 40 years
Vehicles and equipment	5 - 15 years

LOGAN-MINGO AREA MENTAL HEALTH, INC

NOTES TO FINANCIAL STATEMENTS
(Continued)**1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Use of Estimates

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

Reclassifications

Certain 2007 balances have been reclassified to conform with the 2008 presentation.

2 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Land	\$ 143,633	\$ 143,633
Buildings and improvements	2,403,475	2,370,439
Vehicles	320,097	371,400
Equipment	277,375	310,810
Furniture	<u>62,032</u>	<u>62,032</u>
	3,206,612	3,258,314
Less accumulated depreciation	<u>2,132,298</u>	<u>2,093,896</u>
	<u>\$ 1,074,314</u>	<u>\$ 1,164,418</u>

Property and equipment includes certain buildings and land provided to the Center by the State of West Virginia under long-term leases which require annual payments of \$1 for terms of ninety-nine years expiring in 2076. The cost of such buildings was \$1,915,785 while accumulated depreciation related to these buildings was \$1,374,736 and \$1,326,840 at June 30, 2008 and 2007, respectively. Land provided to the Center by the State amounted to \$143,633 as of June 30, 2008 and 2007.

Continued use of these facilities is contingent upon the Center continuing to provide treatment to persons who are emotionally disturbed or developmentally disabled. Management believes that it is highly unlikely the Center would discontinue providing these services. Accordingly, the value of the facilities has been reported as an increase in unrestricted net assets and has been capitalized and depreciated.

The cost of property and equipment purchased with Bureau of Behavioral Health & Health Facilities grant funds and related accumulated depreciation was \$85,023 and \$77,202, respectively, at June 30, 2008, and \$85,937 and \$69,497, respectively, at June 30, 2007.

LOGAN-MINGO AREA MENTAL HEALTH, INC

NOTES TO FINANCIAL STATEMENTS
(Continued)**3 - DEBT**

On December 20, 2007, the Center refinanced a note payable with a local financial institution. The new note is secured by certificates of deposits and bears interest at 6%. This note matures on June 20, 2009.

4 - RETIREMENT PLAN

The Center has a profit sharing plan (the Plan) covering virtually all of its employees. The Center's annual discretionary contribution is determined by the Board of Directors in an amount not to exceed 5% of participants' compensation. Retirement expense for the years ended June 30, 2008 and 2007, was \$77,545 and \$137,785, respectively.

5 - THIRD-PARTY TRANSACTIONS AND ECONOMIC DEPENDENCY

The Center has agreements with Medicaid and Medicare that provide for payments to the Center at predetermined amounts that differ from its standard rates. The ability of the Center to receive future payments from Medicaid depends on legislation enacted and resources available to the State of West Virginia. Revenue recognized from patient services during the years ended June 30, 2008 and 2007, is as follows:

	<u>2008</u>	<u>2007</u>
Gross patient revenue:		
Medicaid	\$ 1,152,194	\$ 1,164,296
Medicaid waiver	3,018,639	3,056,694
Private pay	1,023,752	1,337,770
Insurance and other	<u>702,818</u>	<u>651,575</u>
Total	5,897,403	6,210,335
Less contractual adjustments and charity care	<u>1,641,858</u>	<u>1,654,882</u>
Net patient revenue	<u>\$ 4,255,545</u>	<u>\$ 4,555,453</u>

6 - CONCENTRATIONS

Financial instruments which potentially expose the Center to significant concentrations of credit risk consist of cash and cash equivalents, certificates of deposit, and accounts receivable.

To limit concentration of credit risk associated with cash and cash equivalents and certificates of deposit, the Center places its cash with high quality financial institutions. At times, the balances in such institutions may exceed amounts covered by FDIC insurance. Those amounts in excess of FDIC insurance are collateralized by bonds in the Center's name, which are held by a third party. The Center 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. The Center provides allowances for potential losses, which, when realized, have been within the range of management's expectations.

LOGAN-MINGO AREA MENTAL HEALTH, INC.

NOTES TO FINANCIAL STATEMENTS
(Continued)**7 - LEASES**

The Center leases certain facilities and equipment under non-cancellable operating leases expiring in various years through 2012. Rental expense for operating leases was approximately \$22,055 and \$22,862 for the years ended June 30, 2008 and 2007, respectively

The minimum future lease obligations under the various operating leases are as follows:

2008	\$	17,262
2009		15,487
2010		11,640
2011		11,640
2012		<u>10,670</u>
	\$	<u>66,699</u>

8 - FUNCTIONAL EXPENSES

The Center provides mental health services to mentally ill and developmentally delayed individuals and substance abuse services in Logan and Mingo Counties in West Virginia. Expenses related to providing these services for the years ended June 30, 2008 and 2007, are as follows:

	<u>2008</u>	<u>2007</u>
Health care services	\$ 5,902,236	\$ 5,826,657
General and administrative	<u>789,642</u>	<u>988,147</u>
	<u>\$ 6,691,878</u>	<u>\$ 6,814,804</u>

ACCOMPANYING INFORMATION

LOGAN MINGO AREA MENTAL HEALTH
SCHEDULE OF BHHF FUNDED FIXED ASSETS

June 30, 2008

Description	Date Acquired	Cost	Program
1987 Chevrolet Bus	12/31/95	\$ 12,500	Substance Abuse
Packard Bell Pentium 100	08/27/96	1,500	Substance Abuse
Packard Bell Pentium 75	08/31/96	1,300	Substance Abuse
Packard Bell Pentium 133	06/14/97	1,100	Substance Abuse
Breathalyzers	08/19/98	1,040	Substance Abuse
Compac Presario	04/14/99	2,868	Substance Abuse
Compac Presario	04/14/99	2,868	Substance Abuse
Compac Presario	06/30/99	2,288	Substance Abuse
Desk	06/30/99	1,227	Substance Abuse
Passport Paging System	06/30/99	500	Substance Abuse
True Colors Training Kit	06/30/99	712	Substance Abuse
HP 4483 Computers	08/19/99	1,796	Substance Abuse
Compac Presario	08/07/99	1,000	Substance Abuse
Desk	08/01/99	435	Substance Abuse
Computer Station	08/01/99	320	Substance Abuse
National Desk Station	09/27/99	1,115	Substance Abuse
Vinyl Chairs	04/17/00	344	Substance Abuse
Rectangular Table	06/23/00	360	Substance Abuse
Compac Laptop	09/08/00	1,160	Substance Abuse
Hewlett Packard Pavillion PC	11/01/00	998	Substance Abuse
Hewlett Packard PCs	12/06/00	3,192	Substance Abuse
Hewlett Packard PCs	01/09/01	1,396	Substance Abuse
Hewlett Packard PCs	01/09/01	798	Substance Abuse
PowerHouse Shredder	03/13/01	600	Substance Abuse
Pavillion Computer	07/16/01	898	Substance Abuse
Pavillion Computer	08/30/01	2,694	Substance Abuse
Hewlett Packard Computers	06/18/02	2,672	Substance Abuse
Compac Presario Computer	10/31/02	769	Substance Abuse
HP Computer	10/09/03	528	Substance Abuse
PC Tower & Hardware	10/16/03	887	Substance Abuse
Office Chairs/FUTURES	04/14/04	750	Substance Abuse
Dishwasher/FUTURES	04/22/04	3,815	Substance Abuse
Dorm Beds/FUTURES	05/20/04	1,378	Substance Abuse
Table & Benches/FUTURES	05/21/04	1,358	Substance Abuse
Powerpoint Projector	05/28/04	899	Substance Abuse

(Continued)

LOGAN MINGO AREA MENTAL HEALTH

SCHEDULE OF BHHF FUNDED FIXED ASSETS
(Continued)

June 30, 2008

Description	Date Acquired	Cost	Program
Chairs/FUTURES	06/02/04	996	Substance Abuse
Sofa/FUTURES	06/02/04	489	Substance Abuse
Dressers/FUTURES	06/02/04	1,620	Substance Abuse
Desk/FUTURES	06/02/04	1,261	Substance Abuse
Desk/FUTURES	06/02/04	1,218	Substance Abuse
Office Chairs/FUTURES	06/02/04	636	Substance Abuse
Tables/FUTURES	06/02/04	575	Substance Abuse
Chairs/FUTURES	06/02/04	2,752	Substance Abuse
Dell Laptop	06/03/04	1,913	Substance Abuse
Chairs/FUTURES	06/08/04	792	Substance Abuse
Compac Presario	06/21/04	740	Substance Abuse
Compac Presario	06/21/04	740	Substance Abuse
Compac Presario/FUTURES	06/21/04	740	Substance Abuse
Compac Presario/FUTURES	06/21/04	740	Substance Abuse
Cabinets/FUTURES	06/22/04	412	Substance Abuse
Mouthpiece Sensors	06/23/04	2,523	Substance Abuse
Mattresses for FUTURES	06/23/04	893	Substance Abuse
TV/VCR/Intercom/FUTURES	07/09/04	2,526	Substance Abuse
Exercise Equipment/FUTURES	07/27/04	705	Substance Abuse
ASI Program/FUTURES	08/23/04	550	Substance Abuse
Computer/FUTURES	08/25/04	498	Substance Abuse
LCD Monitor	02/09/05	400	Substance Abuse
Pool Table/FUTURES	02/09/05	475	Substance Abuse
Desktop Computer	03/07/05	343	Substance Abuse
Compressor	04/25/05	1,098	Substance Abuse
13' Floor Buffer/FUTURES	04/29/05	765	Substance Abuse
Desk Chairs/FUTURES	05/12/05	558	Substance Abuse
		\$ 85,023	

See Independent Auditors' Report.

LOGAN MINGO AREA MENTAL HEALTH

SCHEDULE OF BHHF FUNDING STATUS

Year Ending June 30, 2008

<u>State Account Number</u>	<u>Current Year Award Amount</u>	<u>Extended From Prior Year</u>	<u>Refundable Advances June 30, 2007</u>	<u>Amount Earned and Billed</u>
0525-2008-3701-219-252	\$ 128,000	\$ -	\$ -	\$ 88,429
0525-2008-3702-219-252	88,070	-	-	66,952
0525-2008-2851-219-252	122,486	-	-	122,486
0525-2008-2851-219-252	94,848	-	-	94,848
0525-2008-2851-219-252	25,000	-	-	25,000
0525-2008-2867-219-252	71,181	-	-	71,181
0525-2008-2885-219-252	87,000	-	-	87,000
0525-2008-2891-219-252	375,000	-	-	375,000
0525-2008-3041-219-252	161,411	-	-	161,411
0525-2008-3065-219-252	755,122	-	-	755,122
0525-2008-2870-221-252	70,912	-	-	70,912
8794-2008-2914-096-128	47,187	-	-	-
8793-2008-2885-096-128	50,393	-	-	50,393
8793-2008-2891-096-128	25,000	-	-	25,000
8793-2008-2892-096-128	<u>38,000</u>	<u>-</u>	<u>-</u>	<u>38,000</u>
	<u>\$ 2,139,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,031,734</u>

<u>Refundable Advances June 30, 2008</u>	<u>Amount Not Billed</u>	<u>Amount Collected</u>
\$ -	\$ 39,571	\$ 79,000
-	21,118	57,947
-	-	112,279
-	-	86,944
-	-	25,000
-	-	65,249
-	-	63,789
-	-	333,516
-	-	147,960
-	-	692,195
-	-	63,856
-	47,187	-
-	-	50,393
-	-	21,855
<u>-</u>	<u>-</u>	<u>38,000</u>
<u>\$ -</u>	<u>\$ 107,876</u>	<u>\$ 1,837,983</u>

LOGAN MINGO AREA MENTAL HEALTH
OFFICE OF BEHAVIORAL HEALTH SERVICES
SCHEDULE OF STANDARDIZED FINANCIAL STATEMENTS - BALANCE SHEET
FOR COMPREHENSIVE AND MR/DD FACILITIES
ACCRUAL BASIS

June 30, 2008

ASSETS:

CURRENT ASSETS		
1.	Cash	\$ 137,346
2.	Short-term investments	202,405
3.	Accounts receivable - OBHS	189,171
4.	Accounts receivable - Client	48,448
5.	Accounts receivable - Medicaid	167,659
6.	Accounts receivable - Medicaid MR/DD Waiver	308,468
7.	Accounts receivable - Other	54,806
8.	Inventory	-
9.	Prepaid/Other	<u>21,240</u>
10.	TOTAL CURRENT ASSETS	<u>1,129,543</u>
	(Total of lines 1-9)	

NON-CURRENT ASSETS:

FIXED ASSETS		
11.	Property, land, and equipment - OBHS	2,611,043
12.	Less accumulated depreciation	(1,780,214)
13.	Property, land, and equipment - Other	595,569
14.	Less accumulated depreciation	<u>(352,084)</u>
15.	Total property, land, and equipment (NET)	<u>1,074,314</u>
OTHER NON-CURRENT ASSETS		
16.	Long-term investments	484,688
17.	Other	-
18.	TOTAL ASSETS	<u>\$ 2,688,545</u>
	(Total of lines 10, 15, 16, and 17)	

(Continued)

LOGAN MINGO AREA MENTAL HEALTH
OFFICE OF BEHAVIORAL HEALTH SERVICES
SCHEDULE OF STANDARDIZED FINANCIAL STATEMENTS - BALANCE SHEET
FOR COMPREHENSIVE AND MR/DD FACILITIES
ACCRUAL BASIS
(Continued)

June 30, 2008

LIABILITIES:

CURRENT LIABILITIES		
19	Accounts payable	\$ 34,961
20	Taxes payable	5,274
20A	Provider taxes payable	-
21	Line of credit - payable	-
22	Short-term notes payable	44,497
23	Accrued expenses	268,182
24	Other current liabilities	-
25	TOTAL CURRENT LIABILITIES	<u>352,914</u>
	(Total of lines 19 through 24)	
LONG-TERM LIABILITIES		
26	Long-term notes payable	-
27	Other long-term liabilities	-
28	TOTAL LIABILITIES	<u>352,914</u>
	(Total of lines 25, 26, and 27)	

NET ASSETS

29	Unrestricted net assets	2,335,631
30	Temporarily restricted net assets	-
31	Permanently restricted net assets	-
32	TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,688,545</u>
	(Total of lines 28 through 31)	

See Independent Auditors' Report.

LOGAN MINGO AREA MENTAL HEALTH
OFFICE OF BEHAVIORAL HEALTH SERVICES

SCHEDULE OF STANDARDIZED FINANCIAL STATEMENTS -
STATEMENT OF ACTIVITY
FOR COMPREHENSIVE AND MR/DD FACILITIES
ACCRUAL BASIS

Year Ended June 30, 2008

REVENUE AND SUPPORT:

1.	Charity care	\$ (221,747)
1a	Charity care - Account 4311 1	(200,220)
1b	Charity care - Account 4311 2	-
1c	Charity care - Account 4312 1	-
1d	Charity care - Account 4312.2	(86,916)
1e	Charity care - Account 4314.1	(114,037)
1f	Charity care - Account 4314.2	(82,632)
1g	Charity care - Account 4315.1	(250,700)
1h	Contractual write-off charity - Account 4337 1	873,620
1i	Charity care revenue - Account 4329	82,632
1j	Support/alternative svcs rev. - Account 4358	-
	Total (should equal zero)	-
2.	Gross client service revenue	4,999,653
3	Contractual adjustments (target funds)	-
3a	Contractual adjustments (non-target funds)	(744,108)
5	Net client service revenue	<u>4,255,545</u>
6	Medicaid (target funds)	-
6a.	Medicaid (non-target funds)	645,714
7.	Medicaid MR/DD waiver (non-target funds)	3,009,616
8.	ICF/MR (non-target funds)	-
9.	Private pay (non-target funds)	135,029
9a	Private pay (OBHS target funds)	-
9b.	Private pay (OBHS non-target funds)	-
10.	Other client service revenue (target funds)	47,250
10a	Other client service revenue (non-target funds)	<u>417,936</u>
11.	Total net client service revenue (Line 11 must agree with line 5)	4,255,545
12	OBHS support	2,031,734
13	Other/public support	30,219
14	Other	<u>84,995</u>
15.	TOTAL REVENUE AND SUPPORT (Total of line 11 through line 14)	<u>\$ 6,402,493</u>

(Continued)

LOGAN MINGO AREA MENTAL HEALTH
OFFICE OF BEHAVIORAL HEALTH SERVICES

SCHEDULE OF STANDARDIZED FINANCIAL STATEMENTS -
STATEMENT OF ACTIVITY
FOR COMPREHENSIVE AND MR/DD FACILITIES
ACCRUAL BASIS
(Continued)

Year Ended June 30, 2007

EXPENSES:

16.	Salaries	\$ 3,208,897
17	Fringe benefits	1,109,047
18	Contractual services	1,436,466
19	Provider tax	72,186
19a	Bad debts	32,994
19b	Bad debts (BHHF target funds)	-
19c	Bad debts (BHHF non-target funds)	-
20.	Depreciation expense	123,137
21	Other expenses	<u>709,151</u>
22.	TOTAL EXPENSES	<u>6,691,878</u>
	(Total of line 16 through line 21)	
23	NET INCOME LOSS	<u>\$ (289,385)</u>
	(Line 15 minus line 22)	

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
Logan-Mingo Area Mental Health, Inc.
Logan, West Virginia

We have audited the financial statements of Logan-Mingo Area Mental Health, Inc. (the Center) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 22, 2008. 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 Center'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 Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider 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 consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2008-1 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is a material weakness.

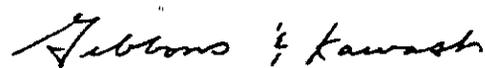
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Center in a separate letter dated October 22, 2008.

The Center's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Center'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, 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.



October 22, 2008

LOGAN-MINGO AREA MENTAL HEALTH, INC.

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2008

2008-1 Journal Entry ProceduresCondition:

Currently, the Center does not have policies or procedures in place to perform an internal review of the general journal entries prepared by the contract accountant.

Criteria:

A basic premise of internal control is that each element of financial reporting should be reviewed by someone other than the preparer, and the review procedures should be designed to detect material misstatements in the financial statements.

Effect:

The Center is susceptible to the risk that errors in general journal entries, whether intentional or unintentional, could be made and not detected in a timely manner.

Cause:

Management does not perform a detailed review of the general journal entries prepared by the contract accountant.

Recommendation:

We recommend that management review all significant general journal entries and supporting documentation prepared by the contract accountant to assist in ensuring that the financial reports that are generated from the Center's records are complete and accurate.

Management's Response:

The Executive Director will discuss, review, and document his approval of all general journal entries proposed by the contract accountant prior to posting the entries to the general ledger.

October 22, 2008

To the Board of Directors
Logan-Mingo Area Mental Health, Inc.
Logan, West Virginia

In planning and performing our audit of the financial statements of Logan-Mingo Area Mental Health, Inc. (the Center) as of and for the year ended June 30, 2008, we considered the Center's internal control to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Center's internal control in our report dated October 22, 2008. This letter does not affect our report dated October 22, 2008, on the Center's financial statements. Our comments are summarized as follows:

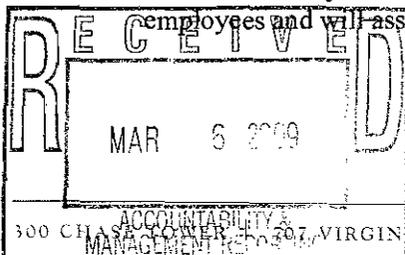
DISASTER RECOVERY PLAN

We understand that the Center currently has policies and procedures in place to ensure routine back-ups of data files, but a Formal Disaster Recovery plan is not in effect. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing facilities. We suggest that management develop a disaster recovery plan that includes, but is not limited to, the following matters:

- A listing of all data files that would have to be obtained from the off-site storage location
- Identification of a back-up location (name and telephone number) with similar or compatible equipment for emergency processing (Management should make arrangements in writing for such back-up with another company, a computer vendor, or a service center)
- Responsibilities of various personnel in an emergency
- Priority of critical applications and reporting requirements during the emergency period

ACCOUNTING MANUAL

During our audit, we noted that the Center does not have a manual of accounting policies and procedures. The purposes of such a manual are to ensure that proper accounting principles are being applied, that similar transactions are treated consistently, and that financial reports are produced in the form desired by management. A well-written accounting manual will aid in the training of new employees and will assist management in delegating and segregating duties. The manual should include:



To the Board of Directors

Page 2

October 22, 2008

- An organizational chart
- Job descriptions, outlining duties and responsibilities
- Descriptions of methods, procedures and accounting principles to be followed including explanations and examples of principal transactions
- A chart of accounts with detailed explanation of the items to be included therein
- Any other documents or forms for which uniformity of use is desired

We recommend that a comprehensive accounting policies and procedures manual be developed. In the process of developing the manual, we recommend a comprehensive review of the existing accounting system, offering management the opportunity to eliminate or improve procedures and thereby create a more efficient and effective system.

NEW IRS REPORTING REQUIREMENTS

The IRS has recently released a final draft of the revised Form 990, which the Center will be required to submit for the year ended June 30, 2009. The revised form was designed to enhance transparency, and includes a new section designed to provide the reader with an understanding of the organization's policies and procedures on governance, management, and financial reporting. Exempt organizations will be required to address such matters as whether they have a whistleblower policy, whether the governing body has a policy for reviewing the Form 990 before it is filed, and how the compensation of key executives was determined. While many of the questions pertain to matters which represent best practices rather than IRS compliance requirements, we recommend that management review the new form and consider whether changes to existing policies and procedures are warranted, considering the public availability of the Center's Form 990.

We will review the status of these comments during our next audit engagement. We have already discussed these suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, and state and federal grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Heblons & Kawash

