

Audited Financial Statements

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

Years Ended June 30, 2011 and 2010



Audited Financial Statements
VALLEY HEALTHCARE SYSTEM
Years Ended June 30, 2011 and 2010

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INDEPENDENT AUDITOR'S 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, 2011 and 2010, 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, 2011 and 2010, 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 31, 2011, on our consideration of Valley HealthCare System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements 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 accompanying 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*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Jillons & Kanash, A.C.

October 31, 2011

VALLEY HEALTHCARE SYSTEM
STATEMENT OF FINANCIAL POSITION

June 30, 2011 and 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Current assets:		
Cash and cash equivalents	\$ 999,093	\$ 55,622
Accounts receivable, less allowance for doubtful accounts of \$70,809 in 2011 and \$85,416 in 2010	1,181,650	1,157,418
Grants receivable	490,525	727,336
Prepaid and other assets	<u>42,119</u>	<u>54,469</u>
Total current assets	<u>2,713,387</u>	<u>1,994,845</u>
Property and equipment, less accumulated depreciation and amortization	<u>1,849,735</u>	<u>2,046,409</u>
Investments	<u>187,917</u>	<u>187,836</u>
Total assets	<u>\$ 4,751,039</u>	<u>\$ 4,229,090</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 938,054	\$ 796,471
Line of credit	-	11,540
Accrued annual leave and payroll	836,691	809,869
Accrued behavioral health provider tax	31,064	33,299
Current maturities of Medicaid Waiver liability	65,876	62,359
Current maturities of long-term debt	73,915	69,201
Current obligation under capital lease	-	25,058
Deferred revenue	<u>17,024</u>	<u>24,454</u>
Total current liabilities	<u>1,962,624</u>	<u>1,832,251</u>
Postemployment benefit obligation	900,503	1,219,578
Long-term debt, less current maturities	473,618	547,533
Medicaid Waiver liability, less current maturities	<u>520,719</u>	<u>586,596</u>
Total liabilities	<u>1,894,840</u>	<u>2,353,707</u>
Total liabilities	<u>3,857,464</u>	<u>4,185,958</u>
Unrestricted net assets	<u>893,575</u>	<u>43,132</u>
Total liabilities and net assets	<u>\$ 4,751,039</u>	<u>\$ 4,229,090</u>

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

VALLEY HEALTHCARE SYSTEM

STATEMENT OF ACTIVITIES

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Changes in unrestricted net assets:		
Revenues:		
Net client revenues	\$ 10,192,216	\$ 10,230,170
State and federal grant revenues	6,111,818	5,740,218
Other grants and contracts	67,882	146,160
Other operating income	47,295	70,348
Residential facilities fees	<u>214,710</u>	<u>202,083</u>
	<u>16,633,921</u>	<u>16,388,979</u>
Expenses:		
Salaries and wages	8,207,454	7,974,511
Employee benefits	1,878,827	1,848,572
Contract labor and professional fees	2,729,927	2,989,929
Repairs and maintenance	177,859	174,501
Supplies	212,871	259,732
Utilities	413,151	420,216
Staff development and travel	185,345	198,492
Insurance	154,684	156,605
Taxes	353,118	368,093
Depreciation and amortization	270,679	270,596
Bad debt	21,966	47,401
Other	559,351	466,402
Special project funding	230,266	231,105
Interest expense	80,091	93,473
Postemployment health	109,993	159,024
Equipment rental	117,707	90,961
Rent	<u>426,180</u>	<u>396,826</u>
	<u>16,129,469</u>	<u>16,146,439</u>
Operating income	504,452	242,540
Non-operating revenues and gains:		
Interest and other	54	2,020
Unrealized gain on investment	81	172,827
Other postemployment benefit related changes, exclusive of net periodic cost	<u>345,856</u>	<u>-</u>
	<u>345,991</u>	<u>174,847</u>
Increase in net assets	850,443	417,387
Net assets, beginning of year	<u>43,132</u>	<u>(374,255)</u>
Net assets, end of year	<u>\$ 893,575</u>	<u>\$ 43,132</u>

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

VALLEY HEALTHCARE SYSTEM

STATEMENT OF CASH FLOWS

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase in net assets	\$ 850,443	\$ 417,387
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	270,679	270,596
Loss on disposal of property and equipment	13,167	12,453
Provision for bad debts	21,966	47,401
Net unrealized gain on investments	(81)	(174,842)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(46,198)	136,369
Grants receivable	236,811	(224,008)
Prepaid and other assets	12,350	18,603
Increase (decrease) in:		
Accounts payable and accrued expenses	141,583	(9,466)
Accrued behavioral health provider tax	(2,235)	28,460
Medicaid Waiver liability	(62,360)	(59,029)
Accrued annual leave and payroll	26,822	(11,743)
Postemployment benefit obligation	(319,075)	79,021
Deferred revenue	(7,430)	11,377
Net cash provided by operating activities	<u>1,136,442</u>	<u>542,579</u>
Cash flows used in investing activities:		
Proceeds from dispositions of property and equipment	675	-
Purchases of property and equipment	(87,847)	(169,209)
Net cash used in investing activities	<u>(87,172)</u>	<u>(169,209)</u>
Cash flows used in financing activities:		
Repayment of line of credit, net	(11,540)	(360,859)
Proceeds from the issuance of long-term debt	-	82,000
Principal payments on long-term debt	(69,201)	(56,689)
Principal payments on capital lease obligations	(25,058)	(37,944)
Net cash used in financing activities	<u>(105,799)</u>	<u>(373,492)</u>
Net increase (decrease) in cash	943,471	(122)
Cash, beginning of year	<u>55,622</u>	<u>55,744</u>
Cash, end of year	<u>\$ 999,093</u>	<u>\$ 55,622</u>

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

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

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

Basis of Accounting

Revenues and expenses are recognized on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when the obligation is incurred. The Corporation records grant monies received in advance as refundable advances and recognizes grant revenue as qualifying expenditures are incurred.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. Included in cash and cash equivalents are amounts held for others of \$52,156 and \$51,125 at June 30, 2011 and 2010, respectively.

Property and Equipment

Property and equipment are stated at cost. Major purchases and improvements of \$1,000 or more are capitalized while repairs and maintenance are expensed as incurred. Depreciation has been provided over the estimated useful lives using the straight-line method for buildings and improvements and furniture and equipment in accordance with the American Hospital Association guidelines. Estimated useful lives are as follows:

Buildings and improvements	15-40 years
Furniture and equipment	3-20 years

Fair Value

Certain investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 12 for discussion of fair value measurements.

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Net Client Revenues

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

Advertising

General advertising and employment opportunity advertising costs, which totaled \$39,013 in 2011 and \$20,064 in 2010, are expensed as incurred.

Income Taxes

The Corporation is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to taxes on income derived from its exempt activities. In addition, the Corporation qualifies for charitable contributions deductions under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Corporation is generally no longer subject to examination by taxing authorities for years prior to 2008.

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, 2011, have been evaluated for possible adjustment to or disclosure in the financial statements is October 31, 2011, which is the date on which the financial statements were available to be issued.

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30	
	2011	2010
Land and improvements	\$ 547,865	\$ 547,865
Buildings and improvements	3,421,437	3,466,736
Leasehold improvements	295,438	291,855
Furniture and equipment	2,467,810	2,519,391
Construction in progress	44,952	9,250
	6,777,502	6,835,097
Less accumulated depreciation and amortization	4,927,767	4,788,688
	\$ 1,849,735	\$ 2,046,409

Cost of property and equipment purchased with West Virginia Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities (BHBF) grant funds was \$3,180,665 and \$3,244,876, and accumulated depreciation was \$2,714,743 and \$2,698,278 at June 30, 2011 and 2010, 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.

3 - DEBT

Long-term debt consisted of the following:

	2011	2010
Note payable to bank, payable in monthly installments of \$3,600, including interest at 8%, due May 2020, secured by deed of trust on real estate	\$ 266,576	\$ 287,562
Note payable to bank, payable in monthly installments of \$2,257, including interest at 7.625%, final payment due October 2022, secured by deed of trust on real estate	205,722	216,170

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

3 – DEBT (Continued)

Long-term debt consisted of the following:

	2011	2010
Note payable to bank, payable in monthly installments of \$1,115, including interest at 5.726%, final payment due April 2014, secured by equipment	34,825	45,887
Note payable to bank, payable in monthly installments of \$2,489, including interest at 5.75%, final payment due November 2012, secured by equipment	40,410	67,115
	547,533	616,734
Less current portion	73,915	69,201
	\$ 473,618	\$ 547,533

Maturities of the notes payable are as follows:

June 30	
2012	\$ 73,915
2013	59,750
2014	49,840
2015	42,323
2016	42,007
Thereafter	279,698
	\$ 547,533

At June 30, 2011 and 2010, respectively, the Corporation had \$600,000 and \$588,460 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 \$1,136,182 and \$1,093,891 at June 30, 2011 and 2010, 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 February 18, 2012.

Cash paid for interest during the years ended June 30, 2011 and 2010, was \$80,091 and \$93,473, respectively.

4 - LEASES

The Corporation leases certain office equipment and facilities under operating lease agreements that expire in various years through 2014. Rent expense on all operating leases was \$543,887 and \$487,787 for the years ended June 30, 2011 and 2010, respectively.

VALLEY HEALTHCARE SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

4 – LEASES (Continued)

Future minimum lease payments under operating leases are as follows:

<u>Year Ending June 30, 2011</u>	
2012	\$ 422,258
2013	361,182
2014	<u>144,005</u>
	<u>\$ 927,445</u>

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>	
2012	\$ 96,495
2013	96,495
2014	96,495
2015	96,495
2016	96,495
Thereafter	<u>233,197</u>
Future minimum payments	715,672
Less: Amount representing imputed interest	<u>129,077</u>
Present value of future payments	<u>\$ 586,595</u>

6 – CONTRACTUAL LIABILITY

The Corporation generates revenue from a multitude of funding sources including State and Federal Grants, Medicaid, Medicare, Title XIX Waiver, private insurance carriers, and private pay individuals. Each funding source has its own clinical care and service delivery requirements.

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

6 – CONTRACTUAL LIABILITY (Continued)

Therefore, issuing service fee refunds for services provided to the various funding sources is not an uncommon practice within the healthcare industry. During the year ended June 30, 2011, the Corporation has identified and accrued a liability of \$80,245 for previously unrecorded service fee refunds due to multiple funding sources.

7 - 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, 2011, 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.

8 - EMPLOYEE BENEFIT PLANS

The Corporation participates in the West Virginia Public Employees Retirement System (WVPERS), which is a defined benefit, cost-sharing, multiple employer pension plan. The Plan covers individuals who elected to remain in PERS after the establishment of a defined contribution retirement plan whose annual work hours exceed 1,040 and whose employment is not restricted as temporary or provisional. Members' rights to employee contributions vest immediately while members with one year or more contributing service and five years or more credited service shall be eligible to retire at age 60 or after and to receive an allowance for life based on the benefit program then in effect. The allowance is equal to a benefit percentage multiplied by the final average salary. Contributions to the WVPERS by the Corporation for the years ended June 30, 2011 and 2010, were 12.5% and 11%, respectively, of eligible employees' compensation. In addition, 4.5% is withheld from eligible employees' compensation and remitted on a monthly basis to the WVPERS. The Corporation's contribution requirement was not actuarially determined. Contribution obligations and benefit provisions are statutorily established by the West Virginia Public Employees Retirement Act, as amended. Employer contributions for the years ended June 30, 2011 and 2010, were \$10,685 and \$9,837, respectively.

Information regarding benefit provisions, actuarial assumptions and funding method, pension benefit obligation (actuarial present value of credited 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.

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

8 - EMPLOYEE BENEFIT PLANS (Continued)

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 \$101,956 and \$110,539 for the years ended June 30, 2011 and 2010, respectively.

Postretirement Benefit Plans

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

The following represents information relating to the benefit obligation as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Benefit obligation at June 30	\$ (900,503)	\$ (1,140,557)
Fair value of plan assets at June 30	<u> -</u>	<u> -</u>
Funded status	<u>\$ (900,503)</u>	<u>\$ (1,140,557)</u>
Accrued benefit cost recognized in the accompanying balance sheet	<u>\$ (900,503)</u>	<u>\$ (1,219,578)</u>
Weighted-average assumptions as of June 30		
Discount rate	5.25%	5.50%
Expected return on plan assets	7.00%	7.00%
Benefit cost	\$ 102,662	\$ 99,453
Employer contribution	75,881	83,570
Benefits paid	75,881	83,570

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:

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

8 - EMPLOYEE BENEFIT PLANS (Continued)

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on service and interest cost	\$ 5,284	\$ (4,506)
Effect on accumulated postretirement benefit obligation	100,632	(85,837)

9 - 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:

	<u>Year Ended June 30, 2011</u>		
	<u>Gross Client Revenue</u>	<u>Less: Contractual Adjustments, Charity Care, and Bad Debt Expense</u>	<u>Net Client Revenue</u>
Medicaid	\$ 2,169,349	\$ 186,440	\$ 1,982,909
Medicaid waiver	8,169,420	552,692	7,616,728
Medicare	102,476	23,550	78,926
Private pay	397,332	11,868	385,464
Insurance	165,357	15,621	149,736
Uncompensated care (Targeted/Nontargeted)	1,722,539	1,722,539	-
Other	<u>246,692</u>	<u>268,239</u>	<u>(21,547)</u>
Total	<u>\$ 12,973,165</u>	<u>\$ 2,780,949</u>	<u>\$ 10,192,216</u>

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

The Corporation also received state of West Virginia and federal grant funds passed through the State in the amount of \$6,111,818 and \$5,740,218 during the years ended June 30, 2011 and 2010, 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.

10 - 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.

11 - RELATED PARTY TRANSACTIONS

As described in Note 12, the Corporation entered into a contract with Alliance Medical Services, Inc. to become a shareholder in Valley-Alliance Treatment Services, Inc. (VATS), established for the purpose of providing substance abuse treatment services in the north central West Virginia area. The Corporation's net investment in VATS is reported at fair value in the investment balance of the accompanying balance sheet at \$172,493 and \$172,827 at June 30, 2011 and 2010, respectively. The Corporation received distributions in the amount of \$23,910 and \$25,825, rent revenue of \$12,000 and \$12,000, and training revenue of \$0 and \$1,150, during 2011 and 2010, respectively.

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

12 - FAIR VALUE MEASUREMENT

As described in Note 11, the Corporation has a 10% equity interest in VATS, which is carried in the Corporation's financial statements at fair value. The fair value for this investment has been determined as follows.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011 and 2010.

The equity interest in VATS has been valued using the income approach to valuation. The valuation is based on projected future cash flows to be received as equity distributions. Valley receives equity distributions of 10% of monthly adjusted net income of VATS. Future projections of equity distributions have factored in plans for expansion and are based on projected revenues and industry average profit margins for methadone treatment facilities in West Virginia. Projected cash

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

12 - FAIR VALUE MEASUREMENT (Continued)

receipts have been converted to after tax amounts assuming maximum effective tax rates for federal and state income taxes. The projected after tax cash distributions were then discounted in perpetuity using applicable risk premiums.

In accordance with ASC 820, the Corporation's valuation of its equity interest in VATS is classified as a Level III investment. The equity interest has been valued at \$172,493 and \$172,827 at June 30, 2011 and 2010, respectively, and is included in investments of \$187,917 and \$187,836 on the balance sheet as of June 30, 2011 and 2010, respectively.

Asset measured at fair value on a recurring basis consisted of the following at June 30, 2011 and 2010:

	<u>Level 3</u>	
	<u>2011</u>	<u>2010</u>
Equity interest in VATS	\$ 172,493	\$ 172,827

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

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 172,827	\$ -
Net unrealized gain (loss)	<u>(334)</u>	<u>172,827</u>
Balance, end of year	<u>\$ 172,493</u>	<u>\$ 172,827</u>

13 - 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, 2011 and 2010, are as follows:

	<u>2011</u>	<u>2010</u>
Health care services	\$ 13,520,129	\$ 13,549,175
General and administrative	<u>2,609,340</u>	<u>2,597,264</u>
	<u>\$ 16,129,469</u>	<u>\$ 16,146,439</u>

VALLEY HEALTHCARE SYSTEM
NOTES TO FINANCIAL STATEMENTS
(Continued)

14 - NEW ACCOUNTING PRONOUNCEMENTS

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

In July 2011, Accounting Standards Update (ASU) 2011-07, entitled *Presentation and Disclosure for Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities* was issued. The ASU is effective for the Corporation's fiscal year ending June 30, 2013, and will require certain health care entities to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue, net of contractual adjustments and discounts, on their statement of activities. The ASU specifically affects health care entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay. The ASU also requires enhanced disclosure about health care entities' policies for recognizing revenue and assessing bad debts as well as qualitative and quantitative information about changes in the allowance for doubtful accounts. The effect of implementing the ASU on the Corporation's statement of activity and disclosure of patient service revenue has not been determined.

ACCOMPANYING INFORMATION

VALLEY HEALTHCARE SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Program or Award Amount	Refundable Advances July 1, 2010	Disbursements/ Expenditures	Refundable Advances June 30, 2011
<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	8793-2011-2885-096-128-17959	\$ 129,955	\$ -	\$ 129,955	\$ -
		8793-2011-2892-096-128-17959	231,341		229,917	
		8793-2011-2891-096-128-17959	<u>461,676</u>	<u>-</u>	<u>458,634</u>	<u>-</u>
Total Major Program			<u>822,972</u>	<u>-</u>	<u>818,506</u>	<u>-</u>
Non-Major Programs:						
<u>Department of Health and Human Services:</u>						
Passed through State of West Virginia Department of Health and Human Resources, Bureau for Behavioral Health and Health Facilities:						
Substance Abuse and Mental Health Services Regional and National Significance	93.243	8723-2010-2886-096-128-17782	81,288	-	81,288	-
		8723-2011-2886-096-128-18327	<u>264,034</u>	<u>-</u>	<u>148,435</u>	<u>-</u>
			<u>345,322</u>	<u>-</u>	<u>229,723</u>	<u>-</u>
Federal Block Grant:						
Mental Health Services	93.958	8794-2011-2913-096-128-17956	66,519	-	66,519	-
		8794-2011-2851-096-128-17956	<u>206,600</u>	<u>-</u>	<u>202,493</u>	<u>-</u>
			<u>273,119</u>	<u>-</u>	<u>269,012</u>	<u>-</u>
Total Federal Awards			<u>\$ 1,441,413</u>	<u>\$ -</u>	<u>\$ 1,317,241</u>	<u>\$ -</u>

See Independent Auditor's Report.

VALLEY HEALTHCARE SYSTEM

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Valley HealthCare System, 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, 2011

<u>State Grantor/Program Title</u>	<u>State Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Deferred Revenue July 1, 2010</u>	<u>Disbursements/ Expenditures</u>	<u>Deferred Revenue June 30, 2011</u>
<u>West Virginia Department of Health and Human Resources</u>					
Care Coordinators Improvement	0525-2011-3701-219-252	\$ 415,140	\$ -	\$ 408,594	\$ -
Community Support Improvement	0525-2011-3702-219-252	123,952	-	113,204	-
MH Client Core Services	0525-2011-2851-219-252	312,704	-	312,704	-
Crisis Improvement	0525-2011-2851-219-252	313,686	-	313,686	-
Case Management	0525-2011-2851-219-252	25,000	-	23,877	-
DD Client Core Services	0525-2011-2870-219-252	190,166	-	190,166	-
PI Services	0525-2011-2885-219-252	58,700	-	58,700	-
SA Women	0525-2011-2890-219-252	354,083	-	351,948	-
SA Adolescent Res. Treatment	0525-2011-2892-219-252	75,944	-	75,944	-
Support/ Alternative Services	0525-2011-3041-219-252	449,970	-	449,970	-
Charity Care	0525-2011-3065-219-252	837,571	-	837,571	-
Charity Care	0525-2010-3065-219-252	88,304	-	88,304	-
Day Treatment and Res. Support	0525-2007-3115-219-252	223,149	-	98,298	-
Family Support	0525-2011-2870-221-252	81,285	-	81,285	-
Forensic Home	0525-2011-3703-335-252	1,178,488	-	1,176,330	-
Colin Anderson Look Alikes	0525-2009-2874-219-252	31,536	-	31,536	-
SA-Outpatient-Suboxone Subsidy	5207-2010-2891-099-252-13260	10,352	-	10,352	-
SA-Adolescent Suicide	0525-2009-2892-219-252	1,354	-	1,354	-
SA-Adolescent Suicide	0525-2003-2892-219-252	5,190	-	5,190	-
Colin Anderson Community Placement	0525-2011-2874-803-252	165,564	-	165,564	-
 Total Department of Health and Human Resources		 <u>\$ 4,942,138</u>	 <u>\$ -</u>	 <u>\$ 4,794,577</u>	 <u>\$ -</u>

See Independent Auditor's Report.

VALLEY HEALTHCARE SYSTEM
SCHEDULE OF BHHF FUNDING STATUS

Year Ended June 30, 2011

State Account Number	Award Amount	Award Deferred Revenue			Deferred Revenue June 30, 2011	Amount not Billed	Amount Collected in Current Year
		July 1, 2010	Amount Earned	Amount Billed			
8794-2011-2851-096-128-17956	206,600	-	202,493	202,493	-	4,107	159,811
8794-2011-2913-096-128-17956	66,519	-	66,519	66,519	-	-	66,519
8723-2011-2886-096-128-18327	264,034	-	148,435	148,435	-	115,599	131,207
8723-2010-2886-096-128-17782	81,288	-	81,288	81,288	-	-	81,288
8793-2011-2885-096-128-17959	129,955	-	129,955	129,955	-	-	124,104
8793-2011-2891-096-128-17959	461,676	-	458,634	458,634	-	3,042	379,674
8793-2011-2892-096-128-17959	231,341	-	229,917	229,917	-	1,424	189,183
0525-2011-3701-219-252	415,140	-	408,594	408,594	-	6,546	381,016
0525-2011-3702-219-252	123,952	-	113,204	113,204	-	10,748	95,995
0525-2011-2851-219-252	312,704	-	312,704	312,704	-	-	312,704
0525-2011-2851-219-252	313,686	-	313,686	313,686	-	-	285,082
0525-2011-2851-219-252	25,000	-	23,877	23,877	-	1,123	19,751
0525-2011-2870-219-252	190,166	-	190,166	190,166	-	-	190,166
0525-2011-2885-219-252	58,700	-	58,700	58,700	-	-	58,700
0525-2011-2890-219-252	354,083	-	351,948	351,948	-	2,135	296,204
0525-2011-2892-219-252	75,944	-	75,944	75,944	-	-	75,944
0525-2009-2892-219-252	1,354	-	1,354	1,354	-	-	1,354
0525-2003-2892-219-252	5,190	-	5,190	5,190	-	-	5,190
0525-2011-3041-219-252	449,970	-	449,970	449,970	-	-	449,970
0525-2011-3065-219-252	837,571	-	837,571	837,571	-	-	837,571
0525-2010-3065-219-252	88,304	-	88,304	88,304	-	-	88,304
0525-2007-3115-219-252	223,149	-	98,298	98,298	-	124,851	71,079
0525-2011-2870-221-252	81,285	-	81,285	81,285	-	-	67,297
0525-2011-3703-335-252	1,178,488	-	1,176,330	1,176,330	-	2,158	1,045,728
0525-2009-2874-219-252	31,536	-	31,536	31,536	-	-	31,536
0525-2011-2874-803-252	165,564	-	165,564	165,564	-	-	165,564
5207-2010-2891-099-252-13260	10,352	-	10,352	10,352	-	-	10,352
Total	\$ 6,383,551	\$ -	\$ 6,111,818	\$ 6,111,818	\$ -	\$ 271,733	\$ 5,621,293

See Independent Auditor's Report.

Item #	Description	Asset Type	ID	RU	Date	Life	Amount	State Account Number	Serial	TAB
1	Typewriter - Smith Corona	Equipment	2492		01-Jan-79	10	600	Unknown		OBHS
2	Refridgerator- Whirlpool Mach I Series	Furniture	2281		01-Jul-79	10	650	Unknown		OBHS
3	Desk - Orange W/Typewriter Space	Furniture	2061	10	01-Aug-79	10	543	Unknown		OBHS
4	Desk - Yellow W/Typewriter Space	Furniture	2423	10	01-Aug-79	10	543	Unknown		OBHS
5	Desk - Gold W/Woodgrain Top	Furniture	1909		01-Aug-79	10	543	Unknown		OBHS
6	Desk - Woodgrain Top/Tan W/5 drawers	Furniture	2644		01-Aug-79	10	543	Unknown		OBHS
7	Filing Cabinet Unit - Med Records	Furniture	2623		01-Sep-79	10	3,489	Unknown		OBHS
8	Workstation - L-Shaped Exec. W/5 drawers	Furniture	2488	4	01-Feb-80	10	1,473	Unknown		OBHS
9	Couch - Maroon	Furniture	2244	3	01-Mar-80	10	565	Unknown		OBHS
10	Couch - Mauve Tweed	Furniture	1500	68	01-Mar-80	10	565	Unknown		OBHS
11	Couch - Brown	Furniture	379		01-Mar-80	10	565	Unknown		OBHS
12	Couch - Red Fabric W/Cushion	Furniture	1956		01-Mar-80	10	711	Unknown		OBHS
13	Couch - Blue/Black Tweed Fabric	Furniture	2332		01-Mar-80	10	565	Unknown		OBHS
14	Couch - Blue/Brn Tweed Chrome	Furniture	2444		01-Mar-80	10	565	Unknown		OBHS
15	Couch - Blue Plaid	Furniture	2507		01-Mar-80	10	565	Unknown		OBHS
16	Couch - Orange/Blue Striped	Furniture	2523		01-Mar-80	10	565	Unknown		OBHS
17	Seating Set - Peach Printed Vinyl W/Table	Furniture	2578		01-Mar-80	10	950	Unknown		OBHS
18	Seating Set - Peach Printed Vinyl W/Table	Furniture	2579		01-Mar-80	10	950	Unknown		OBHS
19	Seating Set - Peach Printed Vinyl W/Table	Furniture	2580		01-Mar-80	10	950	Unknown		OBHS
20	Seating Set - Peach Printed Vinyl W/Table	Furniture	2581		01-Mar-80	10	950	Unknown		OBHS
21	Seating Set - Peach Printed Vinyl W/Table	Furniture	2582		01-Mar-80	10	950	Unknown		OBHS
22	Seating Set - Peach Printed Vinyl W/Table	Furniture	2586		01-Mar-80	10	950	Unknown		OBHS
23	Credenza - Wooden W/Shelves	Furniture	2258	10	01-Jul-80	10	2,598	Unknown		OBHS
24	Wheelchair Lift	Equipment	5000	508	01-Sep-89	10	2,699	Unknown		OBHS
25	Bath Buddy	Equipment	5000	508	14-Jan-91	10	525	Unknown		OBHS
26	Bath Buddy	Equipment	5000	508	14-Jan-91	10	525	Unknown		OBHS
27	Respironic - Resp 367100	Equipment	5000	508	14-Jan-91	10	1,995	Unknown		OBHS
28	Bed - Hospital W/Rails	Furniture	1609	508	17-Jan-91	10	950	Unknown		OBHS
29	Bed - Hospital W/Rails	Furniture	1616	508	17-Jan-91	10	950	Unknown		OBHS
30	Bed - Hospital W/Rails	Furniture	1617	508	17-Jan-91	10	950	Unknown		OBHS
31	Bed - Hospital W/Rails	Furniture	1622	508	17-Jan-91	10	950	Unknown		OBHS
32	Bed - Hospital W/Rails	Furniture	1623	508	17-Jan-91	10	950	Unknown		OBHS
33	Wheelchair	Equipment	5000	508	26-Feb-91	10	2,210	Unknown		OBHS
34	Wheelchair	Equipment	5000	508	26-Feb-91	10	4,643	Unknown		OBHS
35	Wheelchair	Equipment	5000	508	26-Feb-91	10	4,675	Unknown		OBHS
36	Respironic - Rem Star	Equipment	5000	508	16-Jul-91	10	1,496	Unknown		OBHS
37	Love Seat - Brn & Beige Tweed	Furniture	1924	508	09-Sep-91	10	658	Unknown		OBHS
38	Computer - Mitsuba PC - 386 DX 33	Computer	2014	7	01-Oct-91	5	1,677	Unknown	1061326	OBHS
39	Monitor - Mitsuba 14"	Computer	2651	211	01-Oct-91	5	543	Unknown	S92529	OBHS
40	Loveseat - Check Fabric W/Wood base	Furniture	1083	52	07-Nov-91	10	891	Unknown		OBHS
41	Quantex 386 SX/33	Computer	2427	36	15-May-92	5	919	Unknown	3001599733	OBHS
42	Tatung 14" Monitor	Computer	130	7	12-Aug-92	5	291	Unknown	F335GFKAC	OBHS
43	Tatung 14" Monitor	Computer	2063	36	12-Aug-92	5	291	Unknown	61461840	OBHS
44	Panasonic KX-P1124	Computer	2854	36	25-Aug-92	5	671	Unknown	1DMCC13229	OBHS
45	Workstation - Thompson's 30x72	Furniture	2025	10	25-May-95	10	675	Unknown		OBHS
46	Workstation - Thompson's 30x72	Furniture	2032	13	25-May-95	10	675	Unknown		OBHS
47	Monitor Crystalscan 14"	Computer	1038	11	28-Jul-95	5	265	8793-1996-2892-096-252-00586	727UD01J02077	OBHS
48	Monitor Crystalscan 14"	Computer	5000	7	28-Jul-95	5	265	8793-1996-2892-096-252-00586		OBHS
49	PC-Gatway GA 4DX2-66 & moneywork 3.0	Computer	849	7	04-Aug-95	5	1,284	8793-1996-2892-096-252-00586	3657792	OBHS
50	TV/VCR combo - RCA 20"	Furniture	1084	52	04-Oct-95	10	569	Unknown		OBHS
51	Computer Desk - Champion 24x60	Furniture	1994	15	25-Jan-96	10	510	Unknown		OBHS
52	Filing Cabinet - Vertical File	Furniture	1996	15	25-Jan-96	10	625	Unknown		OBHS
53	Computer Desk - Champion 24x60	Furniture	1997	15	25-Jan-96	10	510	Unknown		OBHS

Item #	Description	Asset Type	ID	RU	Date	Life	Amount	State Account Number	Serial	TAB
54	Filing Cabinet - Vertical File	Furniture	1998	15	25-Jan-96	10	625	Unknown		OBHS
55	Computer Desk - Champion 24x60	Furniture	1999	15	25-Jan-96	10	510	Unknown		OBHS
56	Credenza - Woodgrain Top	Furniture	1057	52	25-Jan-96	10	600	Unknown		OBHS
57	Credenza - Woodgrain Top	Furniture	1065	52	25-Jan-96	10	500	Unknown		OBHS
58	Credenza - Woodgrain Top	Furniture	1092	52	25-Jan-96	10	500	Unknown		OBHS
59	Computer Desk - Champion 24x60	Furniture	2001	113	25-Jan-96	10	510	Unknown		OBHS
60	Speakers - LAB LCS-1014	Computer	901	7	31-Dec-97	5	27	8793-1998-2885-096-252-02060	727UDOO1J01868	OBHS
61	Rembrandt PC - Pentium 166	Computer	902	7	31-Dec-97	5	1,347	8793-1998-2885-096-252-02060	8651	OBHS
62	Speakers - LAB LCS-1014	Computer	1331	251	31-Dec-97	5	27	Unknown	727UDOO1J02077	OBHS
63	HP Laserjet 6PXi Laser	Computer	5000	51	30-Jan-98	5	763	Unknown	USCD082951	OBHS
64	Electric Bed - Proserv Medical	Equipment	5000	521	17-Mar-98	10	945	Unknown		OBHS
65	Electric Bed - Proserv Medical	Equipment	5000	521	17-Mar-98	10	945	Unknown		OBHS
66	Electric Bed - Proserv Medical	Equipment	5000	531	17-Mar-98	10	630	Unknown		OBHS
67	Monitor EV 500 13.9	Computer	2073	89	30-Mar-98	5	218	5192-1998-2874-099-252	15009A468080	OBHS
68	Gateway - 2300 Deluxe Pentium PC	Computer	2074	211	02-Apr-98	5	2,723	5192-1998-2874-099-252	0009556202	OBHS
69	HoyerLift - Sunmed HPL 400	Equipment	2919	531	05-Apr-98	10	1,824	5192-1998-2874-099-252		OBHS
70	HoyerLift - Sunmed HPL 400	Equipment	2970	531	05-Apr-98	10	1,853	5192-1998-2874-099-252		OBHS
71	Lift Chair	Equipment	5000	527	08-Sep-98	10	625	Unknown		OBHS
72	Ropes Course - ACT Unit - Fairmont	Equipment	5000	59	08-Apr-99	10	23,795	8793-1999-2892-096-252-03087		OBHS
73	Outbuilding for Adolescent (CrossRoads)-51	Equipment	5000	59	15-Jul-99	10	2,373	8793-1999-2892-096-252-03087		OBHS
74	Additional Mulch for Ropes Course-51	Equipment	5000	59	10-Sep-99	10	865	Unknown		OBHS
75	Gateway Essential 433C PC	Computer	3448	55	02-May-00	5	1,155	8793-2000-2892-096-128-04135	0018563857	OBHS
76	Solo 2150CL- Laptop	Computer	3451	201	02-May-00	5	2,968	8793-2000-2892-096-128-04135	0018540326	OBHS
77	Gateway Essential 433C PC	Computer	3453	9	02-May-00	5	1,155	8793-2000-2892-096-128-04135	0018563855	OBHS
78	Gateway Essential 433C PC	Computer	3459	30	02-May-00	5	1,155	8793-2000-2892-096-128-04135	0018563856	OBHS
79	Gateway Essential 433C PC	Computer	3465	52	02-May-00	5	1,155	8793-2000-2892-096-128-04135	0018563858	OBHS
80	Gateway GCS-200 Speakers	Computer	5000	7	02-May-00	5	53	8793-2000-2892-096-128-04135		OBHS
81	Gateway GCS-200 Speakers	Computer	5000	9	02-May-00	5	53	8793-2000-2892-096-128-04135		OBHS
82	Gateway GCS-200 Speakers	Computer	5000	30	02-May-00	5	53	8793-2000-2892-096-128-04135		OBHS
83	Gateway GCS-200 Speakers	Computer	5000	52	02-May-00	5	53	8793-2000-2892-096-128-04135		OBHS
84	Gateway GCS-200 Speakers	Computer	5000	55	02-May-00	5	53	8793-2000-2892-096-128-04135		OBHS
85	Gateway Select 700	Computer	3455	8	04-May-00	5	1,615	8793-2000-2892-096-128-04135	0018564331	OBHS
86	Gateway GCS-200 Speakers	Computer	5000	8	04-May-00	5	37	8793-2000-2892-096-128-04135		OBHS
87	Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	7	04-May-00	5	302	8793-2000-2892-096-128-04135		OBHS
88	Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	8	04-May-00	5	302	8793-2000-2892-096-128-04135		OBHS
89	Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	9	04-May-00	5	302	8793-2000-2892-096-128-04135		OBHS
90	Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	30	04-May-00	5	302	8793-2000-2892-096-128-04135		OBHS
91	Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	52	04-May-00	5	302	8793-2000-2892-096-128-04135		OBHS
92	Gateway Monitor - EV700 17" W 15.9 Viewable	Computer	5000	55	04-May-00	5	302	8793-2000-2892-096-128-04135		OBHS
93	Gateway Monitor EV 700 W/ 15.9 Viewable	Computer	5000	9	23-Jun-00	5	293	8793-2000-2892-096-128-04135		OBHS
94	Livingston Router	Computer	5000	52	10-Sep-00	5	750	Unknown		OBHS
95	Alcohol Sensors - Act Unit	Equipment	5000	52	10-Jul-01	5	1,063	0525-2003-2874-803-252		OBHS
96	Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4010	9	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA602	OBHS
97	Compaq Monitor - S7500 17"	Computer	4011	5	01-Mar-03	5	193	0525-2003-2874-803-252	CN245VB427	OBHS
98	Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4012	7	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA617	OBHS
103	Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4020	29	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA412	OBHS
106	Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4026	301	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA382	OBHS
108	Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4028	20	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA415	OBHS
112	Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4032	9	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA439	OBHS
113	Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4034	20	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA451	OBHS
115	Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4036	52	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA631	OBHS
116	Compaq - PC - EVO D310 MT P4 W/512 Memory Upgrade	Computer	4037	13	01-Mar-03	5	833	0525-2003-2890-219-252	V308LB4ZA418	OBHS
122	Compaq Monitor - S7500 17"	Computer	4050	13	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC578	OBHS

Item #	Description	Asset Type	ID	RU	Date	Life	Amount	State Account Number	Serial	TAB
123	Compaq Monitor - S7500 17"	Computer	4051	201	01-Mar-03	5	193	0525-2003-2874-803-252	CN245VC172	OBHS
124	Compaq Monitor - S7500 17"	Computer	4052	52	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC952	OBHS
125	Compaq Monitor - S7500 17"	Computer	4055	52	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC982	OBHS
126	Compaq Monitor - S7500 17"	Computer	4058	20	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC583	OBHS
127	Compaq Monitor - S7500 17"	Computer	4059	7	01-Mar-03	5	193	0525-2003-2874-803-252	CN249XB484	OBHS
128	Compaq Monitor - S7500 17"	Computer	4060	7	01-Mar-03	5	193	0525-2003-2874-803-252	CN249VC238	OBHS
129	Compaq Monitor - S7500 17"	Computer	4063	7	01-Mar-03	5	193	0525-2003-2874-803-252	CN249VC245	OBHS
130	Compaq Monitor - S7500 17"	Computer	4065	10	01-Mar-03	5	193	0525-2003-2874-803-252	CN244VC579	OBHS
131	Compaq Labtop - EVO N800V P4	Computer	4066	201	01-Mar-03	5	1,663	8793-2003-2892-096-128-07887	5Y32KSQZ91WB	OBHS
132	Compaq Laptop - EVO N800V P4	Computer	4067	301	01-Mar-03	5	1,663	8793-2003-2892-096-128-07887	5Y32KSQZ91X7	OBHS
133	Billiard Table and Accessories	Furniture	5000	557	10-Apr-03	7	718	Unknown		OBHS
135	CDW INFOCUS XGA Projector	Computer	5000	89	14-May-03	5	3,137	8794-2003-2915-096-128-07888	1S7KN30790758	OBHS
136	CDW LapTop PC TOS 6100 - CRW XPP	Computer	5000	89	14-May-03	5	1,604	8794-2003-2915-096-128-07888	S33054403P	OBHS
137	CDW Laptop HP NC8000 CRW XPP - Compaq	Computer	4271	JUDY	04-May-04	5	1,815	8723-2004-2852-096-128-10550	CNU4061J02	OBHS
138	LapTop PC - CDW HP CPQ NC8000 C9/1.5 40GB CRW XPP	Computer	5000	89	19-Aug-04	7	1,913	0525-2005-2923-219-252/258	SCNU419XK3	OBHS
139	CDW - SB NC8000 1.6 40GB CRW XPP LAPTOP PC	Computer	4115	351	01-Feb-05	5	1,982	8793-2005-2892-096-128-10596	SCHNU503F1NC	OBHS
140	HP SB NC8000 40GB CRW XPP - Lap Top	Computer	4301	89	07-Feb-05	5	1,976	8723-2004-2852-096-128-10550	SCNU504FM45	OBHS
141	Monitor - CDW - Acer AL1912B - 19 inch	Computer	5000	89	06-Jun-05	5	332	8723-2004-2852-096-128-10550	51200F34ED47	OBHS
142	Monitor - CDW - Acer AL1912B - 19 inch	Computer	5000	89	06-Jun-05	5	332	8723-2004-2852-096-128-10550	51200F35ED47	OBHS
143	HP LapTop - CDW	Computer	5000	89	06-Jun-05	5	1,709	8723-2004-2852-096-128-10550	SCNU5200BL5	OBHS
144	PC - CDW - HP-DC5100 40GB -XPP-w/Kingston memory Upgrade	Computer	5000	89	06-Jun-05	5	948	8723-2004-2852-096-128-10550	SMXL5210S0T	OBHS
146	Computer-EMR GRANT	Computer		7	12-Mar-08	5	1,674	Unknown		OBHS
147	Scanners-EMR GRANT	Computer		7	12-Mar-08	5	5,640	Unknown		OBHS
148	Signature Pads-EMR GRANT	Computer		7	28-Mar-08	5	3,488	Unknown		OBHS
149	Monitor - Planar 1700 - 17in LCD - CDW	Computer	5000	55	06-Mar-07	5	191	Unknown	AG704H83314	OBHS
150	PC - HP DC7600C - 80 GB w/MS PRO Plus 2007 - CDW	Computer	5000	55	06-Mar-07	5	1,132	Unknown	S2UA7030SCK	OBHS
151	DVD Burner	Furniture		89	12-Feb-08	5	1,813	Unknown		OBHS
152	Monitor-Viewsonic VC2030WM 20" Wide - CDW	Computer	5219	89	09-Jul-08	5	316	8794-2009-2914-096-128-15581	QCC082184369	OBHS
153	Monitor-Viewsonic VC2030WM 20" Wide - CDW	Computer	5220	89	09-Jul-08	5	316	8794-2009-2914-096-128-15581	QCC082184378	OBHS
154	PC-HP XW4600T E8400 250GB XPP W/DVR - CDW	Computer	5221	89	09-Jul-08	5	1,486	8794-2009-2914-096-128-15581	S2UA8230W6H	OBHS
155	Projector - Hitachi CPX5 XGA	Computer	5266	89	20-Jul-09	5	1,019		F8J010419	OBHS
156	COMPUTER	Computer	5278	89	25-Aug-09	5	1,703		S2UA9331CW5	OBHS
157	Computer	Computer		97	12-Mar-08	5	1,237	Unknown	SCNU80880SN4	OBHS
158	Laptop PC HP NX 9420	Computer	4389	251	11-Sep-06	5	2,163	Unknown	SCND6253BSM	OBHS
159	Laptop 4 OF 6	Computer	5279	320	18-Aug-09	5	2,033	8723-2009-0506-096-128	1S74499EUR90CYP3	OBHS
160	Laptop 2 OF 6	Computer	5268	320	18-Aug-09	5	2,033	8723-2009-0506-096-128	1S74499EUR90CYN1	OBHS
161	Laptop 3 OF 6	Computer	5269	320	18-Aug-09	5	2,033	8723-2009-0506-096-128	1S74499EUR90CYP4	OBHS
162	Laptop 1 OF 6	Computer	5272	320	18-Aug-09	5	2,033	8723-2009-0506-096-128	1S74499EUR90CYNB	OBHS
163	Laptop 6 OF 6	Computer	5280	320	18-Aug-09	5	2,033	8723-2009-0506-096-128	1S74499EUR90DV5R	OBHS
164	Laptop 5 OF 6	Computer	5281	320	18-Aug-09	5	2,033	8723-2009-0506-096-128	1S74499EUR90DV5M	OBHS
165	PC-HP SB 67108 17100 80 GB w/DVR - CDW	Computer		351	01-Dec-07	5	1,764	Unknown	SCNU74302XQ	OBHS
166	Monitor-Planar PL1900 19"-CDW	Computer		507	01-Oct-07	5	287	Unknown	PD0775JS09499	OBHS
167	PC- SB DC5700 CE4300-80 GB w/PRO Plus 2007-CDW	Computer		507	01-Oct-07	5	1,416	Unknown	SMCM73407PB	OBHS
168	Refrigerator/Freezer	Furniture		507	07-Nov-07	5	667	Unknown		OBHS
169	Dishwasher	Furniture		507	02-May-08	5	667	Unknown		OBHS
170	Wii System	Computer		507	16-Jun-08	5	711	Unknown		OBHS
171	Dining Set	Furniture		507	01-Jul-08	5	530	0525-2009-3703-335-252		OBHS
172	Dining Set	Furniture		507	01-Jul-08	5	530	0525-2009-3703-335-252		OBHS
173	2008 Ford Van	Vehicle	804	507	23-Sep-08	7	28,698	0525-2009-3703-335-252	1FTNS24L78DB59778	AUTO
174	PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4407	511	12-Sep-06	5	1,694	Unknown	SMXM63100X7	OBHS
175	Planar 17in PL 1700 Monitor	Computer	4416	511	12-Sep-06	5	214	Unknown	AG632H40561	OBHS
176	Planar 17in PL 1700 Monitor	Computer	4402	511	12-Sep-06	5	214	Unknown	AG632H38164	OBHS
177	PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4405	511	12-Sep-06	5	1,694	Unknown	SMXM6310100	OBHS

Item #	Description	Asset Type	ID	RU	Date	Life	Amount	State Account Number	Serial	TAB
178	PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4404	511	12-Sep-06	5	1,694	Unknown	SMXM63100FM	OBHS
179	Planar 17in PL 1700 Monitor	Computer	4424	511	12-Sep-06	5	214	Unknown	AG632H40566	OBHS
180	Planar 17in PL 1700 Monitor	Computer	4401	511	12-Sep-06	5	214	Unknown	AG632H40202	OBHS
181	PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4406	511	12-Sep-06	5	1,694	Unknown	SMXM63100WR	OBHS
182	PC - HP DC7600 W/Planar 17in PL 1700 Monitor	Computer	4409	511	12-Sep-06	5	1,694	Unknown	SMXM63100XN	OBHS
183	Phone System - Catalyst - 3560 2SFP Standard Image	Equipment	4525	511	20-Oct-06	20	3,347	Unknown	CAT1036NJXJ	OBHS
184	Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	511	20-Oct-06	20	441	Unknown		OBHS
185	Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	511	20-Oct-06	20	441	Unknown		OBHS
186	Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	511	20-Oct-06	20	441	Unknown		OBHS
187	Phone System - GE WFP LC Connector SX transceiver	Equipment	4525	511	20-Oct-06	20	441	Unknown		OBHS
188	Phone System - Handsets - for Cisco phone system	Equipment	5000	511	20-Oct-06	20	4,998	Unknown		OBHS
189	Phone System - Telecom installation	Equipment	5000	511	20-Oct-06	20	820	Unknown		OBHS
190	HON- Corner Desk - Champion	Furniture	4455	511	26-Oct-06	10	783	Unknown		OBHS
191	HON- Corner Desk - Champion	Furniture	4462	511	26-Oct-06	10	783	Unknown		OBHS
192	HON- Corner Desk - Champion	Furniture	4467	511	26-Oct-06	10	783	Unknown		OBHS
193	HON- Corner Desk - Champion	Furniture	4487	511	26-Oct-06	10	783	Unknown		OBHS
194	HON- Corner Desk - Champion	Furniture	4497	511	26-Oct-06	10	783	Unknown		OBHS
195	HON- Corner Desk - Champion	Furniture	4516	511	26-Oct-06	10	684	Unknown		OBHS
196	PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4529	511	15-Nov-06	5	1,667	Unknown	MXM63801NY	OBHS
197	Monitor - Planar 1910 - 19in LCD - CDW	Computer	4526	511	15-Nov-06	5	284	Unknown	A1639G37522	OBHS
198	PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4528	511	15-Nov-06	5	1,667	Unknown	MXM63801PF	OBHS
199	Monitor - Planar 1910 - 19in LCD - CDW	Computer	4542	511	15-Nov-06	5	284	Unknown	A1639G37526	OBHS
200	PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4544	511	15-Nov-06	5	1,667	Unknown	MXM63801N3	OBHS
201	PC - HP DC7600 - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4545	511	15-Nov-06	5	1,667	Unknown	MXM63801MK	OBHS
202	Storage Building - Browns Mill	Equipment		514	29-Sep-09	10	1,060	0525-2009-3703-335-252/258		OBHS
203	Monitor - Viewsonic VA926 19"-CDW	Computer	5260	514	14-Apr-09	5	205	0525-2009-3703-335-252	QU2090700425	OBHS
204	Monitor - Viewsonic VA926 19"-CDW	Computer	5261	514	14-Apr-09	5	205	0525-2009-3703-335-252	QU2090700343	OBHS
205	PC HP DC5800 E7200 160GB w/ Office PRO Plus 2007 - CDW	Computer	5262	514	14-Apr-09	5	888	0525-2009-3703-335-252	SMXL9110GQC	OBHS
206	PC HP DC5800 E7200 160GB w/ Office PRO Plus 2007 - CDW	Computer	5263	514	14-Apr-09	5	888	0525-2009-3703-335-252	SMXL9110H32	OBHS
207	Phone Equipment	Equipment		514	17-Apr-09	5	5,726	0525-2009-3703-335-252		OBHS
208	Xerox Phaser	Equipment		514	17-Jun-09	5	2,224	0525-2009-3703-335-252	LBP248448	OBHS
209	Generator - Browns Mill	Equipment		514	20-Nov-09	10	27,369	0525-2009-3703-335-252/258		OBHS
210	2009 Ford Econline Van	Vehicle	902	514	24-Mar-09	7	29,242	0525-2009-3703-335-252	1FTNS24L79DA50187	AUTO
211	2005 Chevrolet V3500	Vehicle	501	521	22-Feb-06	7	33,678	Unknown	1GAHG39U951266654	AUTO
212	2006 PT CRUISER	Vehicle	603	525	13-Jan-09	7	7,805	0525-2009-2870-803-252	3A8FY58B56T257097	AUTO
213	2005 Chevrolet V3500	Vehicle	0502	527	22-Feb-06	7	20,580	0525-2006-2874-803-258	1GAHG39UX51258087	AUTO
214	Shower Trolley - Accessible Environments Inc.	Equipment	5000	531	10-Aug-06	5	3,608	Unknown		OBHS
215	PC - HP DC7600C - 80 GB w/MS PRO Plus 2007 - CDW	Computer	4554	NANCY	06-Mar-07	5	1,132	Unknown	S2UA7030S99	OBHS
216	Monitor - Planar 1700 - 17in LCD - CDW	Computer	5000	NANCY	06-Mar-07	5	191	Unknown	AG704H83317	OBHS
217	New Transmission on 2009 Ford Econline Van	Vehicle	On 902	514	01-Jul-10	7	1,325	0525-2011-3703-335-258	On: 1FTNS24L79DA50187	AUTO
							\$ 378,903		Building	0
							\$ 30,144		Computer	109
							\$ 1,325		Equipment	31
							\$ 407,722		Furniture	53
									Vehicle	6

See Independent Auditor's Report.

Valley HealthCare System
 BHHF Assets - Leaseholds, Land and Buildings
 Cumulative Property Schedule - June 30, 2011

Description	Vendor	RU	Date	Amount	Life	TAB
Unknown Improvements	RU 10	10	01-Jul-92	6,060	10	BIMP
Tiling for Valley Main Office - Halls Classic Carpets	RU 10	10	23-Jan-04	33,749	10	BIMP
Sewer Upgrade at ACT Unit - T.Chickerell	RU 52	52	03-Aug-01	19,000	10	BIMP
Decking Addition - ACT Unit	RU 52	52	31-Aug-01	1,132	10	BIMP
Marion Day Treatment - Paul Rice	RU 68	68	01-Jun-91	8,292	10	BIMP
Drywall, Lumber, ect - RU 505 STRU - Lowe's*	RU 505	505	12-Aug-03	631	10	BIMP
Fire Door - B&B Glass*	RU 505	505	12-Aug-03	2,141	10	BIMP
Smoke Alarm/Security System - Secure US*	RU 505	505	12-Aug-03	1,140	10	BIMP
Carpeting - Hall's Carpeting*	RU 505	505	12-Aug-03	2,192	10	BIMP
Drywall, Lumber, ect - RU 505 STRU - Lowe's*	RU 505	505	12-Aug-03	1,773	10	BIMP
New Door for Crisis Unit plus remodeling of windows	RU 505	505	12-Aug-03	2,353	10	BIMP
Dumpster Pad	RU 507	507	10-Jun-08	5,500	10	BIMP
Generator	Jeff Keiss	507	01-Jul-08	21,300	10	BIMP
Deck and Double Doors	Jeff Keiss	507	01-Jul-08	7,000	10	BIMP
Building - Office	RU 10	10	01-Jul-77	1,620,404	20	BLDG
Roof Replacemt	RU 10	10	01-Oct-89	175,802	10	BLDG
Eng. Fees - Roof	RU 10	10	01-Oct-89	6,801	10	BLDG
Architect Services - Gustafson	RU 52	52	01-Jun-94	9,216	10	BLDG
Roadway Work - Harman Const.	RU 52	52	31-Oct-94	11,900	10	BLDG
Brewer & Co. - Sprinkler System	RU 52	52	20-Dec-94	16,839	10	BLDG
Accordia - Builders Risk Insurance	RU 52	52	19-Jan-95	900	10	BLDG
Emsweller - Fire Alarm System	RU 52	52	10-Feb-95	3,817	10	BLDG
Water Line - Chickerell Excavating	RU 52	52	21-Apr-95	5,382	10	BLDG
Construction Costs - Huffman	RU 52	52	03-May-95	395,119	10	BLDG
Architect Services - Gustafson	RU 52	52	15-Jun-95	24,533	10	BLDG
Brewer & Co. - Breaker Boxes	RU 52	52	01-Jul-95	233	10	BLDG
Architect Services - Gustafson	RU 52	52	15-Jul-95	694	10	BLDG
Emsweller - Manual Station	RU 52	52	14-Aug-95	125	10	BLDG
Drapery Sales & Service	RU 52	52	17-Aug-95	999	10	BLDG
Emsweller - Fire Alarm	RU 52	52	02-Sep-95	1,909	10	BLDG
Brewer & Co. - Sprinkler System	RU 52	52	08-Sep-95	1,115	10	BLDG
Decking Addition - Huffman	RU 52	52	29-Sep-95	3,484	10	BLDG
Construction Costs - Huffman	RU 52	52	17-Nov-95	6,965	10	BLDG
Adjustment - 1995	RU 52	52	31-Dec-95	(1,080)	10	BLDG
Traffic Circle in Parking Lot - 301 Scott Ave	RU 10	10	26-Sep-03	11,364	10	LAIMP
ACT Unit Sewage Line relocate	RU 52	52	30-May-06	19,825	10	LAIMP
Paving/Excavation	RU 508	508	12-May-08	13,712	10	LAIMP
Land - Office	Scott Avenue	10	2-Nov-81	60,500	N/A	LAND
Land - ACT Unit	Fairmont	52	31-Dec-95	60,005	N/A	LAND
Pixler Hill Building Improvements	Rubicon Development	508	01-Feb-91	20,000	5	Leas
Pixler Fire Improvements	Rubicon Development	508	01-Jun-91	50,000	5	Leas
Pixler Hill - Building	RU 508	508	01-Jun-91	50,000	10	Leas

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, 2011

ASSETS

CURRENT ASSETS:	
1. Cash	\$ 999,093
2. Short-term investments	-
3. Accounts receivable - BHHF	490,525
4. Accounts receivable - Client	72,860
5. Accounts receivable - Medicaid	289,135
6. Accounts receivable - Medicaid MR/DD Waiver	773,633
7. Accounts receivable - Other	98,872
7a. Allowance for doubtful accounts	(70,809)
8. Inventory	300
9. Prepaid/Other	<u>59,778</u>
10. TOTAL CURRENT ASSETS (total of lines 1-9)	2,713,387
NON-CURRENT ASSETS:	
FIXED ASSETS	
11. Property, land, and equipment - BHHF	3,217,617
12. Less accumulated depreciation	(2,714,743)
13. Property, land, and equipment - Other	3,559,885
14. Less accumulated depreciation	<u>(2,213,024)</u>
15. Total property, land, and equipment (NET)	1,849,735
OTHER NON-CURRENT ASSETS:	
16. Long-term investments	187,917
17. Other	<u>-</u>
18. TOTAL ASSETS (Total of lines 10, 15, 16, and 17)	<u>\$ 4,751,039</u>

LIABILITIES

CURRENT LIABILITIES:	
19. Accounts payable	\$ 644,505
20. Taxes payable	152,295
20a. Provider taxes payable	31,064
21. Line of credit - payable	-
22. Short-term notes payable	73,915
23. Accrued expenses	923,915
24. Other current liabilities	<u>136,930</u>
25. TOTAL CURRENT LIABILITIES (Total of lines 19-24)	1,962,624
LONG-TERM LIABILITIES	
26. Long-term notes payable	473,618
28. Other long-term liabilities	<u>1,421,222</u>
TOTAL LIABILITIES (Total of lines 25, 26, and 27)	3,857,464
NET ASSETS	
29. Unrestricted net assets	\$ 893,575
30. Board designated net assets	-
31. Permanently restricted net assets	<u>-</u>
32. TOTAL LIABILITIES AND NET ASSETS (Total of lines 26-31)	<u>\$ 4,751,039</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
Year Ended June 30, 2011

REVENUE AND SUPPORT

1.	Charity Care	\$ -
1a.	Charity Care (BHHF target funds)	(804,182)
1b.	Charity Care (BHHF non-target funds)	(918,357)
1c.	Charity Care	-
1d.	Charity Care	-
1e.	Charity Care	-
1f.	Charity Care	-
1g.	Charity Care	(163,951)
1h.	Contractual write-off charity	-
1i.	Charity Care revenue	1,722,539
1j.	Supportive/Alternative Services Revenue	<u>163,951</u>
	Total (Should equal zero)	-
2.	Gross client service revenue	12,973,165
3.	Contractual adjustments (Target funds)	(804,182)
3a.	Contractual adjustments (Non-target funds)	<u>(1,976,767)</u>
5.	Net client service revenue	10,192,216
	Net client service revenue	
6.	Medicaid (Target funds)	-
6a.	Medicaid (Non-target funds)	2,008,795
7.	Medicaid MR/DD waiver (Non-target funds)	7,614,130
8.	ICF/MR (Non-target funds)	-
9.	Private pay (Non-target funds)	385,464
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>183,827</u>
11.	Total net client service revenue (Line 10 must agree with line 4)	10,192,216
12.	BHHF support	6,111,818
13.	Other/Public support	67,882
14.	Other	<u>607,996</u>
15.	TOTAL REVENUE AND SUPPORT (Total of lines 11-14)	<u>16,979,912</u>
	EXPENSES	
16.	Salaries	8,207,454
17.	Fringe benefits	1,630,293
18.	Contractual services	2,948,795
19.	Provider tax	338,801
19b.	Bad debt	21,966
	Bad debt (BHHF target funds)	-
19c.	Bad debt (BHHF non-target funds)	-
20.	Depreciation expense	270,679
21.	Other expenses	<u>2,711,481</u>
22.	TOTAL EXPENSES (Total of lines 15-20)	<u>16,129,469</u>
23.	NET INCOME (LOSS)	<u>\$ 850,443</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, 2011, and have issued our report thereon dated October 31, 2011. 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

Management of the Corporation is responsible for establishing and maintaining effective 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be a material weakness in internal control over financial reporting.

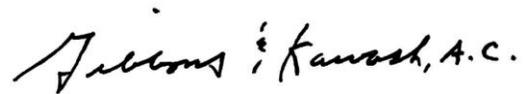
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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. We consider the deficiency described as finding 2011-1 in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

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

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Corporation's response and, accordingly, we express no opinion on it.

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

Handwritten signature in cursive script that reads "J. Williams & Kanash, A.C."

October 31, 2011

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON 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, 2011. 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 could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

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 the requirements that could have a direct and material effect on a major federal

program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Jillson ; Kanash, A.C.

October 31, 2011

VALLEY HEALTHCARE SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' reports issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 501(a) of Circular A-133? Yes No

Identification of Major programs:

<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? Yes No

VALLEY HEALTHCARE SYSTEM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Section II - Financial Statement Findings

2011-1 Internal Controls Over Quality Assurance and Service Delivery

Condition:

Certain client services were incorrectly billed due to noncompliance with third party quality assurance and service delivery regulations and contracts.

Criteria:

The Corporation is required to maintain compliance with quality assurance and service delivery regulations and contracts with third party payors of client services.

Effect:

Material noncompliance with third party quality assurance and service delivery requirements impacting services billed could occur and not be detected in a timely manner, which could result in significant obligations payable to third parties.

Cause:

Internal controls over compliance with requirements for quality assurance and service delivery were not operating effectively.

Recommendation:

Management should review internal controls over quality assurance and service delivery compliance on a recurring basis to ensure they are operating effectively. Service delivery and quality assurance reviews should be performed periodically to ensure that client services are provided and billed properly. Such reviews should also be performed when changes occur to related regulations or contractual agreements.

Management Response:

The Management at Valley will evaluate and enhance our Quality Assurance Procedures to ensure that its clinical and billing processes remain compliant for all applicable regulations.

Section III – Federal Award Findings and Questioned Costs

None