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RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD  
AND AREA AGENCY ON AGING  
CULPEPER, VIRGINIA  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008

ROBINSON, FARMER, COX ASSOCIATES

*A PROFESSIONAL LIMITED LIABILITY COMPANY      CERTIFIED PUBLIC ACCOUNTANTS*

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CHARLOTTESVILLE   □   RICHMOND   □   FREDERICKSBURG   □   VERONA   □   CHRISTIANSBURG



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RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD  
AND AREA AGENCY ON AGING

BOARD MEMBERS

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William Tidball, Chair  
*Madison*

Ingerid Refour, Ph.D., Vice Chair  
*Fauquier*

Linda Treakle, Secretary  
*Orange*

*Culpeper*  
Carole Bouthilet  
Richard Goff  
Judy Shulick

*Fauquier*  
Douglas Harpole

*Madison*  
George K. Beach  
Beth Roireau

*Orange*  
Keith O'Connor  
Jean O'Toole

*Rappahannock*  
Roberta Anderson  
Dorothy Butler  
Helen Williams

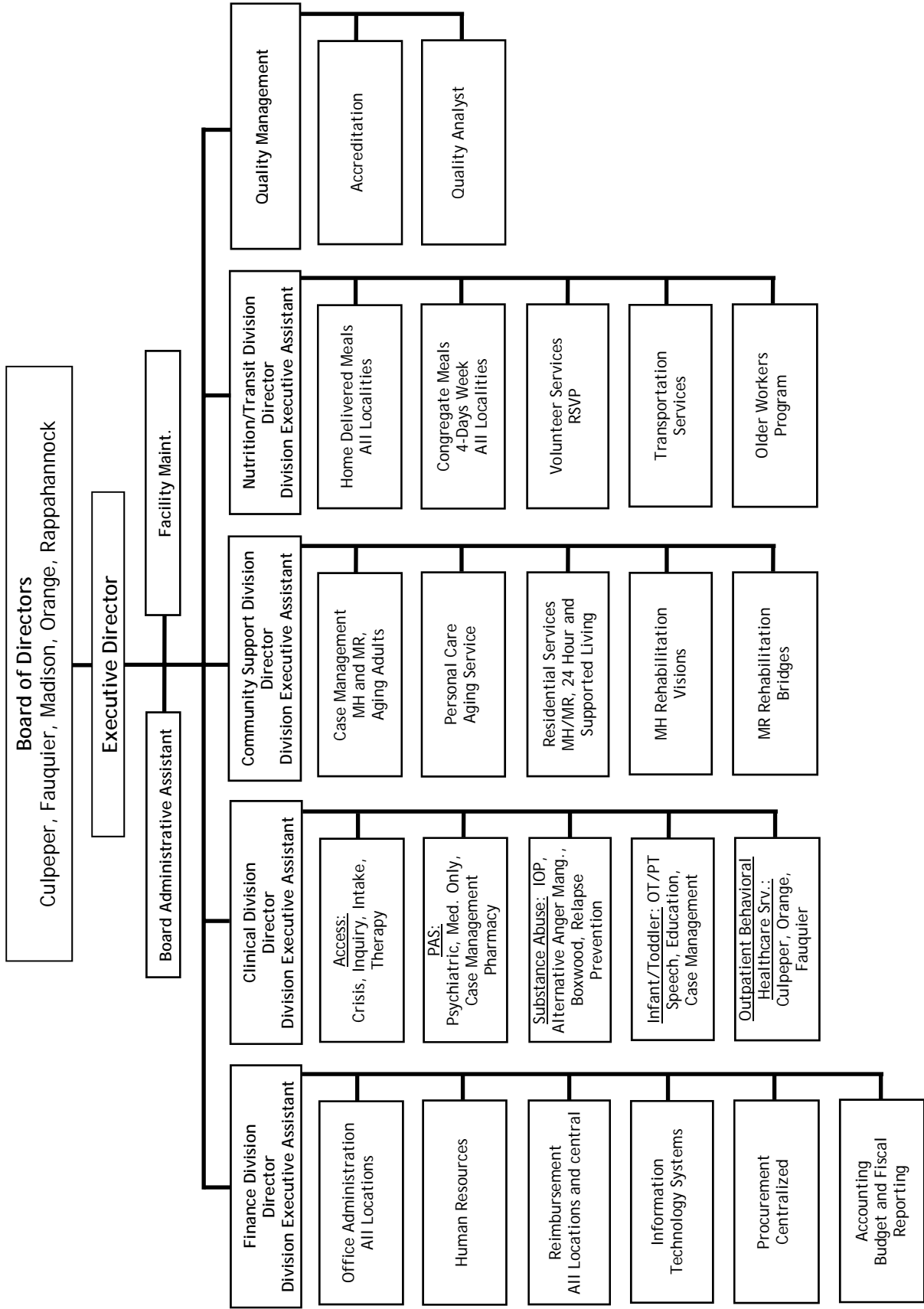
MANAGEMENT STAFF

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Brian Duncan	Executive Director
Anna McFalls	Director of Finance & Administrative Services
Sallie Morgan	Director of Community Support Services
Ray Parks	Director of Nutrition & Transportation Services
John Waldeck	Director of Clinical Services
Jim Bernat	Quality Assurance Manager

# Rappahannock-Rapidan Community Services Board and Area Agency on Aging

## Organizational Structure 2007/2008



# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## INDEPENDENT AUDITORS' REPORT

To the Board Members  
Rappahannock-Rapidan Community Services Board  
and Area Agency on Aging  
Culpeper, Virginia

We have audited the accompanying statement of net assets of Rappahannock-Rapidan Community Services Board and Area Agency on Aging, as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Rappahannock-Rapidan Community Services Board and Area Agency on Aging's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the Board's 2007 financial statements dated November 15, 2007, and we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Commonwealth of Virginia, Office of the Auditor of Public Accounts. 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 audit provides 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 Rappahannock-Rapidan Community Services Board and Area Agency on Aging, as of June 30, 2008, and the results of its operations and cash flows for the year 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 29, 2008, on our consideration of the Rappahannock-Rapidan Community Services Board and Area Agency on Aging's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis and schedule of pension funding progress are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Rappahannock-Rapidan Community Services Board and Area Agency on Aging, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information, the combining financial statements and other supporting schedules have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Detailed information on Rappahannock-Rapidan Community Services Board and Area Agency on Aging's client statistics and legend for expense categories is not a required part of the financial statements but is presented for purposes of additional information and analysis. We did not audit the other information and express no opinion on it.

*Robinson, Jarner, Co. Associates*

Charlottesville, Virginia  
October 29, 2008

**RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD  
AND AREA AGENCY ON AGING**

**Management's Discussion and Analysis  
Year Ended June 30, 2008**

Our discussion and analysis of the Rappahannock-Rapidan Community Services Board and Area Agency on Aging's (RRCSB/AAA) financial performance provides an overview of the RRCSB/AAA's financial activities for the fiscal year ended June 30, 2008. Please read this information in conjunction with the RRCSB/AAA's financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The RRCSB/AAA presents three basic financial statements. These are: (1) a Statement of Net Assets; (2) a Statement of Revenues, Expenses and Changes in Net Assets; and (3) a Statement of Cash Flows.

Our financial position is measured in terms of resources (assets) we own and obligations (liabilities) we owe on a given date. This information is reported on the Statement of Net Assets, which reflects RRCSB/AAA's assets in relation to its debts to its suppliers, employees and other creditors. The excess of our assets over liabilities is our equity, or net assets.

Information regarding the results of our operation during the year is reported in the Statement of Revenues, Expenses and Changes in Net Assets. This statement shows how much our overall net assets increased or decreased during the year as a result of our operations and for other reasons.

Our Statement of Cash Flows discloses the flow of cash resources into and out of RRCSB/AAA during the year (from operations, contributions and other sources) and how we applied those funds (for example, payment of expenses, repayment of debt, purchases of new property, etc.).

**FINANCIAL SUMMARY**

**Financial position:** A summary of RRCSB/AAA's Statement of Net Assets for 2008, 2007, and 2006 is presented below:

<b>Condensed Statement of Net Assets</b>			
	2008	2007	2006
Current Assets	\$ 2,695,334	\$ 2,991,158	\$ 3,788,371
Restricted	254,071	284,059	144,014
Capital Assets	6,830,004	6,622,053	5,377,884
Total assets	\$ 9,779,409	\$ 9,897,270	\$ 9,310,269
Current Liabilities	\$ 1,250,257	\$ 1,370,069	\$ 1,128,871
Current Liabilities Payable			
From Restricted Assets	93,926	109,948	87,758
Long-Term Liabilities	990,041	1,020,451	1,049,453
Total liabilities	\$ 2,334,224	\$ 2,500,468	\$ 2,266,082
Net Assets:			
Invested in Capital Assets, Net	\$ 5,649,405	\$ 5,508,209	\$ 4,300,769
Restricted	130,882	109,723	38,403
Unrestricted	1,664,898	1,778,870	2,705,015
Total net assets	\$ 7,445,185	\$ 7,396,802	\$ 7,044,187
Total liabilities and net assets	\$ 9,779,409	\$ 9,897,270	\$ 9,310,269

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD  
AND AREA AGENCY ON AGING

Management's Discussion and Analysis  
Year Ended June 30, 2008 (continued)

FINANCIAL SUMMARY (continued)

Financial position: (continued)

The financial position of the RRCSB/AAA is strong. This is evidenced by our strong liquidity. The Quick Ratio (Current Assets/Current Liabilities) of the Board was 2.18:1 as of June 30, 2007. On June 30, 2008, the Quick Ratio was 2.15:1.

Change in net assets: A summary of the RRCSB/AAA's Statement of Revenues, Expenses and Changes in Net Assets for 2008, 2007, and 2006 is presented below.

<u>Condensed Statement of Revenues, Expenses and Changes in Net Assets</u>			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating Income	\$ 7,355,567	\$ 7,048,497	\$ 6,414,926
Operating Expenses	16,455,875	16,018,058	14,332,615
Operating Income	\$ (9,100,308)	\$ (8,969,561)	\$ (7,917,689)
Net non-Operating Income	9,148,691	8,884,596	7,529,860
Capital contributions	-	437,580	373,865
Changes in Net Assets	<u>\$ 48,383</u>	<u>\$ 352,615</u>	<u>\$ (13,964)</u>

Operating Income is defined as the amount of revenue received from providing patient services. The vast majority of those funds - approximately 86% are received from Medicaid. In 2008, the RRCSB/AAA had an increase of \$307,070 in net patient services revenue.

Operating Expenses are comprised of the direct expenses of operating the RRCSB/AAA. These include salaries and benefits, occupancy, payments to contracting agencies and depreciation. (Please see the full Statement of Revenues, Expenses and Changes in Net Assets for a complete breakdown of these expenses for 2008 and 2007). During 2008, Operating Expenses increased approximately 2.73%.

Non-Operating Income is comprised of income received as appropriations or grants as well as miscellaneous income. Appropriations from the State of Virginia constitute 50% of the Non-Operating Income while grants from the federal government constitute 23%, and appropriations from local government constitute 9%. The remaining Non-Operating Income of 18% consists of Other Income.

In 2008, the RRCSB/AAA had an increase of \$264,095 in non-operating income. This increase consists primarily of a \$263,658 increase in appropriations from State, Federal and Local government.

Net Assets increased \$48,383 in 2008 or 0.29% of total revenues and income in 2008. Components of this increase in net assets included the non-operating income items previously mentioned.

**RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD  
AND AREA AGENCY ON AGING**

**Management's Discussion and Analysis  
Year Ended June 30, 2008 (continued)**

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**FINANCIAL SUMMARY (continued)**

**Cash flows:** A summary of the RRCSB/AAA's Statement of Cash Flows for 2008, 2007, and 2006 is presented below:

<b>Condensed Statement of Cash Flows</b>			
	<b>2008</b>	<b>2007</b>	<b>2006</b>
Cash flows provided (used) by operating activities	\$ (8,221,920)	\$ (7,962,043)	\$ (8,439,462)
Cash flows provided (used) by non-capital activities	9,351,773	8,782,138	7,561,600
Cash flows provided (used) by capital activities	(525,050)	(1,349,215)	(414,710)
Cash flows provided (used) by investing activities	31,586	45,103	80,949
Net Change in Cash and Cash Equivalents	\$ 636,389	\$ (484,017)	\$ (1,211,623)
Cash and Cash Equivalents, Beginning of Year	961,331	1,445,348	2,656,971
Cash and Cash Equivalents, End of Year	\$ 1,597,720	\$ 961,331	\$ 1,445,348

Cash flows from operating activities reconcile the Operating Loss recorded on the Statement of Revenues, Expenses and Changes in Net Assets to cash provided by operating activities. In this process, the Operating Loss is decreased by the amount of any non-cash transaction (Depreciation) and adjusted for changes in assets and liabilities. (Please see the full Statement of Cash Flows for a full listing of these transactions.)

Cash flows from non-capital transactions are comprised of income received as appropriations or grants. (Please see the Statement of Revenues, Expenses and Changes in Net Assets discussion above.) Cash flows from capital activities are comprised of all the Capital Assets purchased by the RRCSB/AAA in 2008. (Please see Note 5 for a full listing of Capital Assets.) Cash flows from investing activities are comprised of Interest Income.

During 2008, there was an increase of \$636,389 in cash. This was due largely to the total increase in cash flows from non-capital activities.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2008, the RRCSB/AAA had \$6,830,004 in Net Capital Assets. This is comprised of \$9,837,160 in Capital Assets less \$3,007,156 Accumulated Depreciation. (Please see Note 5). Of the gross total Furniture and Equipment (including Information Technology assets) constitute 4%, Vehicles constitute 18%, Buildings and Improvements constitute 65%, Construction in Progress constitute 2%, while Land and Other Assets constitute 11%.

**Long-Term Debt**

As stated in Note 14, the RRCSB/AAA has a Line of Credit Agreement with BB&T Bank. That Line of Credit was not used at all during 2008.

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD  
AND AREA AGENCY ON AGING

Management's Discussion and Analysis  
Year Ended June 30, 2008 (continued)

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SUMMARY

The Statement of Net Assets shows that, on June 30, 2008, the RRCSB/AAA had 2.15 times more Current Assets than Current Liabilities. In addition, we had \$7,445,185 in Net Assets.

The Statement of Revenues, Expenses and Changes in Net Assets show the net assets of the Board increased \$48,383 during 2008 as a result of our operations.

The Statement of Cash Flows shows that cash increased \$636,389 in 2008.

As stated above, the financial position of the Rappahannock-Rapidan Community Services Board and Area Agency on Aging is measured in terms of resources (assets) we own and obligations (liabilities) we owe on a given date. This strong liquidity shows our financial position to be strong and secure.

- General-Purpose Financial Statements -

**RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD  
AND AREA AGENCY ON AGING**

**Statement of Net Assets  
At June 30, 2008  
(With Comparative Totals for 2007)**

<b>ASSETS</b>	<b>2008</b>	<b>2007</b>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,437,575	\$ 787,220
Accounts receivable, less allowance for uncollectibles	1,237,103	1,759,439
Accrued revenue	-	428,022
Prepaid items	20,656	16,477
<b>Total current assets</b>	<b>\$ 2,695,334</b>	<b>\$ 2,991,158</b>
<b>Restricted Current Assets:</b>		
Cash and cash equivalents	\$ 160,145	\$ 174,111
Client funds	93,926	109,948
<b>Total restricted current assets</b>	<b>\$ 254,071</b>	<b>\$ 284,059</b>
<b>Capital Assets:</b>		
Land	\$ 1,131,420	\$ 1,131,420
Construction in progress	239,512	65,958
Other capital assets, less accumulated depreciation	5,459,072	5,424,675
<b>Total capital assets, net</b>	<b>\$ 6,830,004</b>	<b>\$ 6,622,053</b>
<b>Total assets</b>	<b>\$ 9,779,409</b>	<b>\$ 9,897,270</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 798,058	\$ 884,078
Compensated absences	415,244	450,500
Security deposits	6,542	6,486
Long-term debt, current portion	30,413	29,005
<b>Total current liabilities</b>	<b>\$ 1,250,257</b>	<b>\$ 1,370,069</b>
<b>Current Liabilities Payable from Restricted Assets:</b>		
Client funds	93,926	109,948
<b>Long-term Liabilities:</b>		
Long-term debt, less current portion	990,041	1,020,451
<b>Total liabilities</b>	<b>\$ 2,334,224</b>	<b>\$ 2,500,468</b>
<b>Net Assets:</b>		
Invested in capital assets less related debt	\$ 5,649,405	\$ 5,508,209
Restricted	130,882	109,723
Unrestricted	1,664,898	1,778,870
<b>Total net assets</b>	<b>\$ 7,445,185</b>	<b>\$ 7,396,802</b>

The accompanying notes to financial statements are an integral part of this statement.

**RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD  
AND AREA AGENCY ON AGING**

**Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2008  
(With Comparative Totals for 2007)**

	<u>2008</u>	<u>2007</u>
<b>Operating Revenues:</b>		
Net patient service revenue	\$ 7,355,567	\$ 7,048,497
<b>Operating Expenses:</b>		
Salaries and benefits	\$ 12,100,652	\$ 11,552,588
Staff development	66,127	58,823
Facility	747,837	1,045,054
Supplies	1,171,758	1,162,934
Travel	686,590	607,522
Contractual and consulting	972,831	984,532
Depreciation and amortization	343,525	299,287
Other	366,555	307,318
Total operating expenses	\$ 16,455,875	\$ 16,018,058
<b>Operating income (loss)</b>	<b>\$ (9,100,308)</b>	<b>\$ (8,969,561)</b>
<b>Nonoperating income (expenses):</b>		
Appropriations:		
Commonwealth of Virginia	\$ 4,608,695	\$ 4,489,501
Federal government	2,111,817	2,052,874
Local governments	788,351	702,830
Interest income	31,586	47,564
Contributions	483,392	387,609
Other	1,174,092	1,254,727
Interest expense	(49,242)	(50,509)
Net nonoperating income	\$ 9,148,691	\$ 8,884,596
<b>Income (loss) before capital contributions</b>	<b>\$ 48,383</b>	<b>\$ (84,965)</b>
<b>Capital contributions:</b>		
Construction grants - federal government	-	437,580
<b>Change in net assets</b>	<b>\$ 48,383</b>	<b>\$ 352,615</b>
<b>Net assets, beginning of year</b>	<b>7,396,802</b>	<b>7,044,187</b>
<b>Net assets, end of year</b>	<b>\$ 7,445,185</b>	<b>\$ 7,396,802</b>

The accompanying notes to financial statements are an integral part of this statement.

**RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD  
AND AREA AGENCY ON AGING**

**Statement of Cash Flows  
Year Ended June 30, 2008  
(With Comparative Totals for 2007)**

	<u>2008</u>	<u>2007</u>
<b>Cash flows provided (used) by operating activities:</b>		
Receipts from customers	\$ 10,402,033	\$ 6,971,794
Payments to suppliers	(6,511,710)	(3,399,431)
Payments to and for employees	<u>(12,112,243)</u>	<u>(11,534,406)</u>
Total cash flows provided (used) by operating activities	<u>\$ (8,221,920)</u>	<u>\$ (7,962,043)</u>
<b>Cash flows provided (used) by noncapital and related financing activities:</b>		
Government grants	\$ 7,406,079	\$ 7,245,205
Other	<u>1,945,694</u>	<u>1,536,933</u>
Total cash flows provided (used) by noncapital and related financing activities	<u>\$ 9,351,773</u>	<u>\$ 8,782,138</u>
<b>Cash flows provided (used) by capital and related financing activities:</b>		
Acquisition of capital assets	\$ (808,974)	\$ (1,346,415)
Capital advance - HUD	362,152	75,428
Interest on long-term debt	(49,226)	(50,569)
Principal payments on long-term debt	<u>(29,002)</u>	<u>(27,659)</u>
Cash flows provided (used) by capital and related financing activities	<u>\$ (525,050)</u>	<u>\$ (1,349,215)</u>
<b>Cash flows provided (used) by investing activities:</b>		
Interest income	<u>\$ 31,586</u>	<u>\$ 45,103</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 636,389</b>	<b>\$ (484,017)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>961,331</u></b>	<b><u>1,445,348</u></b>
<b>Cash and cash equivalents, end of year</b>	<b><u><u>\$ 1,597,720</u></u></b>	<b><u><u>\$ 961,331</u></u></b>
<b>Cash and cash equivalents:</b>		
Unrestricted	\$ 1,437,575	\$ 787,220
Restricted	<u>160,145</u>	<u>174,111</u>
Total	<u><u>\$ 1,597,720</u></u>	<u><u>\$ 961,331</u></u>

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD  
AND AREA AGENCY ON AGING

Statement of Cash Flows  
Year Ended June 30, 2008 (continued)  
(With Comparative Totals for 2007)

	<u>2008</u>	<u>2007</u>
<b>Cash flows provided (used) by operating activities:</b>		
Operating income (loss)	\$ (9,100,308)	\$ (8,969,561)
Adjustments to reconcile excess of revenues over expenses to cash provided (used) by operations:		
Depreciation and amortization	343,525	299,287
Changes in assets and liabilities:		
Accounts receivable	522,336	(76,703)
Accrued revenue	177,694	27,483
Prepaid items	(4,902)	700,790
Accounts payable and accrued expenses	(125,065)	9,344
Compensated absences	(35,256)	47,317
Security deposits	56	-
Cash flows provided (used) by operating activities	<u>\$ (8,221,920)</u>	<u>\$ (7,962,043)</u>

The accompanying notes to financial statements are an integral part of this statement.

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD AND AREA AGENCY ON AGING

Notes to Financial Statements  
As of June 30, 2008

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description and Purpose of Agency:

The Organization operates as an agent for the Counties of Culpeper, Fauquier, Madison, Orange and Rappahannock in the establishment and operation of community mental health, mental retardation and substance abuse programs as provided for in Chapter 10 of Title 37.1 of the *Code of Virginia* (1950), relating to the Virginia Department of Mental Health, Mental Retardation, and Substance Abuse Services. In addition, the Organization provides a system of community mental health, mental retardation and substance abuse services which relate to and are integrated with existing and planned programs. The Organization also serves as the local Area Agency on Aging which provides programs and activities to senior persons under the Older Americans Act and other programs.

B. Reporting Entity:

For financial reporting purposes, in conformance with the Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Organization includes all organizations for which it is considered financially accountable or which exclusively benefit the Organization. All component units included in these financial statements have years which end on June 30.

Blended Component Units:

Blended component units, although legally separate entities are, in substance, part of the Organization's operations, and so data from these units are combined with data of the Organization. The Organization has the following blended component units.

The Orange Group Home Corporation, High Point Farm Group Home Corporation, Canterbury Group Home Corporation and Rappahannock Elder Housing Corporation have been included as part of the reporting entity. All of these entities are not-for-profit organizations exempt under Section 501(c)(3) of the Internal Revenue Code and were organized to own and operate facilities for handicapped individuals. The Rappahannock-Rapidan Community Services Board and Area Agency on Aging members also serve as Board of Directors for these organizations.

Significant inter-company transactions and accounts have been eliminated in the financial statements.

C. Basis of Accounting:

The Organization is funded by federal, state and local funds. Its accounting policies are governed by applicable provisions of these grants and applicable pronouncements and publications of the grantors. The Organization utilizes the accrual basis of accounting where revenues are recorded when earned and expenses recorded when due.

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD AND AREA AGENCY ON AGING

Notes to Financial Statements  
As of June 30, 2008 (continued)

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

D. Financial Statement Presentation:

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board and the Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The Organization applies all GASB pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

E. Enterprise Fund Accounting:

Rappahannock-Rapidan Community Services Board and Area Agency on Aging is a governmental health care entity and is required to follow the accounting and reporting practices of the Governmental Accounting Standards Board. For financial reporting purposes, the Organization utilizes the enterprise fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

F. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Cash and Cash Equivalents:

The Organization maintains cash accounts with financial institutions in accordance with the Virginia Security for Public Deposits Act of the *Code of Virginia*. The Act requires financial institutions to meet specific collateralization requirements. Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

H. Investments:

Investments are reported at fair value.

I. Net Client Service Revenue:

Net client service revenue is reported at the estimated net realizable amounts from residents, third-party payers, and others for services rendered. Revenue under third-party payer agreements is subject to audit and retroactive adjustment. Retroactive adjustments are reported in operations in the year of settlement.

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD AND AREA AGENCY ON AGING

Notes to Financial Statements  
As of June 30, 2008 (continued)

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

J. Financial Assistance:

The Organization is required to collect the cost of services from third party sources and those individuals who are able to pay. However, the payment of amounts charged is based on individual circumstances and unpaid balances are pursued to the extent of the client's ability to pay. The Organization has established procedures for granting financial assistance in cases of hardship. The granting of financial assistance results in a substantial reduction and/or elimination of charges to individual clients. Because the Organization does not pursue the collection of amounts determined to qualify for financial assistance, they are not reported as revenue.

The vast majority of fees collected result from Medicaid billings.

K. Capital Assets:

Capital assets acquisitions with a cost of \$5,000 or more are capitalized and are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets ranging from 5 to 39 years and is computed using the straight-line method. Donated capital assets are recorded at their estimated fair market value at the time of the gift. Depreciation expense for the year ended June 30, 2008 was \$343,108.

L. Restricted Assets:

The Organization segregates monies held on behalf of third parties and restricted donations which have not yet been totally expended for their intended purposes.

M. Compensated Absences:

Employees are entitled to certain compensated absences based upon length of employment. Sick leave does not vest with the employee and is recorded as an expense when paid. Vacation and certain other compensated absences do vest with the employee. Provision for the estimated liability for these compensated absences has been recorded in the financial statements.

N. Budgetary Accounting:

The Organization follows these procedures in establishing its budgets.

1. In response to Letters of Notification received from the Department of Mental Health, Mental Retardation and Substance Abuse Services (the Department), the Organization submits a Performance Contract to the Department. This application contains complete budgets for all Core Services.
2. The Organization's Performance reports are filed with the Department during the fiscal year, 45 working days after the end of the second quarter. The final quarterly report is due by September 30 following the end of the fiscal year, unless extended.

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD AND AREA AGENCY ON AGING

Notes to Financial Statements  
As of June 30, 2008 (continued)

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (continued)

N. Budgetary Accounting: (continued)

3. If any changes are made during the fiscal year in state or federal block grants or local match funds, the Organization submits Performance Contract revisions which reflect these changes in time to be received by the Department by required deadlines.

O. Comparative Totals:

Comparative totals are presented on the combined financial statements for informational purposes only. Certain amounts from the prior year have been reclassified to be comparative to the current presentation.

P. Operating and Nonoperating Revenues and Expenses:

Operating revenues and expenses are defined as those items that result from providing services, and include all transactions and events which are not capital and related financing, noncapital financing or investing activities. Nonoperating revenues are defined as grants, investment and other income. Nonoperating expenses are defined as noncapital related financing and other expenses.

Q. Rental Income:

The component unit organizations receive rental income from tenants eligible for certain U.S. Department of Housing and Urban Development programs. Tenant lease agreements are generally for one year terms and rental income is recorded when earned. This revenue is reported in other nonoperating income for financial reporting.

R. Fiscal Agent:

The Rappahannock-Rapidan Community Services Board and Area Agency on Aging serves as its own fiscal agent.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

All cash of the Organization is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act (a multiple financial institution collateral pool), Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. Deposits covered by the Act are considered insured since the Treasury Board is authorized to make additional assessments.

The carrying value of the reporting entity deposits with banks was \$1,597,720 and the bank balances were \$1,641,098.

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD AND AREA AGENCY ON AGING

Notes to Financial Statements  
As of June 30, 2008 (continued)

**NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)**

Restricted Cash Funds:

Restricted cash consists of debt reserve funds, funds held for clients, and amounts held by component unit organizations which are restricted for allowable HUD program activities. Client funds are registered in the client name with the Organization as custodian. A summary of these amounts are as follows:

	<u>2008</u>	<u>2007</u>
Restricted cash and cash equivalents		
Debt reserve funds	\$ 29,263	\$ 64,388
HUD programs	130,882	109,723
Total cash and cash equivalents	<u>\$ 160,145</u>	<u>\$ 174,111</u>

Investments:

Statutes authorize the Organization to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP). The Organization had no investments at June 30, 2008.

Cash and Cash Equivalents:

	<u>2008</u>	<u>2007</u>
Reconciliation of cash and cash equivalents:		
Cash on hand	\$ 7,990	\$ 7,290
Cash on deposit with banks	1,429,585	779,930
Total cash and cash equivalents	<u>\$ 1,437,575</u>	<u>\$ 787,220</u>

**NOTE 3 - ACCOUNTS RECEIVABLE AND ACCRUED REVENUE:**

At June 30, 2008 and 2007 the reporting entity had accounts receivable and accrued revenue due, net of estimated uncollectibles of \$1,228,894 (2008) and \$1,428,699 (2007), from the following primary sources.

	<u>2008</u>	<u>2007</u>
Virginia Dept. of Medical Assistance Services (Medicaid)	\$ 697,250	\$ 1,203,252
Direct client and third party	539,853	556,187
Other	-	428,022
Total	<u>\$ 1,237,103</u>	<u>\$ 2,187,461</u>

Other than the amounts due for Medicaid charges, there are no other individually significant sources of receivables.

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD AND AREA AGENCY ON AGING

Notes to Financial Statements  
As of June 30, 2008 (continued)

**NOTE 4 - PREPAID ITEMS:**

Prepaid items consists of the following:

	<u>2008</u>	<u>2007</u>
Various costs on Lake of the Woods group home project	\$ 11,278	\$ 6,376
Other	9,378	10,101
Total	<u>\$ 20,656</u>	<u>\$ 16,477</u>

**NOTE 5 - CAPITAL ASSETS:**

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2008.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,131,420	\$ -	\$ -	\$ 1,131,420
Construction in progress	65,958	173,554	-	239,512
Total capital assets not being depreciated	<u>\$ 1,197,378</u>	<u>\$ 173,554</u>	<u>\$ -</u>	<u>\$ 1,370,932</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 6,209,865	\$ 139,760	\$ -	\$ 6,349,625
Furniture, fixtures, and equipment	385,070	9,480	991	393,559
Vehicles	1,532,494	227,959	37,955	1,722,498
Other	240	723	417	546
Total capital assets being depreciated	<u>\$ 8,127,669</u>	<u>\$ 377,922</u>	<u>\$ 39,363</u>	<u>\$ 8,466,228</u>
Less: Accumulated depreciation				
Buildings and improvements	\$ 1,421,619	\$ 152,190	\$ -	\$ 1,573,809
Furniture, fixtures, and equipment	267,748	26,227	-	293,975
Vehicles	1,013,627	164,691	38,946	1,139,372
Total accumulated depreciation	<u>\$ 2,702,994</u>	<u>\$ 343,108</u>	<u>\$ 38,946</u>	<u>\$ 3,007,156</u>
Net capital assets being depreciated	<u>\$ 5,424,675</u>	<u>\$ 34,814</u>	<u>\$ 417</u>	<u>\$ 5,459,072</u>
Total capital assets	<u>\$ 6,622,053</u>	<u>\$ 208,368</u>	<u>\$ 417</u>	<u>\$ 6,830,004</u>

Reconciliation of increases in accumulated depreciation to depreciation and amortization expense in the statement of revenues, expenses and changes in net assets:

Depreciation and amortization expense	\$ 343,525
Less: Amortization expense	<u>(417)</u>
Increase in accumulated depreciation	<u>\$ 343,108</u>

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD AND AREA AGENCY ON AGING

Notes to Financial Statements  
As of June 30, 2008 (continued)

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**NOTE 6 - LEASE COMMITMENTS:**

The Organization leases office space and other facilities from various lessors. The lease terms range from monthly to five years. The future minimum lease requirements are as follows:

Year Ended June 30,	Amount
2009	\$ 265,065
2010	183,199
2011	136,813
2012	101,447
Total	<u>\$ 686,524</u>

Rent expenses totaled \$339,322 for 2008 and \$310,192 for 2007.

**NOTE 7 - CLAIMS, JUDGMENTS AND COMPENSATED ABSENCES:**

In accordance with Governmental Accounting Standards Board Statement 16, *Accounting for Compensated Absences*, the Organization has accrued the liability arising from compensated absences.

Organization employees earn leave based on length of service. The Organization has outstanding accrued leave pay totaling \$415,244 at June 30, 2008 and \$450,500 at June 30, 2007.

**NOTE 8 - DEFINED BENEFIT PENSION PLAN:**

A. Plan Description:

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters, and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service (1.85% to sheriffs and if the employer elects, to other employees in hazardous duty positions receiving enhanced benefits). Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters, and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD AND AREA AGENCY ON AGING

Notes to Financial Statements  
As of June 30, 2008 (continued)

NOTE 8 - DEFINED BENEFIT PENSION PLAN: (continued)

A. Plan Description: (continued)

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/Pdf/publications/2007AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution has been assumed by the employer. In addition, the Organization is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Organization's contribution rate for the fiscal years ended 2008 and 2007 was 0%, and for year ended 2006 was .5% of the annual covered payroll.

C. Annual Pension Cost:

For fiscal 2008, the Organization's annual pension cost of \$0 (does not include the employee share assumed by the Organization which was \$402,207) was equal to the Organization's required and actual contributions.

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$ -	100%	\$ -
June 30, 2007	-	100%	-
June 30, 2006	35,236	100%	-

(1) Employer portion only

The required contribution was determined as part of the June 30, 2005 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions at June 30, 2007 included (a) 7.50% investment rate of return, (b) projected salary increases ranging from 3.50% to 4.75% , and (c) 2.50% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of the Organization's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Organization's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 20 years.

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD AND AREA AGENCY ON AGING

Notes to Financial Statements  
As of June 30, 2008 (continued)

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NOTE 8 - DEFINED BENEFIT PENSION PLAN: (continued)

D. Funded Status and Funding Progress:

As of June 30, 2007, the most recent actuarial valuation date, the plan was 131.60% funded. The actuarial accrued liability for benefits was \$15,422,118, and the actuarial value of assets was \$20,296,247, resulting in an unfunded actuarial accrued liability (UAAL) of (\$4,874,129). The covered payroll (annual payroll of active employees covered by the plan) was \$7,993,960, and ratio of the UAAL to the covered payroll was -60.97%.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 9 - LONG-TERM OBLIGATIONS:

Changes in Long-Term Obligations:

	Mortgage Payable
Balance at July 1, 2007	\$ 1,049,456
Add: Issuances / additions	-
Deduct: Retirements	(29,002)
Balance at June 30, 2008	<u>\$ 1,020,454</u>

Mortgage Payable:

The Organization has a mortgage payable incurred to purchase office and outpatient treatment facilities. Details of the mortgage are:

\$1,230,000 Rural Development (FmHA) loan, payable in monthly installments of \$6,519, beginning December, 1999, which includes principal and interest through November, 2028, interest at 4.75%, secured by real estate at 15361 Bradford Road, Culpeper, Virginia

\$ 1,020,454

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD AND AREA AGENCY ON AGING

Notes to Financial Statements  
As of June 30, 2008 (continued)

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NOTE 9 - LONG-TERM OBLIGATIONS: (continued)

Mortgage Payable: (continued)

Annual requirements to amortize long-term debts at current interest rates are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 30,413	\$ 47,815
2010	31,889	46,339
2011	33,438	44,790
2012	35,061	43,167
2013	36,763	41,465
2014-2018	212,384	178,756
2019-2023	269,192	121,948
2024-2028	341,196	49,945
2029	30,118	342
Total	<u>\$ 1,020,454</u>	<u>\$ 574,567</u>

The Organization is in compliance with applicable federal arbitrage regulations.

NOTE 10 - COMMITMENTS AND CONTINGENCIES:

Federal programs in which the Organization participates were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular all major programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by audit, the federal government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Rappahannock-Rapidan Community Services Board and Area Agency on Aging are planning a new Boxwood substance abuse treatment facility. The Board was awarded a \$4,200,000 loan from the Rural Development office of the U.S. Department of Agriculture to fund the project. The Board anticipates selling the existing Boxwood facility to provide additional funding for the project. Other Community Services Boards plan to participate through a contractual arrangement whereby per-diem charges will increase to cover the debt service relating to the construction. Project construction is estimated to finalize in 2010 and the project costs (including equipment and furnishings) is estimated to approximate \$5,881,000. The land costs and a portion of the architectural/engineering fees totaling approximately \$884,000 have been paid through June 30, 2008. The anticipated remaining project costs are estimated to be \$4,997,000.

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD AND AREA AGENCY ON AGING

Notes to Financial Statements  
As of June 30, 2008 (continued)

**NOTE 10 - COMMITMENTS AND CONTINGENCIES: (continued)**

The Organization has received approval from HUD for the funding of construction of a group home in the Lake of the Woods community located in Locust Grove, Virginia. The capital advance approved for this project is \$432,700.

Proposed changes to Medicaid regulations relating to case management services could result in a significant decrease in Medicaid revenues in future years.

**NOTE 11 - RISK MANAGEMENT:**

The Organization insures its potential losses from property casualties, workers compensation, directors and officers, and professional staff liability with various commercial insurance carriers. All of the policies have low deductible amounts. Automobile and general liability policies have \$2,000,000 insured limits. The directors and officers liability policy has a \$1,000,000 insured limit and the medical malpractice coverage has a \$1,925,000 insured limit. Property damage is insured to \$8,915,507. Worker's Compensation claims are insured to \$1,000,000 per accident and \$1,000,000 for total disease coverage. The Organization does not require or carry surety bonds on its members. There were no settlements which exceeded insurance coverage in the last three fiscal years.

**NOTE 12 - CONTRIBUTION FROM LOCAL PARTICIPATING GOVERNMENTAL UNITS:**

The participating local governmental units appropriated funds for the Organization's operations as follows:

	<u>2008</u>	<u>2007</u>
County of Culpeper	\$ 211,374	\$ 184,293
County of Fauquier	323,035	292,235
County of Madison	66,588	62,312
County of Orange	151,217	130,004
County of Rappahannock	36,137	33,986
Total	<u>\$ 788,351</u>	<u>\$ 702,830</u>

**NOTE 13 - NET PATIENT REVENUE SOURCES:**

Net patient revenues for 2008 and 2007 were from the following sources:

	<u>2008</u>	<u>2007</u>
Medicaid	\$ 6,376,590	\$ 6,000,572
Direct client	386,460	443,222
Third Party and other	592,517	604,703
Total	<u>\$ 7,355,567</u>	<u>\$ 7,048,497</u>

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD AND AREA AGENCY ON AGING

Notes to Financial Statements  
As of June 30, 2008 (continued)

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NOTE 14 - LINE OF CREDIT:

The Organization has a line of credit with BB&T Bank in the amount of \$750,000.

NOTE 15 - RESTRICTED NET ASSETS:

Net assets are restricted for the following purposes:

	<u>2008</u>	<u>2007</u>
Property taxes, insurance and other reserves	<u>\$ 130,882</u>	<u>\$ 109,723</u>

- Required Supplementary Information -

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD  
AND AREA AGENCY ON AGING

Schedule of Pension Funding Progress

Virginia Retirement System

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded)		Funded Ratio (2)/(3)	Annual Covered Payroll	UAAL as a % of Payroll (4)/(6)
			Actuarial Accrued Liability (UAAL)	(3)-(2)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
June 30, 2007	\$ 20,296,247	\$ 15,422,118	\$ (4,874,129)	131.60%	\$ 7,993,960	-60.97%	
June 30, 2006	17,910,217	13,569,323	(4,340,894)	131.99%	7,281,850	-59.61%	
June 30, 2005	16,603,262	12,205,047	(4,398,215)	136.04%	6,228,427	-70.62%	

- Combining Financial Statements -

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD  
AND AREA AGENCY ON AGING

Combining Statement of Net Assets  
At June 30, 2008

	Rappahannock- Rapidan Community Services Board and Area Agency on Aging	Orange Group Home Corporation	High Point Farm Group Home Corporation
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 1,437,575	\$ -	\$ -
Accounts receivable, less allowance for uncollectibles	1,237,103	-	-
Accrued revenue	170,765	-	-
Prepaid items	20,656	-	-
Total current assets	<u>\$ 2,866,099</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Restricted Current Assets:</b>			
Cash and cash equivalents	\$ 29,263	\$ 21,443	\$ 17,080
Client funds	93,926	-	-
Total restricted current assets	<u>\$ 123,189</u>	<u>\$ 21,443</u>	<u>\$ 17,080</u>
<b>Capital Assets:</b>			
Land	\$ 918,876	\$ 20,940	\$ 33,483
Construction in progress	239,512	-	-
Other capital assets, less accumulated depreciation	3,007,523	165,676	180,406
Total capital assets, net	<u>\$ 4,165,911</u>	<u>\$ 186,616</u>	<u>\$ 213,889</u>
Total assets	<u>\$ 7,155,199</u>	<u>\$ 208,059</u>	<u>\$ 230,969</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued expenses	\$ 808,135	\$ 24,189	\$ 11,600
Compensated absences	415,244	-	-
Security deposits	-	-	-
Long-term debt, current portion	30,413	-	-
Total current liabilities	<u>\$ 1,253,792</u>	<u>\$ 24,189</u>	<u>\$ 11,600</u>
<b>Current Liabilities Payable from Restricted Assets:</b>			
Client funds	93,926	-	-
<b>Long-term Liabilities:</b>			
Long-term debt, less current portion	990,041	-	-
Total liabilities	<u>\$ 2,337,759</u>	<u>\$ 24,189</u>	<u>\$ 11,600</u>
<b>Net Assets:</b>			
Invested in capital assets less related debt	\$ 3,116,194	\$ 165,173	\$ 196,809
Restricted	-	21,443	17,080
Unrestricted	1,701,246	(2,746)	5,480
Total net assets	<u>\$ 4,817,440</u>	<u>\$ 183,870</u>	<u>\$ 219,369</u>
Total liabilities and net assets	<u>\$ 7,155,199</u>	<u>\$ 208,059</u>	<u>\$ 230,969</u>

Canterbury Group Home Corporation	Rappahannock Elder Housing Corporation	Inter- company Eliminations	Total
\$ -	\$ -	\$ -	\$ 1,437,575
-	-	-	1,237,103
-	-	(170,765)	-
-	-	-	20,656
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (170,765)</u>	<u>\$ 2,695,334</u>
\$ 14,678	\$ 77,681	\$ -	\$ 160,145
-	-	-	93,926
<u>\$ 14,678</u>	<u>\$ 77,681</u>	<u>\$ -</u>	<u>\$ 254,071</u>
\$ 28,236	\$ 129,885	\$ -	\$ 1,131,420
-	-	-	239,512
<u>190,299</u>	<u>1,915,168</u>	<u>-</u>	<u>5,459,072</u>
<u>\$ 218,535</u>	<u>\$ 2,045,053</u>	<u>\$ -</u>	<u>\$ 6,830,004</u>
<u>\$ 233,213</u>	<u>\$ 2,122,734</u>	<u>\$ (170,765)</u>	<u>\$ 9,779,409</u>
\$ 35,629	\$ 89,270	\$ (170,765)	\$ 798,058
-	-	-	415,244
-	6,542	-	6,542
-	-	-	30,413
<u>\$ 35,629</u>	<u>\$ 95,812</u>	<u>\$ (170,765)</u>	<u>\$ 1,250,257</u>
-	-	-	93,926
<u>-</u>	<u>-</u>	<u>-</u>	<u>990,041</u>
<u>\$ 35,629</u>	<u>\$ 95,812</u>	<u>\$ (170,765)</u>	<u>\$ 2,334,224</u>
\$ 203,857	\$ 1,967,372	\$ -	\$ 5,649,405
14,678	77,681	-	130,882
(20,951)	(18,131)	-	1,664,898
<u>\$ 197,584</u>	<u>\$ 2,026,922</u>	<u>\$ -</u>	<u>\$ 7,445,185</u>
<u>\$ 233,213</u>	<u>\$ 2,122,734</u>	<u>\$ (170,765)</u>	<u>\$ 9,779,409</u>

**RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD  
AND AREA AGENCY ON AGING**

Combining Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2008

	Rappahannock- Rapidan Community Services Board and Area Agency on Aging	Orange Group Home Corporation	High Point Farm Group Home Corporation
<b>Operating Revenues:</b>			
Net patient service revenue	\$ 7,355,567	\$ -	\$ -
<b>Operating Expenses:</b>			
Salaries and benefits	\$ 12,100,652	\$ -	\$ -
Staff development	66,127	-	-
Facility	659,741	14,812	12,402
Supplies	1,171,758	-	-
Travel	686,590	-	-
Contractual and consulting	972,831	-	-
Depreciation and amortization	271,898	5,995	5,671
Other	366,555	-	-
Total operating expenses	\$ 16,296,152	\$ 20,807	\$ 18,073
<b>Operating income (loss)</b>	\$ (8,940,585)	\$ (20,807)	\$ (18,073)
<b>Nonoperating income (expenses):</b>			
Appropriations:			
Commonwealth of Virginia	\$ 4,608,695	\$ -	\$ -
Federal government	2,111,817	-	-
Local governments	788,351	-	-
Interest income	31,482	30	22
Contributions	483,392	-	-
Other	1,063,897	12,410	14,208
Interest expense	(49,242)	-	-
Net nonoperating income	\$ 9,038,392	\$ 12,440	\$ 14,230
<b>Income (loss) before capital contributions</b>	\$ 97,807	\$ (8,367)	\$ (3,843)
<b>Capital contributions:</b>			
Construction grant - federal government	-	-	-
<b>Change in net assets</b>	\$ 97,807	\$ (8,367)	\$ (3,843)
<b>Net assets, beginning of year</b>	4,719,633	192,237	223,212
<b>Net assets, end of year</b>	\$ 4,817,440	\$ 183,870	\$ 219,369

	Canterbury Group Home Corporation	Rappahannock Elder Housing Corporation	Total
\$	-	-	\$ 7,355,567
\$	-	-	\$ 12,100,652
	-	-	66,127
	17,753	43,129	747,837
	-	-	1,171,758
	-	-	686,590
	-	-	972,831
	6,231	53,730	343,525
	-	-	366,555
\$	23,984	96,859	\$ 16,455,875
\$	(23,984)	(96,859)	\$ (9,100,308)
\$	-	-	\$ 4,608,695
	-	-	2,111,817
	-	-	788,351
	14	38	31,586
	-	-	483,392
	16,306	67,271	1,174,092
	-	-	(49,242)
\$	16,320	67,309	\$ 9,148,691
\$	(7,664)	(29,550)	\$ 48,383
	-	-	-
\$	(7,664)	(29,550)	\$ 48,383
	205,248	2,056,472	7,396,802
\$	197,584	2,026,922	\$ 7,445,185

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD  
AND AREA AGENCY ON AGING

Combining Statement of Cash Flows  
Year Ended June 30, 2008

	Rappahannock- Rapidan Community Services Board and Area Agency on Aging	Orange Group Home Corporation	High Point Farm Group Home Corporation
<b>Cash flows provided (used) by operating activities:</b>			
Receipts from customers	\$ 10,402,033	\$ -	\$ -
Payments to suppliers	(6,442,774)	(5,376)	(16,040)
Payments to and for employees	(12,112,243)	-	-
Total cash flows provided (used) by operating activities	<u>\$ (8,152,984)</u>	<u>\$ (5,376)</u>	<u>\$ (16,040)</u>
<b>Cash flows provided (used) by noncapital and related financing activities:</b>			
Government grants	\$ 7,406,079	\$ -	\$ -
Other	1,835,611	12,410	14,208
Total cash flows provided (used) by noncapital and related financing activities	<u>\$ 9,241,690</u>	<u>\$ 12,410</u>	<u>\$ 14,208</u>
<b>Cash flows provided (used) by capital and related financing activities:</b>			
Acquisition of capital assets	\$ (426,730)	\$ (8,763)	\$ -
Capital advance - HUD	-	-	-
Interest on long-term debt	(49,226)	-	-
Principal payments on long-term debt	(29,002)	-	-
Cash flows provided (used) by capital and related financing activities	<u>\$ (504,958)</u>	<u>\$ (8,763)</u>	<u>\$ -</u>
<b>Cash flows provided (used) by investing activities:</b>			
Interest income	\$ 31,482	\$ 30	\$ 22
Net increase (decrease) in cash and cash equivalents	\$ 615,230	\$ (1,699)	\$ (1,810)
Cash and cash equivalents, beginning of year	<u>851,608</u>	<u>23,142</u>	<u>18,890</u>
Cash and cash equivalents, end of year	<u>\$ 1,466,838</u>	<u>\$ 21,443</u>	<u>\$ 17,080</u>
<b>Cash and cash equivalents:</b>			
Unrestricted	\$ 1,437,575	\$ -	\$ -
Restricted	<u>29,263</u>	<u>21,443</u>	<u>17,080</u>
Total	<u>\$ 1,466,838</u>	<u>\$ 21,443</u>	<u>\$ 17,080</u>
<b>Cash flows provided (used) by operating activities:</b>			
Operating income (loss)	\$ (8,940,585)	\$ (20,807)	\$ (18,073)
Adjustments to reconcile excess of revenues over expenses to cash provided (used) by operations:			
Depreciation and amortization	271,898	5,995	5,671
Changes in assets and liabilities:			
Accounts receivable	522,336	-	-
Accrued revenue	177,694	-	-
Prepaid items	(4,902)	-	-
Accounts payable and accrued expenses	(144,169)	9,436	(3,638)
Compensated absences	(35,256)	-	-
Security deposits	-	-	-
Cash flows provided (used) by operating activities	<u>\$ (8,152,984)</u>	<u>\$ (5,376)</u>	<u>\$ (16,040)</u>

Canterbury Group Home Corporation	Rappahannock Elder Housing Corporation	Total
\$ -	\$ -	\$ 10,402,033
(4,447)	(43,073)	(6,511,710)
-	-	(12,112,243)
<u>(4,447)</u>	<u>(43,073)</u>	<u>(8,221,920)</u>
\$ -	\$ -	\$ 7,406,079
16,306	67,159	1,945,694
<u>16,306</u>	<u>67,159</u>	<u>9,351,773</u>
\$ (8,076)	\$ (365,405)	\$ (808,974)
-	362,152	362,152
-	-	(49,226)
-	-	(29,002)
<u>(8,076)</u>	<u>(3,253)</u>	<u>(525,050)</u>
\$ 14	\$ 38	\$ 31,586
\$ 3,797	\$ 20,871	\$ 636,389
10,881	56,810	961,331
<u>14,678</u>	<u>77,681</u>	<u>1,597,720</u>
\$ -	\$ -	\$ 1,437,575
14,678	77,681	160,145
<u>14,678</u>	<u>77,681</u>	<u>1,597,720</u>
\$ (23,984)	\$ (96,859)	\$ (9,100,308)
6,231	53,730	343,525
-	-	522,336
-	-	177,694
-	-	(4,902)
13,306	-	(125,065)
-	-	(35,256)
-	56	56
<u>(4,447)</u>	<u>(43,073)</u>	<u>(8,221,920)</u>

- Supporting Schedule -

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD AND AREA AGENCY ON AGING

Schedule of Insurance  
At June 30, 2008

Insurance Coverage	Ins. Co./ Agent/ Policy #	Policy Period	Limits of Liability		Ded.	Annual Premium
Automobile Liability Physical Damage	Co: VACO Risk Ag: - Pol. #: VA-RA-104A	7/1/07 - 6/30/08	BI/PD Uninsured Motorist Medical Payments	\$ 2 ml Statutory \$ 5,000	\$500 \$500 \$500	\$48,179
Boiler & Machinery	Co: VACO Risk Ag: - Pol. #: VA-RA-104A	7/1/07 - 6/30/08	Direct Damage Business Income Extra Expense	Included under General liability	\$1,000 \$1,000 \$1,000	\$1,307
Crime	Co: VACO Risk Ag: - Pol. #: VA-RA-104A	7/1/07 - 6/30/08	Employee Dishonesty Forgery or Alteration Money & Securities	\$ 250,000	\$250	\$735
Electronic Data Processing	Co: VACO Risk Ag: - Pol. #: VA-RA-104A	7/1/07 - 6/30/08	Hardware Software Extra Expense	\$ 800,000 included	\$1,000 \$1,000	\$1,217
General Liability	Co: VACO Risk Ag: - Pol. #: VA-RA-104A	7/1/07 - 6/30/08	Aggregate Occurrence Medical	Unlimited \$ 2 ml \$ 5,000	N/A	\$17,600
Medical Malpractice	Co: VA Risk2 Ag: - Pol. #: G99H42	7/1/07 - 6/30/08	Occurrence Aggregate	\$ 1,925,000 Unlimited	\$1,500	\$9,962
Public Officials Liability	Co: VA Risk2 Ag: - Pol. #: G99H42	7/1/07 - 6/30/08	Occurrence Aggregate	\$ 1 ml Unlimited	\$1,500	\$15,125
Property	Co: VACO Risk Ag: - Pol. #: VA-RA-104A	7/1/07 - 6/30/08	Real Property Personal Property Business Income	\$ 8,915,707 \$ 1,351,553 \$ 305,000	\$1,000 \$1,000 \$1,000	\$14,984
Workers Compensation	Co: VACO Risk Ag: - Pol. #: VA-RA-104A-WC	7/1/07 - 6/30/08	Each Accident Policy Limit-Disease Each Employee-Disease	\$ 1,000,000 \$ 1,000,000 \$ 1,000,000	N/A	\$163,922

Total \$273,031

- Other Information -

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD  
AND AREA AGENCY ON AGING

Client Statistics - Last Ten Fiscal Years  
Year Ended June 30,

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	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Unduplicated Clients Served										
Mental Health	3,205	4,180	4,034	3,929	3,832	3,133	3,444	3,485	3,397	3,418
Mental Retardation	923	923	871	730	649	404	377	422	360	336
Substance Abuse	1,569	1,680	1,483	1,342	1,168	1,108	1,264	1,305	1,303	1,387
Outside service area	1,172	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD  
AND AREA AGENCY ON AGING**

**Legend for Expense Categories  
Year Ended June 30, 2008**

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The following describes the various types of expenses that are in the major expense functions as presented in the Organization's financial statements.

**Salaries and Benefits**

- Salaries and Wages
- Fringe Benefits, which include Payroll Taxes,  
Retirement and Health Insurance and Related Costs

**Staff Development**

- Dues/Memberships
- Workshops
- Conventions
- In-Service Training
- Subscriptions
- Other: Books

**Facility**

- Rent
- Utilities
- Telephone
- Telephone-Emergency Services
- Maintenance Services
- Maintenance Services-Custodial
- Facility Insurance
- Licensure Fees
- Renovations/Repairs
- Other: Residential Start Up Costs

**Supplies**

- Equipment, less major items capitalized to fixed assets
- Data Processing Equipment, less major items capitalized  
to fixed assets
- Maintenance/Service Contracts
- Equipment Repair
- Office/Facility Supplies
- Educational/Recreational Supplies
- Food
- Drugs/Medical Supplies
- Other: Recognition

**Travel**

- Private Mileage
- Private Mileage-Emergency Services
- Client Transportation
- Vehicle Operating Costs
- Vehicle Insurance
- Food/Lodging
- Parking & Tolls
- Reimbursement to Board Members

**Contractual and Consulting**

- Accounting/Auditing Services
- Data Processing Services
- Legal Services
- Psychiatric/Psychological SVCS
- Contractual PIE
- Technical Services
- Other Contractual

**Other**

- Liability Insurance
- Postage
- Printing/Duplicating
- Transcripts/Criminal Background Checks
- Advertising
- Boxwood Client
- Other: Fan Care; Gap Filling Funds;  
Bank Charges; Miscellaneous

- Compliance -

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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## 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*

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To the Board Members  
Rappahannock-Rapidan Community Services Board  
and Area Agency on Aging  
Culpeper, Virginia

We have audited the financial statements of the Rappahannock-Rapidan Community Services Board and Area Agency on Aging as of and for the year ended June 30, 2008, and have issued our report thereon dated October 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Commonwealth of Virginia, Office of the Auditor of Public Accounts; 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 Rappahannock-Rapidan Community Services Board and Area Agency on Aging'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 Rappahannock-Rapidan Community Services Board and Area Agency on Aging's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rappahannock-Rapidan Community Services Board and Area Agency on Aging's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rappahannock-Rapidan Community Services Board and Area Agency on Aging'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*.

However, we have issued a separate letter to management dated October 29, 2008 relating to other matters noted in our audit of the financial statements.

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

*Robinson, Jarner, Cox Associates*

Charlottesville, Virginia  
October 29, 2008

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board Members  
Rappahannock-Rapidan Community Services Board  
and Area Agency on Aging  
Culpeper, Virginia

### Compliance

We have audited the compliance of Rappahannock-Rapidan Community Services Board and Area Agency on Aging with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Rappahannock-Rapidan Community Services Board and Area Agency on Aging's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Rappahannock-Rapidan Community Services Board and Area Agency on Aging's management. Our responsibility is to express an opinion on Rappahannock-Rapidan Community Services Board and Area Agency on Aging'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 Rappahannock-Rapidan Community Services Board and Area Agency on Aging'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 Rappahannock-Rapidan Community Services Board and Area Agency on Aging's compliance with those requirements.

In our opinion, Rappahannock-Rapidan Community Services Board and Area Agency on Aging complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

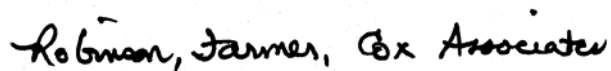
The management of Rappahannock-Rapidan Community Services Board and Area Agency on Aging is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Rappahannock-Rapidan Community Services Board and Area Agency on Aging's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Rappahannock-Rapidan Community Services Board and Area Agency on Aging'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 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 Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Robinson, Jarmer, Cox Associates". The signature is written in a cursive style and is positioned to the left of a vertical red line.

Charlottesville, Virginia  
October 29, 2008

**RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD  
AND AREA AGENCY ON AGING**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2008**

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Expendi- tures
Department of Agriculture:		
Pass through payments:		
Virginia Department of Aging:		
Child and Adult Care Food Program	10.558	\$ <u>32,837</u>
Department of Housing and Urban Development:		
Pass through payments:		
Virginia Department of Housing and Community Development:		
Lower Income Housing Assistance Program	14.156	\$ <u>128,981</u>
Department of Education:		
Pass through payments:		
Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services:		
Education of the Handicapped Program for Infants and Toddlers - Part C	84.181	\$ <u>146,702</u>
Corporation for National and Community Service:		
Direct payments:		
Retired Senior Volunteer Program	94.002	\$ <u>74,300</u>
Department of Health and Human Services:		
Pass through payments:		
Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services:		
Consolidated Knowledge Development and Application (KD&A) Program	93.230	\$ 1,878
Mental Health Block Grant	93.958	345,247
Substance Abuse Prevention and Treatment Block Grant	* 93.959	662,044
Virginia Department for the Aging:		
Support Services - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	203,254
Congregate Meals - Title III, Part C-1, Nutrition Services	93.045	185,353
Home Delivered Meals - Title III, Part C-2 , Nutrition Services	93.045	92,725
In-Home Services - Title III, Part D	93.046	15,360
Title III - E - National Caregiver Program	93.052	76,119
Title III - Ombudsman	93.041	5,741
Title VII - Elder Abuse	93.041	2,932
VICAP	93.779	16,560
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations - Aging and Disability Resource Center Grant Initiative	93.779	<u>25,000</u>
Total Department of Health and Human Services		\$ <u>1,632,213</u>

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD  
AND AREA AGENCY ON AGING

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2008 (continued)

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Expendi- tures
Department of Transportation:		
Pass through payments:		
Virginia Department of Transportation:		
Capital assistance Program for		
Non-Urbanized Areas	20.513	\$ <u>102,784</u>
Total Federal Assistance		\$ <u><u>2,117,817</u></u>

\* Major program

This schedule is prepared on the accrual basis of accounting.

This schedule is presented on the accrual basis of accounting and includes the federal grant activity of Rappahannock-Rapidan Community Services Board. The information presented in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD  
AND AREA AGENCY ON AGING**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No
Identification of major programs:	
<u>CFDA #</u> <u>Name of Federal Program or Cluster</u>	
93.959    Substance Abuse Prevention and Treatment Block Grant	
Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	Yes

**Section II - Financial Statement Findings**

There are no financial statement findings to report.

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

There are no federal award findings and questioned costs to report.

RAPPAHANNOCK-RAPIDAN COMMUNITY SERVICES BOARD  
AND AREA AGENCY ON AGING

Schedule of Prior Year Findings and Questioned Costs  
Year Ended June 30, 2008

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There were no items reported.

