

Audited Financial Statements

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

Years Ended June 30, 2009 and 2008



Audited Financial Statements  
VALLEY HEALTHCARE SYSTEM  
Years Ended June 30, 2009 and 2008

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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, 2009 and 2008, 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.

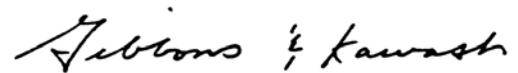
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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, 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 January 29, 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 important for assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Valley HealthCare System taken as a whole. The accompanying schedules of expenditures of state awards, BHHF funding status, BHHF funded fixed assets, and standardized financial statements are presented for purposes of additional analysis as required by the West Virginia Department of Health and

Human Resources, Bureau for Behavioral Health and Health Facilities (BHFF). 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.

A handwritten signature in cursive script that reads "Gibbons & Kawash".

January 29, 2010

VALLEY HEALTHCARE SYSTEM  
STATEMENT OF FINANCIAL POSITION

June 30, 2009 and 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
Current assets:		
Cash and cash equivalents	\$ 55,744	\$ 50,151
Accounts receivable, less allowance for doubtful accounts of \$88,319 in 2009 and \$127,336 in 2008	1,341,188	1,248,131
Grants receivable	503,328	452,036
Prepaid behavioral health provider tax	-	25,394
Prepaid and other assets	<u>73,072</u>	<u>82,400</u>
Total current assets	<u>1,973,332</u>	<u>1,858,112</u>
Property and equipment, less accumulated depreciation and amortization	<u>2,160,249</u>	<u>2,182,640</u>
Investment	<u>12,994</u>	<u>12,994</u>
Total assets	<u>\$ 4,146,575</u>	<u>\$ 4,053,746</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,032,027	\$ 963,181
Line of credit	372,399	154,000
Accrued annual leave and payroll	595,522	568,984
Accrued behavioral health provider tax	4,839	-
Current maturities of Medicaid Waiver liability	59,029	42,194
Current maturities of long-term debt	38,703	26,091
Current obligation under capital lease	41,484	49,610
Deferred revenue	<u>13,077</u>	<u>19,132</u>
Total current liabilities	<u>2,157,080</u>	<u>1,823,192</u>
Postretirement benefit obligation	1,140,557	1,193,845
Long-term debt, less current maturities	552,720	535,055
Medicaid Waiver liability, less current maturities	648,955	707,984
Obligation under capital lease, less current portion	<u>21,518</u>	<u>61,224</u>
Total liabilities	<u>4,520,830</u>	<u>4,321,300</u>
Unrestricted net assets	<u>(374,255)</u>	<u>(267,554)</u>
Total liabilities and net assets	<u>\$ 4,146,575</u>	<u>\$ 4,053,746</u>

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

## VALLEY HEALTHCARE SYSTEM

## STATEMENT OF ACTIVITIES

Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Changes in unrestricted net assets:		
Revenues:		
Net client revenues	\$ 9,633,901	\$ 8,740,063
State and federal grant revenues	4,815,470	4,662,981
Other grants and contracts	193,545	253,206
Other operating income	45,462	72,837
Residential facilities fee	<u>159,918</u>	<u>142,918</u>
	<u>14,848,296</u>	<u>13,872,005</u>
Non-operating revenues and gains:		
Interest	1,201	4,886
Other	<u>2,805</u>	<u>-</u>
	<u>4,006</u>	<u>4,886</u>
Expenses:		
Salaries and wages	7,546,113	7,507,517
Employee benefits	1,661,645	1,637,291
Contract labor and professional fees	2,839,837	2,699,747
Repairs and maintenance	135,672	118,731
Supplies	240,331	244,203
Utilities	458,832	336,191
Staff development and travel	208,072	192,319
Insurance	142,687	148,828
Taxes	356,699	317,320
Depreciation and amortization	294,864	289,320
Bad debt	56,722	66,998
Other	457,131	538,647
Interest expense	103,522	53,500
Postretirement health	8,936	131,434
Equipment rental	65,510	105,954
Rent	<u>382,430</u>	<u>356,172</u>
	<u>14,959,003</u>	<u>14,744,172</u>
Decrease in net assets	(106,701)	(867,281)
Net assets, beginning of year	<u>(267,554)</u>	<u>599,727</u>
Net assets, end of year	<u>\$ (374,255)</u>	<u>\$ (267,554)</u>

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

## VALLEY HEALTHCARE SYSTEM

## STATEMENT OF CASH FLOWS

Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (106,701)	\$ (867,281)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	294,864	289,320
(Gain) Loss on disposal of property and equipment	8,389	-
Provision for bad debts	56,722	66,998
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(149,779)	(387,165)
Grants receivable	(51,292)	(156,241)
Prepaid behavioral health provider tax	25,394	(3,939)
Prepaid and other assets	9,328	141,005
Increase (decrease) in:		
Accounts payable and accrued expenses	68,846	129,017
Accrued behavioral health provider tax	4,839	-
Medicaid Waiver liability	(42,194)	201,712
Accrued annual leave and payroll	26,538	162,510
Postretirement benefit obligation	(53,288)	56,400
Deferred revenue	(6,055)	(30,407)
Net cash provided by (used in) operating activities	<u>85,611</u>	<u>(398,071)</u>
Cash flows used in investing activities:		
Proceeds from dispositions of property and equipment	18,749	-
Purchases of property and equipment	(299,611)	(559,140)
Net cash used in investing activities	<u>(280,862)</u>	<u>(559,140)</u>
Cash flows from financing activities:		
Proceeds from line of credit	218,399	154,000
Proceeds from the issuance of long-term debt	678,047	440,000
Principal payments on long-term debt	(647,770)	(219,628)
Principal payments on capital lease obligations	(47,832)	(55,006)
Net cash provided by financing activities	<u>200,844</u>	<u>319,366</u>
Net increase (decrease) in cash	5,593	(637,845)
Cash, beginning of year	<u>50,151</u>	<u>687,996</u>
Cash, end of year	<u>\$ 55,744</u>	<u>\$ 50,151</u>

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

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2009 and 2008

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

Description of Organization

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

Basis of Accounting

Revenues and expenses are recognized on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred. The Corporation records grant monies received in advance as refundable advances and recognizes 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 \$52,081 and \$44,517 at June 30, 2009 and 2008, respectively.

Property and Equipment

Property and equipment are stated at cost. Major purchases and improvements of \$500 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

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

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Years Ended June 30, 2009 and 2008

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

Net Client Revenues

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

Advertising

Advertising costs, which totaled \$19,819 in 2009 and \$20,503 in 2008, are expensed as incurred.

Use of Estimates

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

Net Assets

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

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 January 29, 2010, which is the date of which the financial statements were available to be issued.

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Years Ended June 30, 2009 and 2008

**2 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following:

	June 30	
	2009	2008
Land and improvements	\$ 547,865	\$ 547,865
Buildings and improvements	3,437,707	3,382,218
Leasehold improvements	280,749	280,749
Furniture and equipment	2,504,035	2,468,224
Construction in progress	32,261	5,867
	6,802,617	6,684,923
Less accumulated depreciation and amortization	(4,642,368)	(4,502,283)
	\$ 2,160,249	\$ 2,182,640

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 \$3,279,730 and \$3,210,044 at June 30, 2009, and \$2,676,937 and \$2,665,565 at June 30, 2008, 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)

Years Ended June 30, 2009 and 2008

**3 - DEBT**

Long-term debt consisted of the following:

	2009	2008
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	\$ 308,943	\$ 325,584
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	226,111	235,562
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	56,369	-
	591,243	561,146
Less current portion	38,703	26,091
	\$ 552,720	\$ 535,055

Maturities of the note payable are as follows:

June 30	
2010	\$ 38,703
2011	41,691
2012	44,867
2013	48,388
2014	49,905
Thereafter	367,869
	\$ 591,423

At June 30, 2009 and 2008, respectively, the Corporation had \$227,601 and \$446,000 available on a \$600,000 line of credit with Branch Banking and Trust. Outstanding balances on the line of credit bear interest at the bank's prime rate plus 1.25% and are secured by the Corporation's Grafton office and all client accounts receivable with a total book value of \$1,193,775 and \$1,017,780 at June 30, 2009 and 2008, 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, 2010.

Cash paid for interest during the years ended June 30, 2009 and 2008, was \$103,522 and \$53,500, respectively.

VALLEY HEALTHCARE SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Years Ended June 30, 2009 and 2008

**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 \$447,940 and \$462,126 for the years ended June 30, 2009 and 2008, respectively.

Future minimum lease payments under operating leases are as follows:

<u>Year Ending June 30,</u>	
2010	\$ 397,460
2011	338,753
2012	207,336
2013	174,289
2014	<u>15,402</u>
	<u>\$ 1,133,240</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, 2009 and 2008, was \$248,194, with accumulated depreciation of \$41,111 and \$29,001, respectively.

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

<u>June 30</u>	
2010	\$ 43,742
2011	<u>21,842</u>
Future minimum lease payments	65,584
Less: Amount representing interest	<u>2,582</u>
Present value of future minimum lease payments	<u>\$ 63,002</u>

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Years Ended June 30, 2009 and 2008

**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>	
2010	\$ 96,495
2011	96,495
2012	96,495
2013	96,495
2014	96,495
Thereafter	<u>426,187</u>
Future minimum payments	908,662
Less: Amount representing imputed interest	<u>200,678</u>
Present value of future payments	<u>\$ 707,984</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, 2009, 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)

Years Ended June 30, 2009 and 2008

## **7 - EMPLOYEE BENEFIT PLANS**

The Corporation participates in the West Virginia Public Employees Retirement System (WVPERS), which is a defined benefit, cost-sharing, multiple employer pension plan. The Plan covers individuals who elected to remain in PERS after the establishment of a defined contribution retirement plan whose annual work hours exceed 1,040 and whose employment is not restricted as temporary or provisional. Members' rights to employee contributions vest immediately while members with one year or more contributing service and five years or more credited service shall be eligible to retire at age 60 or after and to receive an allowance for life based on the benefit program then in effect. The allowance is equal to a benefit percentage multiplied by the final average salary. Contributions to the WVPERS by the Corporation are 10.5% of eligible employees' compensation. In addition, 4.5% is withheld from eligible employees' compensation and remitted on a monthly basis to the WVPERS. The Corporation's contribution requirement was not actuarially determined. Contribution obligations and benefit provisions are statutorily established by the West Virginia Public Employees Retirement Act, as amended. Employer contributions for the years ended June 30, 2009 and 2008, were \$19,050 and \$27,445, 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 \$107,017 and \$106,734 for the years ended June 30, 2009 and 2008, respectively.

### Postretirement Benefit Plans

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

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Years Ended June 30, 2009 and 2008

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

The following represents information relating to the Plan as of June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Benefit obligation at June 30	\$ (1,184,409)	\$ (1,137,445)
Fair value of plan assets at June 30	<u>-</u>	<u>-</u>
Funded status	<u>\$ (1,184,409)</u>	<u>\$ (1,137,445)</u>
Accrued benefit cost recognized in the accompanying balance sheet	<u>\$ (1,140,557)</u>	<u>\$ (1,193,845)</u>
	<u>2009</u>	<u>2008</u>
Weighted-average assumptions as of June 30		
Discount rate	6.25%	6.75%
Expected return on plan assets	7.00%	7.00%
	<u>2009</u>	<u>2008</u>
Benefit cost	\$ 110,793	\$ 100,381
Employer contribution	73,910	82,669
Benefits paid	73,910	82,669

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	\$ 7,714	\$ (6,620)
Effect on accumulated postretirement benefit obligation	123,410	(105,928)

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Years Ended June 30, 2009 and 2008

**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, 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

VALLEY HEALTHCARE SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Years Ended June 30, 2009 and 2008

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

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

The Corporation also received state of West Virginia and federal grant funds passed through the State in the amount of \$4,815,470 and \$4,662,981 at June 30, 2009 and 2008, 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 PARTY**

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

VALLEY HEALTHCARE SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Years Ended June 30, 2009 and 2008

**10 - RELATED PARTY (Continued)**

opportunities and provide a provider network for mental health centers. The Corporation's net investment in First Choice is reflected in the accompanying balance sheets at \$12,994 at June 30, 2009 and 2008. During 2009 and 2008, the Corporation performed services in the normal course of business for First Choice resulting in revenue of \$1,940 and \$3,890 and a receivable of \$1,010 and \$1,590, respectively, at June 30, 2009 and 2008.

**11 - FUNCTIONAL EXPENSES**

The Corporation provides mental health services to residents within Marion, Monongalia, Taylor, and Preston counties in West Virginia. Expenses related to providing these services for the years ended June 30, 2009 and 2008, are as follows:

	2009	2008
Health care services	\$ 12,611,435	\$ 12,151,116
General and administrative	2,347,568	2,593,056
	\$ 14,959,003	\$ 14,744,172

**12 - MANAGEMENT CONTRACT**

During May 2002, the Corporation entered into a management contract with Eastern Panhandle Mental Health Center, Inc., d/b/a Eastridge Health Systems (Eastridge). Under this contract, the Corporation provides administrative systems, accounting, utilization management, and other administrative services for Eastridge. The contract is renewable annually and stipulates a monthly fee of \$7,000 for accounting services along with fees charged per transaction for various management services. During the year ended June 30, 2009 and 2008, the Corporation recognized revenue of approximately \$146,913 and \$203,006, respectively, and has recorded a related receivable at June 30, 2009 and 2008, under the contract of approximately \$133,735 and \$138,366, respectively. 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.

**ACCOMPANYING INFORMATION**

VALLEY HEALTHCARE SYSTEM

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2009

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>
<u>Major Programs</u>		
<u>Department of Health and Human Services:</u>		
Passed through State of West Virginia Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities:		
Federal Block Grants:		
Substance Abuse Services	93.959	8793-2009-2891-096-128-15582 8793-2009-2892-096-128-15582 8793-2009-2885-096-128-15582
Total Major Program		
Substance Abuse and Mental Health Services		
Regional and National Significance	93.243	8723-2009-2885-096-128-16616
<u>Department of Health and Human Services:</u>		
Passed through State of West Virginia Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities:		
Federal Block Grant:		
Mental Health Services	93.958	8794-2009-2851-096-128-15581 8794-2009-2913-096-128-15581
Total Federal Awards		

See Independent Auditors' Report.

<u>Program or Award Amount</u>	<u>Refundable Advances July 1, 2008</u>	<u>Disbursements/ Expenditures</u>	<u>Refundable Advances June 30, 2009</u>
\$ 381,676	\$ -	\$ 381,676	\$ -
231,341	-	199,584	-
<u>204,955</u>	<u>-</u>	<u>134,130</u>	<u>-</u>
817,972	-	715,390	-
<u>265,030</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ 208,533	\$ -	\$ 201,743	\$ -
<u>66,933</u>	<u>-</u>	<u>48,622</u>	<u>-</u>
<u>275,466</u>	<u>-</u>	<u>250,365</u>	<u>-</u>
<u>\$ 1,358,468</u>	<u>\$ -</u>	<u>\$ 965,755</u>	<u>\$ -</u>

## VALLEY HEALTHCARE SYSTEM

## NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2009

**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, 2009

State Grantor/Program Title	State Grantor's Number	Program or Award Amount
<u>West Virginia Department of Health and Human Resources</u>		
Crisis Improvement	0525-2009-2851-219-252/258	\$ 264,409
Case Management	0525-2009-2851-219-252/258	25,000
MH Client Core Services	0525-2009-2851-219-252/258	312,704
SA Adolescent Res. Services	0525-2009-2892-219-252/258	87,698
Family Support	0525-2009-2870-221-252/258	81,285
Uncompensated Care	0525-2009-3065-219-252/258	639,822
Supportive/Alternative Services	0525-2009-3041-219-252/258	449,970
SA Women	0525-2009-2890-219-252/258	249,083
Community Placement	0525-2009-2870-803-252/258	202,100
DD Client Core Services	0525-2009-2870-219-252/258	190,166
Care Coordinators Improvement	0525-2009-3701-219-252/258	383,711
Community Supports Improvement	0525-2009-3702-219-252/258	123,952
Electronic Medical Records	0525-2008-2849-219-252/258	33,500
Forensic Homes	0525-2009-3703-335-252/258	1,178,488
PI Services	0525-2009-2885-219-252/258	<u>58,700</u>
 Total Department of Health and Human Resources		 <u>\$ 4,280,588</u>

See Independent Auditors' Report.

<u>Deferred Revenue July 1, 2008</u>	<u>Disbursements/ Expenditures</u>	<u>Deferred Revenue June 30, 2009</u>
\$ -	\$ 264,409	\$ -
-	25,000	-
-	312,704	-
-	68,339	-
-	81,285	-
-	639,822	-
-	449,970	-
-	249,083	-
-	202,100	-
-	190,166	-
-	383,711	-
-	74,674	-
-	33,500	-
-	797,430	-
-	55,800	-
<u>          </u>	<u>          </u>	<u>          </u>
<u>\$ -</u>	<u>\$ 3,827,993</u>	<u>\$ -</u>

VALLEY HEALTHCARE SYSTEM

SCHEDULE OF BHHF FUNDING STATUS

Year Ended June 30, 2009

<u>State Account Number</u>	<u>Award Amount</u>	Award Deferred	
		<u>Revenue</u>	<u>Amount Earned</u>
		July 1, 2008	
8793-2009-2891-096-128-15582	\$ 381,676	\$ -	\$ 381,676
8793-2009-2892-096-128-15582	231,341	-	199,584
8723-2009-2885-096-128-16616	265,030	-	-
8793-2009-2885-096-128-15582	204,955	-	134,130
8794-2009-2851-096-128-15581	208,533	-	201,743
8794-2009-2914-096-128-15581	66,933	-	48,622
0525-2009-2851-219-252/258	312,704	-	312,704
0525-2009-2851-219-252/258	264,409	-	264,409
0525-2009-2851-219-252/258	25,000	-	25,000
0525-2009-2892-219-252/258	68,339	-	68,339
0525-2009-2892-219-252/258	19,359	-	-
0525-2009-2870-803-252/258	202,100	-	202,100
0525-2009-2870-221-252/258	81,285	-	81,285
0525-2009-3065-219-252/258	639,822	-	639,822
0525-2009-3041-219-252/258	449,970	-	449,970
0525-2009-2890-219-252/258	249,083	-	249,083
0525-2009-2870-219-252/258	190,166	-	190,166
0525-2009-3701-219-252/258	383,711	-	383,711
0525-2009-3702-219-252/258	63,952	-	40,880
0525-2009-3702-219-252/258	60,000	-	33,794
0525-2009-3703-335-252/258	1,178,488	-	797,430
0525-2008-2849-219-252/258	33,500	-	33,500
0525-2009-2885-219-252/258	58,700	-	55,800
Total	<u>\$ 5,639,056</u>	<u>\$ -</u>	<u>\$ 4,793,748</u>

See Independent Auditors' Report.

<u>Amount Billed</u>	<u>Deferred Revenue June 30, 2009</u>	<u>Amount not Billed</u>	<u>Amount Collected in Current Year</u>
\$ 381,676	\$ -	\$ -	\$ 376,228
199,584	-	31,757	190,693
-	-	265,030	-
134,130	-	70,825	129,955
201,743	-	6,790	184,916
48,622	-	18,311	24,541
312,704	-	-	312,704
264,409	-	-	234,665
25,000	-	-	25,000
68,339	-	-	68,339
-	-	19,359	-
202,100	-	-	169,250
81,285	-	-	46,857
639,822	-	-	639,822
449,970	-	-	449,970
249,083	-	-	225,524
190,166	-	-	190,166
383,711	-	-	356,084
40,880	-	23,072	36,915
33,794	-	26,206	27,337
797,430	-	381,058	535,190
33,500	-	-	33,500
55,800	-	2,900	42,764
<u>\$ 4,793,748</u>	<u>\$ -</u>	<u>\$ 845,308</u>	<u>\$ 4,300,420</u>

Valley HealthCare System  
 BHHF Assets - Equipment and Automobiles  
 Cumulative Property Schedule - June 30, 2009

Description	Asset Type	ID	Date	Life	Amount	State Account Number	Serial
Computer - Mitsuba PC - 386 DX 33	Computer	2014	01-Oct-91	5	1,677	Unknown	1061326
Monitor - Mitsuba 14"	Computer	2651	01-Oct-91	5	543	Unknown	S92529
Panasonic KX-P1124	Computer	2854	25-Aug-92	5	671	Unknown	1DMCC13229
Quantex 386 SX/33	Computer	2427	15-May-92	5	919	Unknown	3001599733
Quantex 486 SX/33	Computer	2064	12-Aug-92	5	1,954	Unknown	3001610760
Tatung 14" Monitor	Computer	2063	12-Aug-92	5	291	Unknown	61461840
Quantex 486 SX/33	Computer	3149	12-Aug-92	5	1,954	Unknown	None
Tatung 14" Monitor	Computer	130	12-Aug-92	5	291	Unknown	F335GFKAC
Workstation - L-Shaped Exec. W/5 drawers	Computer	2488	01-Feb-80	10	1,473	Unknown	
Credenza - Wooden W/Shelves	Furniture	2258	01-Jul-80	10	2,598	Unknown	
Desk - Yellow W/Typewriter Space	Furniture	2423	01-Aug-79	10	543	Unknown	
Desk - Orange W/Typewriter Space	Furniture	2061	01-Aug-79	10	543	Unknown	
Couch - Blue/Black Tweed Fabric	Furniture	2332	01-Mar-80	10	565	Unknown	
Filing Cabinet Unit - Med Records	Furniture	2623	01-Sep-79	10	3,489	Unknown	
Typewriter - Smith Corona	Equipment	2492	01-Jan-79	10	600	Unknown	
Couch - Red Fabric W/Cushion	Furniture	1956	01-Mar-80	10	711	Unknown	
Refridgerator- Whirlpool Mach I Series	Furniture	2281	01-Jul-79	10	650	Unknown	
Seating Set - Peach Printed Vinyl W/Table	Furniture	2280	01-Mar-80	10	950	Unknown	
Seating Set - Peach Printed Vinyl W/Table	Furniture	2586	01-Mar-80	10	950	Unknown	
Seating Set - Peach Printed Vinyl W/Table	Furniture	2582	01-Mar-80	10	950	Unknown	
Seating Set - Peach Printed Vinyl W/Table	Furniture	2581	01-Mar-80	10	950	Unknown	
Seating Set - Peach Printed Vinyl W/Table	Furniture	2579	01-Mar-80	10	950	Unknown	
Seating Set - Peach Printed Vinyl W/Table	Furniture	2578	01-Mar-80	10	950	Unknown	
Desk - Gold W/Woodgrain Top	Furniture	1909	01-Aug-79	10	543	Unknown	
Couch - Brown	Furniture	379	01-Mar-80	10	565	Unknown	
Couch - Blue Plaid	Furniture	2507	01-Mar-80	10	565	Unknown	
Couch - Blue/Brn Tweed Chrome	Furniture	2444	01-Mar-80	10	565	Unknown	
Couch - Orange/Blue Striped	Furniture	2523	01-Mar-80	10	565	Unknown	
Desk - Woodgrain Top/Tan W/5 drawers	Furniture	2644	01-Aug-79	10	543	Unknown	
Bed - Hospital W/Rails	Furniture	1616	17-Jan-91	10	950	Unknown	
Bed - Hospital W/Rails	Furniture	1617	17-Jan-91	10	950	Unknown	
Bed - Hospital W/Rails	Furniture	1622	17-Jan-91	10	950	Unknown	
Bed - Hospital W/Rails	Furniture	1623	17-Jan-91	10	950	Unknown	
Bed - Hospital W/Rails	Furniture	1609	17-Jan-91	10	950	Unknown	
Love Seat - Brn & Beige Tweed	Furniture	1924	09-Sep-91	10	658	Unknown	
Respironic - Resp 367100	Equipment	5000	14-Jan-91	10	1,995	Unknown	
Wheelchair	Equipment	5000	26-Feb-91	10	2,210	Unknown	
Wheelchair	Equipment	5000	26-Feb-91	10	4,643	Unknown	
Wheelchair	Equipment	5000	26-Feb-91	10	4,675	Unknown	
Respironic - Rem Star	Equipment	5000	16-Jul-91	10	1,496	Unknown	
Wheelchair Lift	Equipment	5000	01-Sep-89	10	2,699	Unknown	
Bath Buddy	Equipment	5000	14-Jan-91	10	525	Unknown	
Bath Buddy	Equipment	5000	14-Jan-91	10	525	Unknown	
Loveseat - Check Fabric W/Wood base	Furniture	1083	07-Nov-91	10	891	Unknown	
Couch - Mauve Tweed	Furniture	1500	01-Mar-80	10	565	Unknown	
Couch - Maroon	Furniture	2244	01-Mar-80	10	565	Unknown	
PC-Gatway GA 4DX2-66 & moneywork 3.0	Computer	2035	28-Jul-95	5	1,393	8794-1996-2852-096-252-00585	3481527
Monitor Crystalscan 14"	Computer	2034	28-Jul-95	5	265	8794-1996-2852-096-252-00585	215B094934
PC-Gatway GA 4DX2-66 & moneywork 3.0	Computer	1037	28-Jul-95	5	1,327	8793-1996-2892-096-252-00586	3481517

Valley HealthCare System  
 BHHF Assets - Equipment and Automobiles  
 Cumulative Property Schedule - June 30, 2009

Description	Asset Type	ID	Date	Life	Amount	State Account Number	Serial
Monitor Crystalscan 14"	Computer	1038	28-Jul-95	5	265	8793-1996-2892-096-252-00586	727UD01J02077
PC-Gateway GA 4DX2-66 & moneywork 3.0	Computer	3169	28-Jul-95	5	1,686	8793-1996-2892-096-252-00586	23-A061341
Monitor Crystalscan 14"	Computer	5000	28-Jul-95	5	265	8793-1996-2892-096-252-00586	
PC-Gateway GA 4DX2-66 & moneywork 3.0	Computer	849	04-Aug-95	5	1,284	8793-1996-2892-096-252-00586	3657792
PC's - Gateway P5-133	Computer	2480	14-Jan-97	5	1,381	8793-1997-2885-096-252-00952	0006418084
CrystalScan 500 Monitors 13.9	Computer	2479	14-Jan-97	5	388	8793-1997-2885-096-252-00952	15013B079175
Workstation - Thompson's 30x72	Furniture	2032	25-May-95	10	675	Unknown	
Workstation - Thompson's 30x72	Furniture	2025	25-May-95	10	675	Unknown	
Computer Desk - Champion 24x60	Furniture	1994	25-Jan-96	10	510	Unknown	
Computer Desk - Champion 24x60	Furniture	1997	25-Jan-96	10	510	Unknown	
Computer Desk - Champion 24x60	Furniture	1999	25-Jan-96	10	510	Unknown	
Computer Desk - Champion 24x60	Furniture	2001	25-Jan-96	10	510	Unknown	
Filing Cabinet - Vertical File	Furniture	1996	25-Jan-96	10	625	Unknown	
Filing Cabinet - Vertical File	Furniture	1998	25-Jan-96	10	625	Unknown	
Credenza - Woodgrain Top	Furniture	1057	25-Jan-96	10	600	Unknown	
Credenza - Woodgrain Top	Furniture	1065	25-Jan-96	10	500	Unknown	
Credenza - Woodgrain Top	Furniture	1092	25-Jan-96	10	500	Unknown	
TV/VCR combo - RCA 20"	Furniture	1084	04-Oct-95	10	569	Unknown	
Gateway GP5-233 W/MMX	Computer	2070	30-Mar-98	5	1,440	5192-1998-2874-099-252	0009527456
Monitor EV 500 13.9	Computer	2071	30-Mar-98	5	218	5192-1998-2874-099-252	15009A468082
Monitor EV 500 13.9	Computer	2073	30-Mar-98	5	218	5192-1998-2874-099-252	15009A468080
HP Laserjet 6PXi Laser	Computer	5000	30-Jan-98	5	763	Unknown	USCD082951
Monitor - 15" SCE P531	Computer	1331	31-Dec-97	5	267	Unknown	727UD001J02077
Speakers - LAB LCS-1014	Computer	1331	31-Dec-97	5	27	Unknown	727UD001J02077
Rembrandt PC - Pentium 166	Computer	902	31-Dec-97	5	1,347	8793-1998-2885-096-252-02060	8651
Monitor - 15" SCE P531	Computer	901	31-Dec-97	5	267	8793-1998-2885-096-252-02060	727UD001J01868
Speakers - LAB LCS-1014	Computer	901	31-Dec-97	5	27	Unknown	727UD001J01868
Gateway - 2300 Deluxe Pentium PC	Computer	2074	02-Apr-98	5	2,723	5192-1998-2874-099-252	0009556202
HoyerLift - Sunmed HPL 400	Equipment	2970	05-Apr-98	10	1,853	5192-1998-2874-099-252	
HoyerLift - Sunmed HPL 400	Equipment	2919	05-Apr-98	10	1,824	5192-1998-2874-099-252	
Dinette - Seven Piece Wooden	Furniture	2922-2928	16-Feb-98	10	550	Unknown	
Couch- Sectional	Furniture	2987	27-Mar-98	10	798	Unknown	
Dinette - Seven Piece Wooden	Furniture	3099-3105	16-Feb-98	10	550	Unknown	
Dinette - Seven Piece Wooden	Furniture	3064-3070	16-Feb-98	10	550	Unknown	
Couch- Sectional	Furniture	3055	16-Feb-98	10	798	Unknown	
Couch- Sectional	Furniture	2933	16-Feb-98	10	1,200	5192-1998-2874-099-252	
Couch- Sectional	Furniture	2873	18-Feb-98	10	798	Unknown	
Dinette - Seven Piece Wooden	Furniture	2884-2890	18-Feb-98	10	550	Unknown	
Electric Bed - Proserv Medical	Equipment	5000	17-Mar-98	10	630	Unknown	
Electric Bed - Proserv Medical	Equipment	5000	17-Mar-98	10	945	Unknown	
Electric Bed - Proserv Medical	Equipment	5000	17-Mar-98	10	945	Unknown	
Lift Chair	Equipment	5000	08-Sep-98	10	625	Unknown	
Ropes Course - ACT Unit - Fairmont	Equipment	5000	08-Apr-99	10	23,795	8793-1999-2892-096-252-03087	
Outbuilding for Adolescent (CrossRoads)-51	Building	5000	15-Jul-99	10	2,373	8793-1999-2892-096-252-03087	
Additional Mulch for Ropes Course-51	Equipment	5000	10-Sep-99	10	865	Unknown	
Solo 2150CL- Laptop	Computer	3451	02-May-00	5	2,968	8793-2000-2892-096-128-04135	0018540326
Gateway Essential 433C PC	Computer	3483	02-May-00	5	1,155	8793-2000-2892-096-128-04135	0018563854
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	04-May-00	5	302	8793-2000-2892-096-128-04135	
Gateway GCS-200 Speakers	Computer	5000	02-May-00	5	53	8793-2000-2892-096-128-04135	
Gateway Essential 433C PC	Computer	3453	02-May-00	5	1,155	8793-2000-2892-096-128-04135	0018563855

Valley HealthCare System  
 BHHF Assets - Equipment and Automobiles  
 Cumulative Property Schedule - June 30, 2009

Description	Asset Type	ID	Date	Life	Amount	State Account Number	Serial
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	04-May-00	5	302	8793-2000-2892-096-128-04135	
Gateway GCS-200 Speakers	Computer	5000	02-May-00	5	53	8793-2000-2892-096-128-04135	
Gateway Essential 433C PC	Computer	3459	02-May-00	5	1,155	8793-2000-2892-096-128-04135	0018563856
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	04-May-00	5	302	8793-2000-2892-096-128-04135	
Gateway GCS-200 Speakers	Computer	5000	02-May-00	5	53	8793-2000-2892-096-128-04135	
Gateway Essential 433C PC	Computer	3448	02-May-00	5	1,155	8793-2000-2892-096-128-04135	0018563857
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	04-May-00	5	302	8793-2000-2892-096-128-04135	
Gateway GCS-200 Speakers	Computer	5000	02-May-00	5	53	8793-2000-2892-096-128-04135	
Gateway Essential 433C PC	Computer	3465	02-May-00	5	1,155	8793-2000-2892-096-128-04135	0018563858
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	04-May-00	5	302	8793-2000-2892-096-128-04135	
Gateway GCS-200 Speakers	Computer	5000	02-May-00	5	53	8793-2000-2892-096-128-04135	
Gateway Select 700	Computer	3455	04-May-00	5	1,615	8793-2000-2892-096-128-04135	0018564331
Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	04-May-00	5	302	8793-2000-2892-096-128-04135	
Gateway GCS-200 Speakers	Computer	5000	04-May-00	5	37	8793-2000-2892-096-128-04135	
Gateway Monitor EV 700 W/ 15.9 Viewable	Computer	5000	23-Jun-00	5	293	8793-2000-2892-096-128-04135	
Livingston Router	Computer	5000	10-Sep-00	5	750	Unknown	
Alcohol Sensors - Act Unit	Equipment	5000	10-Jul-01	5	1,063	0525-2003-2874-803-252	
Compaq Monitor - S7500 17"	Computer	4050	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC578
Compaq Monitor - S7500 17"	Computer	4065	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC579
Compaq Monitor - S7500 17"	Computer	4042	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC581
Compaq Monitor - S7500 17"	Computer	4064	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC582
Compaq Monitor - S7500 17"	Computer	4058	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC583
Compaq Monitor - S7500 17"	Computer	4043	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC586
Compaq Monitor - S7500 17"	Computer	4053	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC588
Compaq Monitor - S7500 17"	Computer	4047	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC590
Compaq Monitor - S7500 17"	Computer	4046	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC591
Compaq Monitor - S7500 17"	Computer	4052	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC952
Compaq Monitor - S7500 17"	Computer	4055	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC982
Compaq Monitor - S7500 17"	Computer	4057	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC983
Compaq Monitor - S7500 17"	Computer	4011	01-Mar-03	5	193	0525-2003-2874-803-252	CN245VB427
Compaq Monitor - S7500 17"	Computer	4045	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VB429
Compaq Monitor - S7500 17"	Computer	4062	01-Mar-03	5	193	0525-2003-2874-803-252	CN245VC159
Compaq Monitor - S7500 17"	Computer	4051	01-Mar-03	5	193	0525-2003-2874-803-252	CN245VC172
Compaq Monitor - S7500 17"	Computer	4054	01-Mar-03	5	193	0525-2003-2874-803-252	CN245VM493
Compaq Monitor - S7500 17"	Computer	4060	01-Mar-03	5	193	0525-2003-2874-803-252	CN249VC238
Compaq Monitor - S7500 17"	Computer	4063	01-Mar-03	5	193	0525-2003-2874-803-252	CN249VC245
Compaq Monitor - S7500 17"	Computer	4059	01-Mar-03	5	193	0525-2003-2874-803-252	CN249XB484
Compaq Monitor - S7500 17"	Computer	4049	01-Mar-03	5	193	8793-2003-2892-096-128-07887	CN250VB856
Compaq Labtop - EVO N800V P4	Computer	4066	01-Mar-03	5	1,663	8793-2003-2892-096-128-07887	5Y32KSQZ91WB
Compaq Labtop - EVO N800V P4	Computer	4067	01-Mar-03	5	1,663	8793-2003-2892-096-128-07887	5Y32KSQZ91X7
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4027	01-Mar-03	5	833	8793-2003-2892-096-128-07887	V308LB4ZA369
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4026	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA382
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4019	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA383
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4020	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA412
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4028	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA415
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4037	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA418
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4032	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA439
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4029	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA442
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4034	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA451
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4016	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA569

Valley HealthCare System  
 BHHF Assets - Equipment and Automobiles  
 Cumulative Property Schedule - June 30, 2009

Description	Asset Type	ID	Date	Life	Amount	State Account Number	Serial
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4014	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA571
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4030	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA587
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4010	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA602
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4040	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA603
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4025	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA612
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4012	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA617
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4024	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA626
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4036	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA631
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4031	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA634
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4035	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA636
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4018	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA641
Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4038	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA648
Billiard Table and Accessories	Furniture	5000	10-Apr-03	7	718	Unknown	
CDW LapTop PC TOS 6100 - CRW XPP	Computer	5000	14-May-03	5	1,604	8794-2003-2915-096-128-07888	S33054403P
CDW INFOCUS XGA Projector	Computer	5000	14-May-03	5	3,137	8794-2003-2915-096-128-07888	1S7KN30790758
CDW Laptop HP NC8000 CRW XPP - Compaq	Computer	4271	04-May-04	5	1,815	8723-2004-2852-096-128-10550	CNU4061J02
LapTop PC - CDW HP CPQ NC8000 C9/1.5 40GB CRW XPP	Computer	5000	19-Aug-04	7	1,913	0525-2005-2923-219-252/258	SCNU419XK3
HP SB NC8000 40GB CRW XPP - Lap Top	Computer	4301	07-Feb-05	5	1,976	8723-2004-2852-096-128-10550	SCNU504FM45
CDW - SB NC8000 1.6 40GB CRW XPP LAPTOP PC	Computer	4115	01-Feb-05	5	1,982	8793-2005-2892-096-128-10596	SCHNU503F1NC
HP LapTop - CDW	Computer	5000	06-Jun-05	5	1,709	8723-2004-2852-096-128-10550	SCNU5200BL5
PC - CDW - HP-DC5100 40GB -XPP-w/Kingston memory Upgrade	Computer	5000	06-Jun-05	5	948	8723-2004-2852-096-128-10550	SMXL5210S12
PC - CDW - HP-DC5100 40GB -XPP-w/Kingston memory Upgrade	Computer	5000	06-Jun-05	5	948	8723-2004-2852-096-128-10550	SMXL5210S0T
Monitor - CDW - Acer AL1912B - 19 inch	Computer	5000	06-Jun-05	5	332	8723-2004-2852-096-128-10550	51200F34ED47
Monitor - CDW - Acer AL1912B - 19 inch	Computer	5000	06-Jun-05	5	332	8723-2004-2852-096-128-10550	51200F35ED47
Shower Trolley - Accessible Environments Inc.	Equipment	5000	10-Aug-06	5	3,608	Unknown	
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4406	12-Sep-06	5	1,694	Unknown	SMXM63100WR
Planar 17in PL 1700 Monitor	Computer	4416	12-Sep-06	5	214	Unknown	AG632H40561
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4409	12-Sep-06	5	1,694	Unknown	SMXM63100XN
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4407	12-Sep-06	5	1,694	Unknown	SMXM63100X7
Planar 17in PL 1700 Monitor	Computer	4424	12-Sep-06	5	214	Unknown	AG632H40566
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4405	12-Sep-06	5	1,694	Unknown	SMXM6310100
Planar 17in PL 1700 Monitor	Computer	4402	12-Sep-06	5	214	Unknown	AG632H38164
PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4404	12-Sep-06	5	1,694	Unknown	SMXM63100FM
Planar 17in PL 1700 Monitor	Computer	4401	12-Sep-06	5	214	Unknown	AG632H40202
Laptop PC HP NX 9420	Computer	4389	11-Sep-06	5	2,163	Unknown	SCND6253BSM
Phone System - Handsets - for Cisco phone system	Equipment	5000	20-Oct-06	20	4,998	Unknown	
Phone System - Catalyst - 3560 2SFP Standard Image	Equipment	4525	20-Oct-06	20	3,347	Unknown	CAT1036N1XJ
Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	20-Oct-06	20	441	Unknown	
Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	20-Oct-06	20	441	Unknown	
Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	20-Oct-06	20	441	Unknown	
Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	20-Oct-06	20	441	Unknown	
Phone System - Telecom installation	Equipment	5000	20-Oct-06	20	820	Unknown	
HON- Corner Desk - Champion	Furniture	4462	26-Oct-06	10	783	Unknown	
HON- Corner Desk - Champion	Furniture	4467	26-Oct-06	10	783	Unknown	
HON- Corner Desk - Champion	Furniture	4497	26-Oct-06	10	783	Unknown	
HON- Corner Desk - Champion	Furniture	4455	26-Oct-06	10	783	Unknown	
HON- Corner Desk - Champion	Furniture	4487	26-Oct-06	10	783	Unknown	
HON- Corner Desk - Champion	Furniture	4516	26-Oct-06	10	684	Unknown	
PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4545	15-Nov-06	5	1,667	Unknown	MXM63801MK

Valley HealthCare System  
 BHHF Assets - Equipment and Automobiles  
 Cumulative Property Schedule - June 30, 2009

Description	Asset Type	ID	Date	Life	Amount	State Account Number	Serial
PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4529	15-Nov-06	5	1,667	Unknown	MXM63801NY
PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4544	15-Nov-06	5	1,667	Unknown	MXM63801N3
PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4528	15-Nov-06	5	1,667	Unknown	MXM63801PF
Monitor - Planar 1910 - 19in LCD - CDW	Computer	4526	15-Nov-06	5	284	Unknown	A 639G37522
Monitor - Planar 1910 - 19in LCD - CDW	Computer	4542	15-Nov-06	5	284	Unknown	A 639G37526
PC - HP DC7600C - 80 GB w/MS PRO Plus 2007 - CDW	Computer	5000	06-Mar-07	5	1,132	Unknown	S2UA7030SCK
Monitor - Planar 1700 - 17in LCD - CDW	Computer	5000	06-Mar-07	5	191	Unknown	AG704H83314
PC - HP DC7600C - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4554	06-Mar-07	5	1,132	Unknown	S2UA7030S99
Monitor - Planar 1700 - 17in LCD - CDW	Computer	5000	06-Mar-07	5	191	Unknown	AG704H83317
Van 1997 Dodge W/Lift - (30/70)	Vehicle	9703	23-Jul-97	7	21,451	5192-1998-2874-099-252	2B5WB3543CK581337
Van Lifts for 1997 Dodges	Vehicle	9703	28-Feb-98	7	9,900	5192-1998-2874-099-252	2B5WB3543CK581337
KIA Sedona	Vehicle	0302	15-Apr-03	7	17,785	Unknown	KNDUP131436440280
2005 Chevrolet V3500	Vehicle	0502	22-Feb-06	7	20,580	0525-2006-2874-803-258	1GAHG39UX51258087
2005 Chevrolet V3500	Vehicle	501	22-Feb-06	7	33,678	Unknown	1GAHG39U951266654
Computer	Computer		01-Dec-07	5	1,764	Unknown	
Computers	Computer		01-Oct-07	5	1,704	Unknown	
Refrigerator/Freezer	Furniture		07-Nov-07	5	667	Unknown	
DVD Burner	Furniture		12-Feb-08	5	1,813	Unknown	
Computer	Computer		12-Mar-08	5	1,237	Unknown	SCNU80880SN4
Scanners-EMR GRANT	Computer		12-Mar-08	5	5,640	Unknown	
Computer-EMR GRANT	Computer		12-Mar-08	5	1,674	Unknown	
Signature Pads-EMR GRANT	Computer		28-Mar-08	5	3,488	Unknown	
Dishwasher	Furniture		02-May-08	5	667	Unknown	
Wii System	Computer		16-Jun-08	5	711	Unknown	
Dining Set	Furniture		01-Jul-08	5	530	0525-2009-3703-335-252	
Dining Set	Furniture		01-Jul-08	5	530	0525-2009-3703-335-252	
Computer	Computer		09-Jul-08	5	2,117	8794-2009-2914-096-128-15581	S2UA8230W6H
Phone Equipment	Equipment		17-Apr-09	5	5,726	0525-2009-3703-335-252	
Computer	Computer		14-Apr-09	5	2,186	0525-2009-3703-335-252	SMXL9110GVB
Xerox Phaser	Equipment		17-Jun-09	5	2,224	0525-2009-3703-335-252	LBP248448
2008 Ford Van	Vehicle		23-Sep-08	7	28,698	0525-2009-3703-335-252	1FTNS24L78DB59778
2006 PT CRUISER	Vehicle		13-Jan-09	7	7,805	0525-2009-2870-803-252	3A8FY58B56T257097
2009 Ford Econline Van	Vehicle		24-Mar-09	7	29,242	0525-2009-3703-335-252	1FTNS24L79DA50187

TOTALS 6/30/2009

\$ 416,756

Valley HealthCare System  
 BHHF Assets - Leaseholds, Land and Buildings  
 Cumulative Property Schedule - June 30, 2009

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

Valley HealthCare System  
 BHHF Assets - Leaseholds, Land and Buildings  
 Cumulative Property Schedule - June 30, 2009

Description	Vendor	Date	Amount	Life
Pixler Hill - Building	RU 508	01-Jun-91	50,000	10
Stone Grading - Pixler	RU 508	01-Mar-92	2,500	5
Pixler Hill Building Improvements	Rubicon Development	01-Feb-91	20,000	5
Concrete Driveway - Sabraton	CMC Company	05-May-98	950	10
Office Conversion to Shower Room	OV Valley LLC - Herman	18-Feb-98	14,500	20
Office Conversion to Shower Room	OV Valley LLC - Sabraton	18-Feb-98	14,500	20
Plumbing & Fire Conversions	CMC Company-	05-Feb-98	20,016	20
Plumbing & Fire Conversions	CMC Company -	05-Feb-98	6,759	20
Plumbing & Fire Conversions	CMC Company -	05-Feb-98	14,754	20
Plumbing & Fire Conversions	CMC Company -	05-Feb-98	4,574	20
Plumbing & Fire Conversions	CMC Company -	05-Feb-98	4,574	20
Plumbing & Fire Conversions	CMC Company -	05-Feb-98	24,096	20
Rear Entrance Ramp @ Harlem St.	CMC Company -	28-Sep-98	3,300	20
White Vinyl Fence in Front Yard	CMC Company -	13-Nov-98	3,300	10
Carpet @ Harlem Street	Wholesale Carpet Outlet	14-Nov-00	1,246	5
Wood Floor @ McCartney Ave	Wholesale Carpet Outlet	04-Dec-00	3,867	5
Generator	Jeff Keiss	01-Jul-08	21,300	10
Deck and Double Doors	Jeff Keiss	01-Jul-08	7,000	10
Generator	American Electric Co.	18-Jun-09	25,820	10

TOTALS 6/30/2009

\$ 2,862,974

**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, 2009**

**ASSETS**

CURRENT ASSETS:	
1. Cash	\$ 55,743
2. Short-term investments	-
3. Accounts receivable - BHHF	493,328
4. Accounts receivable - Client	79,043
5. Accounts receivable - Medicaid	494,291
6. Accounts receivable - Medicaid MR/DD Waiver	637,152
7. Accounts receivable - Other	227,374
7a. Allowance for doubtful accounts	(88,319)
8. Inventory	-
9. Prepaid/Other	<u>74,723</u>
10. TOTAL CURRENT ASSETS (total of lines 1-9)	1,973,335
NON-CURRENT ASSETS:	
FIXED ASSETS	
11. Property, land, and equipment - BHHF	3,279,730
12. Less accumulated depreciation	(2,676,937)
13. Property, land, and equipment - Other	3,522,888
14. Less accumulated depreciation	<u>(1,965,432)</u>
15. Total property, land, and equipment (NET)	2,160,249
OTHER NON-CURRENT ASSETS:	
16. Long-term investments	12,994
17. Other	<u>-</u>
18. TOTAL ASSETS (Total of lines 10, 15, 16, and 17)	<u>\$ 4,146,578</u>

**LIABILITIES**

CURRENT LIABILITIES:	
19. Accounts payable	\$ 644,701
20. Taxes payable	205,780
20a. Provider taxes payable	4,839
21. Line of credit - payable	372,399
22. Short-term notes payable	38,703
23. Accrued expenses	723,631
24. Other current liabilities	<u>167,026</u>
25. TOTAL CURRENT LIABILITIES (Total of lines 19-24)	2,157,079
LONG-TERM LIABILITIES	
26. Long-term notes payable	552,720
27. Other long-term liabilities	<u>1,811,030</u>
28. TOTAL LIABILITIES (Total of lines 25, 26, and 27)	4,520,829
NET ASSETS	
29. Unrestricted net assets	(374,251)
30. Board designated net assets	-
31. Permanently restricted net assets	<u>-</u>
32. TOTAL LIABILITIES AND NET ASSETS (Total of lines 26-31)	<u>\$ 4,146,578</u>

See Independent Auditors' Report.

**VALLEY HEALTHCARE SYSTEM**  
**BUREAU FOR BEHAVIORAL HEALTH AND HEALTH FACILITIES**  
**SCHEDULE OF STANDARDIZED FINANCIAL STATEMENTS**  
**STATEMENT OF ACTIVITIES FOR COMPREHENSIVE AND MR/DD FACILITIES**  
**ACCURAL BASIS**  
**June 30, 2009**

**REVENUE AND SUPPORT**

1.	Charity Care	\$ -
1a.	Charity Care (BHHF target funds)	(886,896)
1b.	Charity Care (BHHF non-target funds)	(838,434)
1c.	Charity Care	-
1d.	Charity Care	-
1e.	Charity Care	-
1f.	Charity Care	-
1g.	Charity Care	(181,985)
1h.	Contractual write-off charity	-
1i.	Charity Care revenue	1,725,330
1j.	Supportive/Alternative Services Revenue	<u>181,985</u>
	Total (Should equal zero)	-
2.	Gross client service revenue	12,079,889
3.	Contractual adjustments (Target funds)	(886,896)
3a.	Contractual adjustments (Non-target funds)	<u>(1,559,093)</u>
5.	Net client service revenue	9,633,900
	Net client service revenue	
6.	Medicaid (Target funds)	
6a.	Medicaid (Non-target funds)	1,945,468
7.	Medicaid MR/DD waiver (Non-target funds)	7,025,115
8.	ICF/MR (Non-target funds)	2,658
9.	Private pay (Non-target funds)	413,145
9a.	Private pay (BHHF target funds)	
9b.	Private pay (BHHF non-target funds)	-
10.	Other client service revenue (Target funds)	-
10a.	Other client service revenue (Non-target funds)	<u>247,514</u>
11.	Total net client service revenue (Line 10 must agree with line 4)	9,633,900
12.	BHHF support	4,815,470
13.	Other/Public support	46,632
14.	Other	<u>356,298</u>
15.	TOTAL REVENUE AND SUPPORT (Total of lines 11-14)	<u>14,852,300</u>
	<b>EXPENSES</b>	
16.	Salaries	7,546,113
17.	Fringe benefits	1,641,943
18.	Contractual services	2,967,513
19.	Provider tax	356,022
19a.	Bad debt	56,722
19b.	Bad debt (BHHF target funds)	-
19c.	Bad debt (BHHF non-target funds)	-
20.	Depreciation expense	294,863
21.	Other expenses (including adoption of recognition provisions FASB Statement No. 158)	<u>2,095,820</u>
22.	TOTAL EXPENSES (Total of lines 15-20)	<u>14,958,996</u>
23.	NET INCOME (LOSS)	<u>\$ (106,696)</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, 2009, and have issued our report thereon dated January 29, 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.

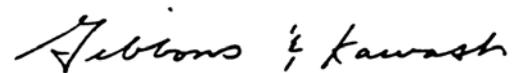
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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 item 2009-1, 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 Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in cursive script that reads "Gibbons & Kawash".

January 29, 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, 2009. 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, 2009.

Internal Control Over Compliance

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

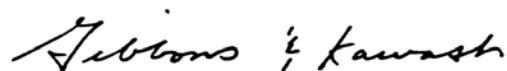
control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's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

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

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

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

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



January 29, 2010

VALLEY HEALTHCARE SYSTEM  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2009

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

*Financial Statements*

Type of auditors' reports issued: Unqualified

Internal control over financial reporting:

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

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_ Yes  X  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_ Yes  X  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  X  No

Identification of Major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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?  X  Yes \_\_\_ No

VALLEY HEALTHCARE SYSTEM  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009  
(Continued)

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**Section II - Financial Statement Findings**

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**2009-1 Segregation of Duties**

Condition:

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

Criteria:

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

Effect:

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

Cause:

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

Recommendation:

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

Management's Response:

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

VALLEY HEALTHCARE SYSTEM  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2009  
(Continued)

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

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NONE

VALLEY HEALTHCARE SYSTEM  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2009

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

Condition:

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

Criteria:

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

Effect:

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

Cause:

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

Recommendation:

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

Management's Response:

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

Current Status:

Procedure implemented.

VALLEY HEALTHCARE SYSTEM  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2009  
(Continued)

**2008-2 Segregation of Duties**

Condition:

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

Criteria:

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

Effect:

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

Cause:

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

Recommendation:

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

Management's Response:

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

Current Status:

This finding was also reported during the 2009 audit.