

**RIVER VALLEY CHILD
DEVELOPMENT SERVICES
(A NON-PROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS WITH
ADDITIONAL INFORMATION**

YEARS ENDED JUNE 30, 2009 AND 2008

DHHR - Finance

MAR - 8 2010

Date Received

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
FINANCIAL STATEMENTS WITH
ADDITIONAL INFORMATION
YEARS ENDED JUNE 30, 2009 AND 2008**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
River Valley Child Development Services
Huntington, West Virginia

We have audited the accompanying statements of financial position of River Valley Child Development Services (a non-profit organization) as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our 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 the 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 River Valley Child Development Services as of June 30, 2009 and 2008, 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 9, 2009, on our consideration of River Valley Child Development Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of River Valley Child Development Services taken as a whole. The accompanying schedules of functional expenses and expenditures of state awards, as presented in the schedule of expenditures of federal and state awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Organization. The accompanying schedule of expenditures of federal awards, as presented in the schedule of expenditures of federal and state awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also 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.

Warr & Hall PLLC

Huntington, West Virginia
October 9, 2009

DHHR - Finance

MAR - 8 2010

Date Received

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash	\$ 1,289,188	\$ 1,484,487
Certificate of deposit	4,868	4,868
Accounts receivable	20,796	16,853
Grants receivable	196,723	44,413
Other receivable	216,649	235,025
Inventory	1,238	1,238
Prepaid expenses	252,315	236,759
Property and equipment, net	<u>1,038,802</u>	<u>919,644</u>
TOTAL ASSETS	\$ <u>3,020,579</u>	\$ <u>2,943,287</u>
LIABILITIES		
Accounts payable	\$ 906,661	\$ 309,171
Accrued and withheld payroll taxes	93,851	52,784
Accrued payroll and compensated absences	309,517	274,648
Deferred revenue	471,572	901,408
Due to Cabell County Board of Education	613,123	793,123
Notes payable	42,518	51,963
Capital lease obligation	<u>2,804</u>	<u>20,391</u>
TOTAL LIABILITIES	<u>2,440,046</u>	<u>2,403,488</u>
NET ASSETS		
Unrestricted:		
Operating (deficit)	(567,221)	(378,795)
Designated by Board for Training	136,071	71,304
Property and equipment	993,480	847,290
Temporarily restricted	<u>18,203</u>	<u>-0-</u>
TOTAL NET ASSETS	<u>580,533</u>	<u>539,799</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>3,020,579</u>	\$ <u>2,943,287</u>

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2009 AND 2008**

	2009			<u>Total</u>
	<u>Unrestricted</u>		<u>Temporarily</u>	
	<u>Operations</u>	<u>Fixed Assets</u>	<u>Restricted</u>	
SUPPORT, REVENUE, AND RECLASSIFICATIONS				
Grant revenue	\$ 6,248,398	\$ 219,378	\$ -0-	\$ 6,467,776
Tuition	352,064	-0-	-0-	352,064
Day care subsidies	338,186	-0-	-0-	338,186
Part C/CFO	614,316	-0-	-0-	614,316
Fees	241,041	-0-	-0-	241,041
Interest income	7,624	-0-	-0-	7,624
Retirement plan forfeitures	-0-	-0-	-0-	-0-
Other	92,364	-0-	45,000	137,364
Net assets released from restrictions:				
Satisfaction of purpose restriction	<u>26,797</u>	<u>-0-</u>	<u>(26,797)</u>	<u>-0-</u>
TOTAL SUPPORT, REVENUE, AND RECLASSIFICATIONS	<u>7,920,790</u>	<u>219,378</u>	<u>18,203</u>	<u>8,158,371</u>
EXPENSES				
Program services				
Child Development Programs	3,583,151	90,067	-0-	3,673,218
Child Care Resource and Referral	3,359,966	17,738	-0-	3,377,704
Family Day Care Food Program	<u>537,256</u>	<u>-0-</u>	<u>-0-</u>	<u>537,256</u>
TOTAL PROGRAM SERVICES	7,480,373	107,805	-0-	7,588,178
Supporting services				
Management and general	<u>529,459</u>	<u>-0-</u>	<u>-0-</u>	<u>529,459</u>
TOTAL EXPENSES	<u>8,009,832</u>	<u>107,805</u>	<u>-0-</u>	<u>8,117,637</u>
Change in net assets	(89,042)	111,573	18,203	40,734
NET ASSETS, BEGINNING OF YEAR	(307,491)	847,290	-0-	539,799
Transfer in (out)	<u>(34,617)</u>	<u>34,617</u>	<u>-0-</u>	<u>-0-</u>
NET ASSETS, END OF YEAR	\$ <u>(431,150)</u>	\$ <u>993,480</u>	\$ <u>18,203</u>	\$ <u>580,533</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

2008

<u>Unrestricted</u>		<u>Temporarily Restricted</u>	<u>Total</u>
<u>Operations</u>	<u>Fixed Assets</u>		
\$ 6,134,692	\$ 18,933	\$ -0-	\$ 6,153,625
367,105	-0-	-0-	367,105
301,807	-0-	-0-	301,807
650,228	-0-	-0-	650,228
238,915	-0-	-0-	238,915
16,621	-0-	-0-	16,621
112,193	-0-	-0-	112,193
87,703	-0-	-0-	87,703
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>7,909,264</u>	<u>18,933</u>	<u>-0-</u>	<u>7,928,197</u>
3,563,924	88,120	-0-	3,652,044
3,137,405	20,504	-0-	3,157,909
<u>572,417</u>	<u>-0-</u>	<u>-0-</u>	<u>572,417</u>
7,273,746	108,624	-0-	7,382,370
<u>545,690</u>	<u>6,436</u>	<u>-0-</u>	<u>552,126</u>
<u>7,819,436</u>	<u>115,060</u>	<u>-0-</u>	<u>7,934,496</u>
89,828	(96,127)	-0-	(6,299)
(364,544)	910,642	-0-	546,098
<u>(32,775)</u>	<u>32,775</u>	<u>-0-</u>	<u>-0-</u>
\$ <u>(307,491)</u>	\$ <u>847,290</u>	\$ <u>-0-</u>	\$ <u>539,799</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 40,734	\$ (6,299)
Adjustments to reconcile change in net assets to net cash provided by Operating activities:		
Depreciation	107,805	115,060
Loss on disposal of fixed assets	-0-	931
(Increase) decrease in operating assets:		
Accounts receivable	(3,943)	2,788
Grants receivable	(152,310)	129,438
Other receivables	18,376	(819)
Inventory	-0-	304
Prepaid expenses	(15,556)	(60,287)
Increase (decrease) in operating liabilities:		
Accounts payable	597,490	66,365
Accrued and withheld payroll taxes	41,067	(27,691)
Accrued payroll and compensated absences	34,869	20,293
Deferred revenue	<u>(429,836)</u>	<u>537,518</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>238,696</u>	<u>777,601</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (increase) in certificates of deposit	-0-	(163)
Purchase of property and equipment	<u>(226,963)</u>	<u>(20,617)</u>
NET CASH (USED IN) INVESTING ACTIVITIES	<u>(226,963)</u>	<u>(20,780)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on due to Cabell County Board of Education	(180,000)	(180,000)
Proceeds from notes payable	-0-	51,963
Principal payments on notes payable	(9,445)	(59,480)
Payments on capital lease obligation	<u>(17,587)</u>	<u>(24,505)</u>
NET CASH (USED IN) FINANCING ACTIVITIES	<u>(207,032)</u>	<u>(212,022)</u>
(DECREASE) INCREASE IN CASH	(195,299)	544,799
CASH AT BEGINNING OF YEAR	<u>1,484,487</u>	<u>939,688</u>
CASH AT END OF YEAR	\$ <u>1,289,188</u>	\$ <u>1,484,487</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ <u>28,951</u>	\$ <u>12,063</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF ORGANIZATION

River Valley Child Development Services is a nonprofit corporation incorporated in the State of West Virginia. The Organization administers three (3) major programs in the area of child development in the tri-state area.

Child Development Programs: This project consists of several smaller projects including two (2) Regional Administrative Units for the West Virginia Birth to Three Program (formerly Early Intervention), three (3) child care centers, five (5) after-school programs, the Apprenticeship for Child Development Services program, the Early Education Training Connections and Resources (ICR), and the Comprehensive System for Professional Development (CSPD). These projects were funded primarily by various grants from the West Virginia Department of Education, West Virginia Department of Health and Human Resources, tuition from parents, day care subsidies, fees, and administration contracts for services provided to other local nonprofit agencies.

Child Care Resource and Referral: River Valley Child Development Services serves Region II, III and IV. This project provides a resource and referral service to parents who need child care, technical assistance to providers of child care, and provides the brokering of state assisted payments to providers for families who meet eligibility requirements. This project is funded entirely by grants from the Department of Health and Human Resources, Social Services Division.

Family Day Care Food Program: This program provides reimbursement for meals served to children by providers of in-home child care. River Valley Family Day Care receives funds for payment of these reimbursements as well as an administrative fee for administering and monitoring the program. This project is funded by the USDA Food Reimbursement Program.

BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

SUPPORT AND REVENUE

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Grants received by the Organization which are restricted for specific purposes are reported as revenue when qualifying expenses have been incurred. Grant funds received in advance of incurring qualifying expenses are recorded as deferred revenue.

Other revenue is recognized when the services have been provided.

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

INVENTORY

Inventory is stated at the lower of cost, determined by the first-in, first-out method, or market.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost. Asset purchases greater than \$3,000 and those which substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are charged to operations when incurred. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Property and equipment acquired by River Valley Child Development Services is considered to be owned by River Valley Child Development Services. However, funding sources may maintain a reversionary interest in the property and equipment purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets.

The net fixed asset balance has been recorded as a separate component in unrestricted net assets.

DEPRECIATION

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight line method. The useful lives of property and equipment for purposes of computing depreciation are:

Buildings	20 years
Building improvements	13 to 15 years
Furniture and equipment	2 to 10 years
Vehicles	5 years

INCOME TAXES

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

ADVERTISING COSTS

Advertising costs totaling \$21,388 and \$22,292 for 2009 and 2008, respectively, are charged to operations when incurred.

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Land	\$ 284,974	\$ 284,974
Buildings	1,399,055	1,399,055
Building improvements	15,996	15,996
Furniture and equipment	1,197,501	969,364
Vehicles	55,369	55,369
Property held under capital leases	<u>49,198</u>	<u>50,372</u>
	3,002,093	2,775,130
Less: accumulated depreciation	<u>(1,963,291)</u>	<u>(1,855,486)</u>
Property and equipment, net	\$ <u>1,038,802</u>	\$ <u>919,644</u>

Depreciation expense for the years ended June 30, 2009 and 2008 totaled \$107,805 and \$115,060, respectively.

NOTE 3 - NOTES PAYABLE

Notes payable at June 30, 2009 and 2008 are summarized as follows:

	<u>2009</u>	<u>2008</u>
Huntington National Bank - Original face \$51,963, payable in 59 monthly installments of \$1,014 including interest at 6.5%, with one final payment of the balance due in May, 2013, secured by commercial security agreement for all current and future assets of the Organization	\$ <u>42,518</u>	\$ <u>51,963</u>
Total	\$ <u>42,518</u>	\$ <u>51,963</u>

Following are maturities of notes payable at June 30, 2009 for each of the next four years and in the aggregate:

<u>Years Ending June 30,</u>	<u>Amount</u>
2010	\$ 10,252
2011	10,382
2012	11,077
2013	<u>10,807</u>
Total	\$ <u>42,518</u>

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 3 - NOTES PAYABLE (CONTINUED)

As of June 30, 2009, the Organization had a \$500,000 unused line of credit with a local bank to be drawn upon as needed with a variable interest rate based on the bank's prime rate.

Interest expense on notes payable for the years ended June 30, 2009 and 2008 totaled \$3,169 and \$5,248, respectively

NOTE 4 - DUE TO CABELL COUNTY BOARD OF EDUCATION

The Cabell County Board of Education served as River Valley Child Development Services' fiscal agent from its inception up to the fiscal year ended June 30, 1998 (approximately 27 years). During this time, River Valley Child Development Services incurred indebtedness to the Board of Education totaling \$2,885,238 resulting from expenditures in excess of revenues. Beginning in fiscal year ended June 30, 1999, River Valley Child Development Services began repaying this debt in interest-free monthly installments pursuant to a verbal agreement with the Board of Education. On December 20, 2001, River Valley Child Development Services entered into a written agreement with the Cabell County Board of Education for debt repayment. At the date of the written agreement, the principal amount of the indebtedness was \$1,978,123. The balance is to be paid in interest-free monthly installments of \$15,000 until the over advances are repaid in full. This agreement is secured by deeds of trust on River Valley Child Development Services' properties as well as security agreements on the Organization's account receivable, cash deposits, certificates of deposit, and motor vehicles. The balance of the liability at June 30, 2009 and 2008 was \$613,123 and \$793,123, respectively.

Following are maturities of the indebtedness of the Cabell County Board of Education at June 30, 2009 for each of the next four years and in aggregate:

<u>Years Ending June 30,</u>	<u>Amount</u>
2010	\$ 180,000
2011	180,000
2012	180,000
2013	<u>73,123</u>
Total	\$ <u>613,123</u>

NOTE 5 - CAPITAL LEASES

The Organization is the lessee of copiers under capital leases expiring in 2010. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense for 2009 and 2008.

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 5 - CAPITAL LEASES (CONTINUED)

Minimum future lease payments under capital leases as of June 30, 2009 for the next year are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2010	\$ <u>3,066</u>
Total minimum lease payments	3,066
Less: Amount representing interest	<u>(262)</u>
Present value of net minimum lease payment	\$ <u>2,804</u>

Interest rates on the capitalized leases vary from 8.25% to 26.8% and are generally imputed based on the lower of the Organization's incremental borrowing rate at the inception of the leases or the lessor's implicit rate of return

Following is a summary of property held under capital leases:

	<u>2009</u>	<u>2008</u>
Copiers	\$ 49,198	\$ 50,372
Less: Accumulated depreciation	<u>(46,393)</u>	<u>(30,625)</u>
Net	\$ <u>2,805</u>	\$ <u>19,747</u>

Interest expense on capital leases for the years ended June 30, 2009 and 2008 totaled \$3,816 and \$6,815, respectively

NOTE 6 - OPERATING LEASES

The Organization leases office and storage space at various locations under operating leases expiring in various years through 2019. Total rent expense charged to operations resulting from these lease agreements for the years ended June 30, 2009 and 2008 amounted to \$450,198 and \$429,246, respectively

Certain operating leases provide for renewal options for periods of one to ten years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases

The Organization also leases copiers and other equipment under operating leases expiring in various years through 2013. Total rent expense charged to operations resulting from these lease agreements for the years ended June 30, 2009 and 2008 amounted to \$57,422 and \$37,627, respectively

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 6 - OPERATING LEASES (CONTINUED)

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2009 for each of the next five years and in the aggregate are:

<u>Year Ended June 30,</u>	<u>Amount</u>
2010	\$ 325,706
2011	314,570
2012	303,299
2013	302,877
2014	311,063
Thereafter	<u>1,340,412</u>
Total minimum future rental payments	<u>\$ 2,897,927</u>

NOTE 7 - RETIREMENT PLANS

The Organization participates in the State of West Virginia Teachers Retirement Plan. This is a statewide, cost-sharing, multi-employer plan which consists of two components: the Teachers' Defined Benefit Retirement System and the Teachers' Defined Contribution Retirement System. For the years ended June 30, 2009 and 2008, the Organization's total payroll for all employees was \$3,387,770 and \$3,251,192, respectively, and the payroll was \$365,929 and \$445,720 respectively, for employees covered by the two retirement programs

The Teachers' Defined Benefit Retirement System covers employees hired prior to July 1, 1991. Under this plan, the participants contribute 6% of their salary and the Organization contributes 15% of the participants' salary. In addition, as of July 1, 2008, members of the Defined Contribution Plan who elected to transfer to the Defined Benefit Plan as prescribed by HB101 passed during the 2008 legislative session were able to transfer from the Teachers' Defined Contribution Retirement System to the Teachers' Defined Benefit Retirement System. Under this plan, the participants contribute 6% of their salary and the Organization contributes 7.5% of the participants' salary. Total payments reflected in the Organization's accounting records for the Defined Benefit Plans for the years ended June 30, 2009 and 2008 were:

	<u>2009</u>	<u>2008</u>
Employees' Contribution (6%)	\$ 14,483	\$ 14,630
Employer's Contribution (15% or 7.5%)	<u>34,289</u>	<u>36,576</u>
Total Contribution	<u>\$ 48,772</u>	<u>\$ 51,206</u>

The Teachers' Defined Contribution Retirement System covers employees hired after July 1, 1991 and before July 1, 2005. Employees covered under the Teachers' Defined Benefit Retirement System can freeze their benefits in that plan and become a participant of this plan. Participants with less than five years of service in the old Defined Benefit Plan may change to this plan and transfer the funds that were deposited in the old plan to this plan. Under this plan, the participant contributes 4.5% of their salary and the Organization contributes 7.5% of the participants salary. Total payments reflected in the Organization's accounting records for the Defined Contribution Plan for the years ended June 30, 2009 and 2008 were:

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 7 - RETIREMENT PLANS (CONTINUED)

	<u>2009</u>	<u>2008</u>
Employees' Contribution (4.5%)	\$ 5,371	\$ 9,085
Employer's Contribution (7.5%)	<u>8,952</u>	<u>15,141</u>
Total Contribution	\$ <u>14,323</u>	\$ <u>24,226</u>

Historical trend information relating to the accumulation of assets and the unfunded liability of the plans is available from the Consolidated Public Retirement Board

When a member of the Teacher's Defined Contribution Plan leaves employment for a period longer than thirty days, the non-vested portion of the employer's contributions are placed in a suspension account within the plan and held for a five year period. If the member is not rehired by the participating employer of the Teacher's Defined Contribution Plan within that five year period, those non-vested contributions shall become forfeited by the member back to the originating employer. Forfeited funds are available only for reducing future employer's contributions to the Teacher's Defined Contribution Plan. Total forfeitures during fiscal years ended June 30, 2009 and 2008 amounted to \$-0- and \$112,193, respectively

Effective July 1, 2005, new employees participate in the TIAA-CREF retirement plan. This is a 403(b) defined contribution plan. Current participants in the Teachers Defined Contribution Plan have the option of remaining in that plan, or moving to the TIAA-CREF plan. All vested portions of their individual accounts will roll over to TIAA-CREF. If still employed by River Valley Child Development Services five years after the rollover, upon receipt of the unvested portions of the individual accounts from the TDC suspension account, these allocations will be deposited to the individual TIAA-CREF accounts

Under the new TIA-CREF plan, participants contribute a minimum of 3% and a maximum of 10% of their salary. River Valley Child Development Services matches the employee contribution 1:1 up to a maximum of 6%

Retirement expense for the fiscal year ended June 30, 2009 and 2008 under this plan amounted to \$124,044 and \$112,673, respectively

NOTE 8 - CONCENTRATION OF CREDIT RISK

River Valley Child Development Services is a non-profit organization that provides child development services, child care resource and referral services, and family day care food reimbursements in Huntington, West Virginia and the surrounding areas. The Organization provides these services which are reimbursed by various third parties as well as the recipients of such services without requiring collateral. Accounts receivable have been adjusted for all known bad debts and an allowance is not considered necessary

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 8 - CONCENTRATION OF CREDIT RISK (CONTINUED)

The Organization maintains cash balances at a local banking institution. As of June 30, 2009, all of the Organization's cash balances at this institution were insured by the Federal Deposit Insurance Corporation under the Transaction Account Guarantee Program. As of June 30, 2008, accounts at this institution were insured by the Federal Deposit Insurance Corporation up to \$100,000. The Organization had gross bank balances of \$1,661,749 at the banking institution at June 30, 2008.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2009</u>	<u>2008</u>
T E A C H Program	\$ <u>18,203</u>	\$ <u>-0-</u>
Total temporarily restricted	\$ <u>18,203</u>	\$ <u>-0-</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Purpose restriction accomplished:

	<u>2009</u>	<u>2008</u>
T E A C H Program	\$ <u>26,797</u>	\$ <u>-0-</u>
Total restrictions released	\$ <u>26,797</u>	\$ <u>-0-</u>

NOTE 10 - CONTINGENCIES

The Organization's programs are generally funded by federal, state, and local sources. Federal and state grants received for specific purposes are subject to audit or review by grantor agencies. Such audits and reviews could result in requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grants. The amount, if any, of expenditures which may be disallowed by grantor agencies cannot be determined at this time, although management believes such amounts, if any, would be immaterial.

The Organization is involved in two legal proceedings involving a former landlord and employee who have asserted damages. Outside counsel for the Organization has advised that at this stage in the proceedings they cannot offer an opinion as to the probable outcome. The Organization believes the legal proceedings are completely without merit and intends to vigorously defend its position.

ADDITIONAL INFORMATION

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2009**

Federal Grantor/Pass-Through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	Pass-through Entity ID <u>Number</u>	<u>Program Period</u>
FEDERAL AWARDS			
Department of Health and Human Services			
Pass through - State of West Virginia, West Virginia Department of Health and Human Resources			
Child Care Development Fund Cluster:			
Child Care Mandatory and Matching Funds	93 596	G080181	07/01/07 - 06/30/08
Child Care Mandatory and Matching Funds	93 596	G090227	07/01/08 - 06/30/09
Child Care Mandatory and Matching Funds	93 596	G080180	07/01/07 - 06/30/08
Child Care Mandatory and Matching Funds	93 596	G090226	07/01/08 - 06/30/09
Child Care Mandatory and Matching Funds	93 596	G080179	07/01/07 - 06/30/08
Child Care Mandatory and Matching Funds	93 596	G090225	07/01/08 - 06/30/09
Child Care Mandatory and Matching Funds	93 596	G090220	07/01/08 - 06/30/09
Child Care and Development Block Grant	93 575	G080181	07/01/07 - 06/30/08
Child Care and Development Block Grant	93 575	G090227	07/01/08 - 06/30/09
Child Care and Development Block Grant	93 575	G080180	07/01/07 - 06/30/08
Child Care and Development Block Grant	93 575	G090226	07/01/08 - 06/30/09
Child Care and Development Block Grant	93 575	G080179	07/01/07 - 06/30/08
Child Care and Development Block Grant	93 575	G090225	07/01/08 - 06/30/09
Child Care and Development Block Grant	93 575	G090220	07/01/08 - 06/30/09
Child Care and Development Block Grant	93 575	G080177	07/01/07 - 06/30/08
Child Care Development Fund Cluster Subtotal			
Head Start	93 600	G080178	07/01/07 - 06/30/08
Total Department of Health and Human Services			
Department of Education			
Pass through - State of West Virginia, West Virginia Department of Education			
Special Education - Preschool Grants	84 173	C281666	07/01/07 - 09/30/08
Special Education - Preschool Grants	84 173	C301213	07/01/08 - 09/30/09
Total Department of Education			
Department of Agriculture			
Pass through - State of West Virginia, West Virginia Department of Education			
Child and Adult Care Food Program	10 558	N/A	07/01/08 - 06/30/09
Total Department of Agriculture			
Total Federal Awards			

Program or Award Amount	Net Assets at June 30, 2008	Receipts or Revenue Recognized	Disbursements/ Expenses		Net Assets at June 30, 2009
\$ 1,197,398	\$ -0-	\$ 28,558	\$ 28,558	1)	\$ -0-
1,289,015	-0-	1,273,567	1,273,567	1)	-0-
1,248,220	-0-	41,894	41,894	1)	-0-
1,350,254	-0-	1,335,414	1,335,414	1)	-0-
1,034,153	-0-	43,646	43,646	1)	-0-
1,123,758	-0-	1,047,799	1,047,799	1)	-0-
1,424,858	-0-	1,071,837	1,071,837	1)	-0-
30,000	-0-	715	715	2)	-0-
30,000	-0-	29,640	29,640	2)	-0-
30,000	-0-	1,007	1,007	2)	-0-
30,000	-0-	29,670	29,670	2)	-0-
30,000	-0-	1,266	1,266	2)	-0-
30,000	-0-	27,972	27,972	2)	-0-
12,000	-0-	9,027	9,027	2)	-0-
262,592	<u>-0-</u>	<u>19,086</u>	<u>19,086</u>	2)	<u>-0-</u>
	-0-	4,961,098	4,961,098		-0-
12,000	<u>-0-</u>	<u>850</u>	<u>850</u>		<u>-0-</u>
	-0-	<u>4,961,948</u>	<u>4,961,948</u>		<u>-0-</u>
148,000	-0-	43,303	43,303	3)	-0-
148,000	<u>-0-</u>	<u>143,756</u>	<u>143,756</u>	3)	<u>-0-</u>
	-0-	<u>187,059</u>	<u>187,059</u>		<u>-0-</u>
585,873	<u>-0-</u>	<u>585,873</u>	<u>585,873</u>		<u>-0-</u>
	-0-	<u>585,873</u>	<u>585,873</u>		<u>-0-</u>
	\$ <u>-0-</u>	\$ <u>5,734,880</u>	\$ <u>5,734,880</u>		\$ <u>-0-</u>

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 YEAR ENDED JUNE 30, 2009**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity ID Number</u>	<u>Program Period</u>
STATE AWARDS			
West Virginia Department of Education			
Technical and Adult Education Incentive - ACDS Program	N/A	C305006	07/01/08 - 06/30/09
West Virginia Department of Health and Human Resources			
West Virginia Birth to Three	N/A	G090036	07/01/08 - 06/30/09
West Virginia Birth to Three	N/A	G090035	07/01/08 - 06/30/09
Child Care Development	N/A	G090220	07/01/08 - 06/30/09
Child Care Development	N/A	G080178	07/01/07 - 06/30/08
Total State Awards			
Total Federal and State Awards			

Combined Expenditures

1) CFDA No. 93 596	\$ 4,842,715
2) CFDA No 93 575	118,383
3) CFDA No 84 173	187,059

Program or Award Amount	Net Assets at <u>June 30, 2008</u>	Receipts or Revenue <u>Recognized</u>	Disbursements/ <u>Expenses</u>	Net Assets at <u>June 30, 2009</u>
\$ 25,000	\$ -0-	\$ 19,109	\$ 19,109	\$ -0-
626,325	-0-	572,622	572,622	-0-
136,178	-0-	136,178	136,178	-0-
3,000	-0-	2,257	2,257	-0-
3,000	<u>-0-</u>	<u>283</u>	<u>283</u>	<u>-0-</u>
	<u>-0-</u>	<u>730,449</u>	<u>730,449</u>	<u>-0-</u>
	\$ <u>-0-</u>	\$ <u>6,465,329</u>	\$ <u>6,465,329</u>	\$ <u>-0-</u>

RIVER VALLEY CHILD DEVELOPMENT SERVICES
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2009

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal and State awards includes the Federal and State grant activity of River Valley Child Development Services and is prepared in conformity with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
SCHEDULES OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2009 AND 2008**

2009

	Program Services				Supporting Services	
	Child Development Programs	Child Care Resource and Referral	Family Day Care Program	Food Program Services	Management and General	Total
Salaries	\$ 1,371,654	\$ 1,664,253	\$ 47,281	\$ 3,083,188	\$ 304,583	\$ 3,387,771
Fringe benefits	384,377	473,656	18,838	876,871	81,628	958,499
Supplies	287,834	337,601	10,723	636,158	19,558	655,716
Telephone	43,807	36,673	6,420	86,900	6,594	93,494
Postage	39,482	36,742	1,161	77,385	2,609	79,994
Rent and occupancy	153,044	336,550	13,699	503,293	66,375	569,668
Printing and advertising	99,845	30,562	524	130,931	2,157	133,088
Travel, conference and training	333,791	114,380	14,166	462,337	7,607	469,944
Other professional services	488,271	39,397	97	527,765	22,976	550,741
Repairs, maintenance and custodial services	74,195	48,218	2,406	124,819	4,028	128,847
Food	82,039	68	-0-	82,107	50	82,157
Resource Materials	24,380	98,471	69	122,920	-0-	122,920
Interest	27,310	1,641	-0-	28,951	-0-	28,951
Property and other taxes	18,947	510	172	19,629	5,079	24,708
Family day care providers	-0-	-0-	419,816	419,816	-0-	419,816
Insurance	35,337	42,243	1,860	79,440	5,714	85,154
Donations	111,986	81,247	-0-	193,233	-0-	193,233
Miscellaneous	<u>6,852</u>	<u>17,754</u>	<u>24</u>	<u>24,630</u>	<u>501</u>	<u>25,131</u>
TOTAL EXPENSES BEFORE DEPRECIATION	3,583,151	3,359,966	537,256	7,480,373	529,459	8,009,832
Depreciation	<u>90,067</u>	<u>17,738</u>	<u>-0-</u>	<u>107,805</u>	<u>-0-</u>	<u>107,805</u>
TOTAL EXPENSES	<u>\$ 3,673,218</u>	<u>\$ 3,377,704</u>	<u>\$ 537,256</u>	<u>\$ 7,588,178</u>	<u>\$ 529,459</u>	<u>\$ 8,117,637</u>

Program Services				Supporting Services	
Child Development Programs	Child Care Resource and Referral	Family Day Care Food Program	Total Program Services	Management and General	Total
\$ 1,318,883	\$ 1,554,028	\$ 50,435	\$ 2,923,346	\$ 327,846	\$ 3,251,192
416,755	488,894	19,257	924,906	58,283	983,189
214,940	256,950	10,723	482,613	29,283	511,896
50,327	35,844	6,337	92,508	5,901	98,409
50,138	46,332	2,400	98,870	2,905	101,775
135,316	306,678	12,109	454,103	51,942	506,045
75,153	29,287	233	104,673	2,432	107,105
337,937	98,312	13,589	449,838	5,109	454,947
453,524	42,133	85	495,742	21,415	517,157
52,356	39,186	539	92,081	11,807	103,888
96,135	557	-0-	96,692	61	96,753
42,790	97,792	49	140,631	1,087	141,718
7,828	2,249	-0-	10,077	1,986	12,063
18,324	1,693	-0-	20,017	4,614	24,631
-0-	-0-	455,153	455,153	-0-	455,153
35,639	43,832	1,484	80,955	18,493	99,448
247,645	76,802	-0-	324,447	-0-	324,447
<u>10,234</u>	<u>16,836</u>	<u>24</u>	<u>27,094</u>	<u>2,526</u>	<u>29,620</u>
3,563,924	3,137,405	572,417	7,273,746	545,690	7,819,436
<u>88,120</u>	<u>20,504</u>	<u>-0-</u>	<u>108,624</u>	<u>6,436</u>	<u>115,060</u>
\$ <u>3,652,044</u>	\$ <u>3,157,909</u>	\$ <u>572,417</u>	\$ <u>7,382,370</u>	\$ <u>552,126</u>	\$ <u>7,934,496</u>

**INDEPENDENT AUDITOR'S REPORTS ON COMPLIANCE
AND ON INTERNAL CONTROL**

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Certified Public Accountants

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

Board of Directors
River Valley Child
Development Services
Huntington, West Virginia

We have audited the financial statements of River Valley Child Development Services (a nonprofit organization) as of and for the years ended June 30, 2009, and have issued our report thereon dated October 9, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered River Valley Child Development Services' 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 River Valley Child Development Services' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one 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 Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 09-1 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 Organization's internal control

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in 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 do not believe the significant deficiency described above is a material weakness

Compliance and Other Matters

As part of obtaining reasonable assurance about whether River Valley Child Development Services' 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*

River Valley Child Development Services' response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit River Valley Child Development Services' 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, others within the organization, 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

Ware & Hall PLLC

Huntington, West Virginia
October 9, 2009

DHHR - Finance

MAR - 8 2010

Date Received

Ware & Hall, PLLC

Certified Public Accountants

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

Board of Directors
River Valley Child
Development Services
Huntington, West Virginia

Compliance

We have audited the compliance of River Valley Child Development Services (a nonprofit organization) with the types of compliance requirements described in the *U S Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. River Valley Child Development Services' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of River Valley Child Development Services' management. Our responsibility is to express an opinion on River Valley Child Development Services' 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 River Valley Child Development Services' 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 River Valley Child Development Services' compliance with those requirements.

In our opinion, River Valley Child Development Services complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 09-2.

Internal Control Over Compliance

The management of River Valley Child Development Services is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered River Valley Child Development Services' internal control over compliance with the 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of River Valley Child Development Services' internal control over compliance.

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described as item 09-2 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

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

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

River Valley Child Development Services' response to the finding identified in our audit is described in the accompanying corrective action plan. We did not audit River Valley Child Development Services' 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, others within the organization, 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.

Wane & Hall PLLC

Huntington, West Virginia
October 9, 2009

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2009**

There were no findings identified in the prior audit

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

A. SUMMARY OF AUDITOR'S RESULTS

- 1) The independent auditor's report expresses an unqualified opinion on the financial statements of River Valley Child Development Services for the year ended June 30, 2009
- 2) One significant deficiency was noted during the audit of the financial statements of River Valley Child Development Services for the year ended June 30, 2009. Significant deficiency 09-1 was not considered to be a material weakness
- 3) No instances of noncompliance material to the financial statements of River Valley Child Development Services for the year ended June 30, 2009 were noted during the audit
- 4) One significant deficiency was identified during the audit of the major federal award programs of River Valley Child Development Services for the year ended June 30, 2009. Significant deficiency 09-2 was not considered to be a material weakness.
- 5) The independent auditor's report on compliance for the major federal award programs for River Valley Child Development Services for the year ended June 30, 2009 expresses an unqualified opinion on all major federal programs
- 6) One audit finding was identified which is required to be reported under § 510(a) of OMB Circular A-133
- 7) The following programs were tested as major programs:

<u>Program</u>	<u>CFDA#</u>
Department of Health and Human Services	
Pass through - State of West Virginia, West Virginia Department of Health and Human Resources	
Child Care Development Fund Cluster:	
Child Care Mandatory and Matching Funds	93.596
Child Care and Development Block Grant	93.575

- 8) The threshold for distinguishing type A and B programs was the greater of \$300,000 or 3% of total federal awards expended by River Valley Child Development Services for the year ended June 30, 2009
- 9) River Valley Child Development Services has qualified as a low risk auditee under § 530 of OMB Circular A-133 for the year ended June 30, 2009

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

B. FINDINGS - FINANCIAL STATEMENT AUDIT

09-1 Procurement

Condition: Several instances were noted during our test of procurement where bidding procedures were not documented. When bids were obtained, we noted instances where the lowest bidder was not selected, however, the justification was not documented.

Criteria: The Organization's procurement policies requires three written bids for all purchases over \$3,000. In addition, OMB Circular A-110 *Uniform Administrative Requirements for Grants and Agreements With Institution of Higher Education, Hospitals, and other Non-Profit Organizations* stipulates that all procurement transactions are to be conducted in a manner to provide, to the maximum extent practical, open and free competition. The award shall be made to the bidder who is most advantageous considering the responsiveness to the solicitation, price, quality, and other factors. Cost or price analysis shall be performed and documented in the procurement files.

Cause: In some instances, the documentation could not be located. In other instances management asserted that they were sole source providers. We also noted a number of instances where documentation was provided by management where they were directed by their funding sources to purchase from a particular vendor.

Effect: Failure to follow proper procurement standards could result in the selection of a vendor whose product is substandard, fails to perform completely and timely, or whose price is not competitive. In addition, such purchases are in noncompliance with the Organization's procurement policies and OMB Circular A-110 and, therefore, could result in unallowable costs.

Recommendation: Adhere to the bidding procedures prescribed by the Organization's procurement policies and OMB Circular A-110 inclusive of the documentation requirements. Document sole source provider purchases and the justification for selecting other than the lowest bidder. Establish procedural guidelines with funding sources who mandate the selection of a particular vendor to ensure compliance with the Organization's procurement policies and OMB Circular A-110.

**RIVER VALLEY CHILD DEVELOPMENT SERVICES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

**West Virginia Department of Health and Human Services:
Pass Through - State of West Virginia, West Virginia
Department of Health and Human Resources**

Child Care Development Fund Cluster

**09- 2 Child Care Mandatory and Matching Funds, CFDA No. 93.596,
Grant No. G090225, G090226, G090227, and G090220
Grant Period 07/01/08 - 06/30/09, and
Child Care and Development Block Grant, CFDA No. 93.575,
Grant No. G090225, G090226, G090227, and G090220,
Grant Period 07/01/08 - 06/30/09**

**Questioned
Costs**

The finding identified in 09-1, Procurement, also applies to these programs.

Questioned costs

Not
Determinable

CORRECTIVE ACTION PLAN

River Valley Child Development Services
 Schedule of Findings and Corrective Action
 Fiscal Year Ended June 30, 2009

<u>Reportable Condition</u>	<u>Corrective Action</u>
<p>09-01 Several instances were noted during our test of procurement where bidding procedures were not documented. When bids were obtained, we noted instances where the lowest bidder was not selected, however, the justification was not documented.</p>	<p>09-01 The Organization will establish policies and procedures for documentation of purchases over the small purchase threshold which will include justification for choice, and will adhere to the bidding procedures prescribed by OMB Circular A-110.</p>
<p>09-02 Finding identified in 09-01 applies to Major Federal Award Programs.</p>	<p>09-02 Same as above.</p>

