

**REGION TEN COMMUNITY SERVICES BOARD  
CHARLOTTESVILLE, VIRGINIA**

**FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2008**

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REGION TEN COMMUNITY SERVICES BOARD

DIRECTORS AND MANAGEMENT AS OF JUNE 30, 2008

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MEMBERS

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Michael W. Kelley, Chair  
Joe Szakos, Vice-Chair  
Angela Hammond, Secretary

Barbara Barrett  
Julie Dickey  
Clyde Gouldman  
William Hale  
Carol Johnston

Steven Stern  
Neal Walters  
Owie Samuels  
Roxanne White

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STAFF DIRECTORS

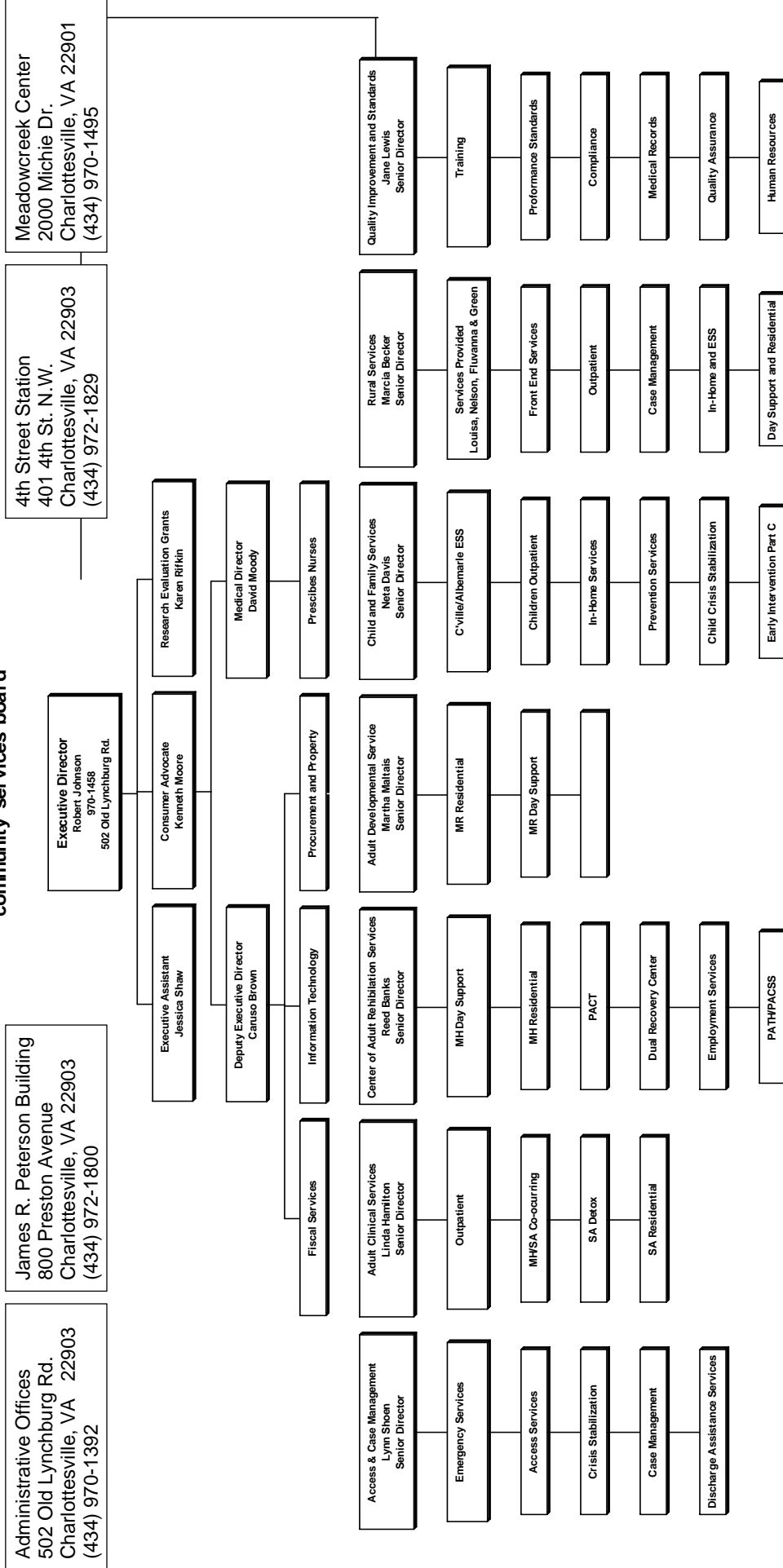
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Robert Johnson  
Caruso Brown  
David Moody  
Reed Banks  
Marcia Becker  
Neta Davis  
Linda Hamilton  
Jane Lewis  
Martha Maltais  
Lynn Shoen

Executive Director  
Deputy Executive Director  
Medical Director  
Adult Rehabilitative Services Director  
Rural Services Director  
Child and Family Services Director  
Adult Clinical Services Director  
Quality Improvement and Standards Director  
Adult Development Services Director  
Access and Case Management Director

# region ten

community services board



Last Revised on January 23, 2009, Staff locations are the same as Supervisor unless otherwise listed.

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

### TO THE BOARD OF DIRECTORS REGION TEN COMMUNITY SERVICES BOARD CHARLOTTESVILLE, VIRGINIA

We have audited the statement of net assets of Region Ten Community Services Board and the related statements of revenues, expenses and changes in net assets, and cash flows, as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Region Ten Community Services Board'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 February 25, 2008, 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 Region Ten Community Services Board, as of June 30, 2008, and the respective changes in financial position 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 February 23, 2009, on our consideration of the Region Ten Community Services Board'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 the Schedule of Pension Funding Progress, are not a required part of the basic 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 that collectively comprise the Region Ten Community Services Board's basic financial statements. The presentation of supplemental information is made for purposes of additional analysis and is not a required part of the basic financial statements of the Board. The supplemental information, including the accompanying schedule of expenditures of federal awards which 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*, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other information presented has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Robinson, Jarner, Cox Associates*

Charlottesville, Virginia  
February 23, 2009

## MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

The following discussion and analysis of the Region Ten Community Services Board's financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the financial statements, which follow this section. It is important to note that the financial statements represent a blended component unit. Region Ten Community Services Board, Inc. is a not-for-profit organization exempt from income tax under section 501(c)(3) of the internal revenue code; this entity's statements have been blended with the Board's financial statements.

### OVERVIEW OF THE FINANCIAL STATEMENTS

Region Ten presents three basic financial statements. These are: 1. Statement of Net Assets, 2. Statement of Revenues, Expenses and Changes in Net Assets; and 3. 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 Region Ten's assets in relationship 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 primarily as a result of our operations.

Our Statement of Cash Flows discloses the flow of cash resources into and out of Region Ten 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.).

### Balance Sheet

#### Condensed Balance Sheet

	<u>2008</u>	<u>2007</u>
Current Assets	\$ 5,997,943	\$ 6,956,127
Property and Equipment	18,439,342	17,568,070
Other Assets	177,687	187,292
Total Assets	<u>\$ 24,614,972</u>	<u>\$ 24,711,489</u>
Current Liabilities	\$ 3,399,709	\$ 2,461,920
Long-Term Liabilities	11,403,656	11,840,692
Total Liabilities	<u>\$ 14,803,365</u>	<u>\$ 14,302,612</u>
Net Assets:		
Invested in Capital Assets	\$ 6,478,847	\$ 6,404,764
Unrestricted	<u>3,332,760</u>	<u>4,004,113</u>
Total net assets	<u>\$ 9,811,607</u>	<u>\$ 10,408,877</u>

## OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

### Balance Sheet: (Continued)

Current Assets decreased by 13.8%, the decrease is primarily in cash and cash equivalents. Cash and cash equivalents in FY07 was substantially higher due to proceeds from the issuance of long term debt when the organization refinanced outstanding loans on the majority of owned property.

Net assets decreased by 5.7%.

A measurement of financial strength in terms of liquidity "Quick Ratio" (Current Assets/Current Liabilities) is when the ratio improves over years. Region Ten's quick ratio was 2.83:1 in 2007, and 1.83:1 in 2008. This ratio shows that in FY2008 our financial position, as measured by this ratio, worsened from FY07.

The debt ratio increase from 57.8% in FY07 to 60.1 in FY09

### Statement of Revenues, Expenses and Changes in Net Assets

The Board's financial statements are reported on the full accrual basis as required by GASB 34. On this basis, the Board reported expenditures of \$32,693,754 and revenues of \$31,616,355. This produced a net loss of \$1,077,399. When comparing Net Consumer Service Revenue from FY07 to FY08 there is an increase of \$1.7 million but the increase was not sufficient to cover the increase in expenses of \$3.8 million. This loss is primarily due to shortfall in projected Medicaid funds.

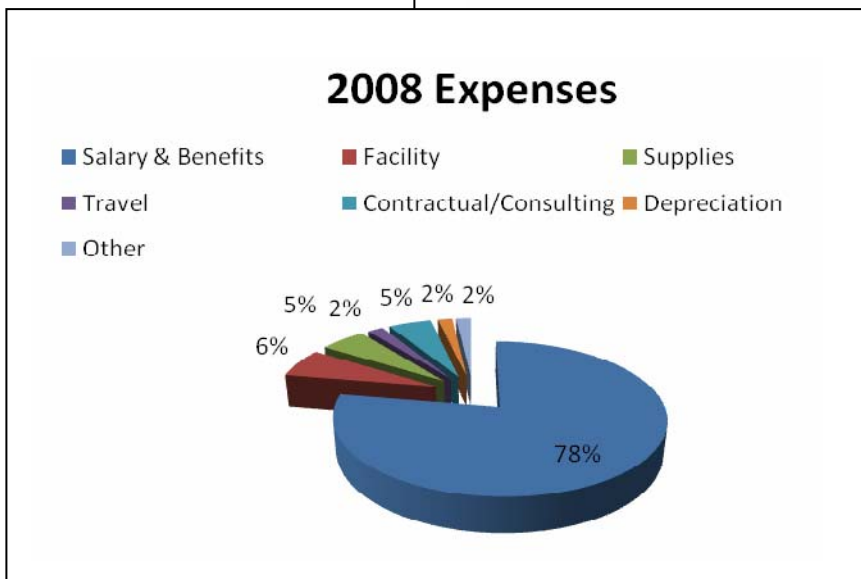
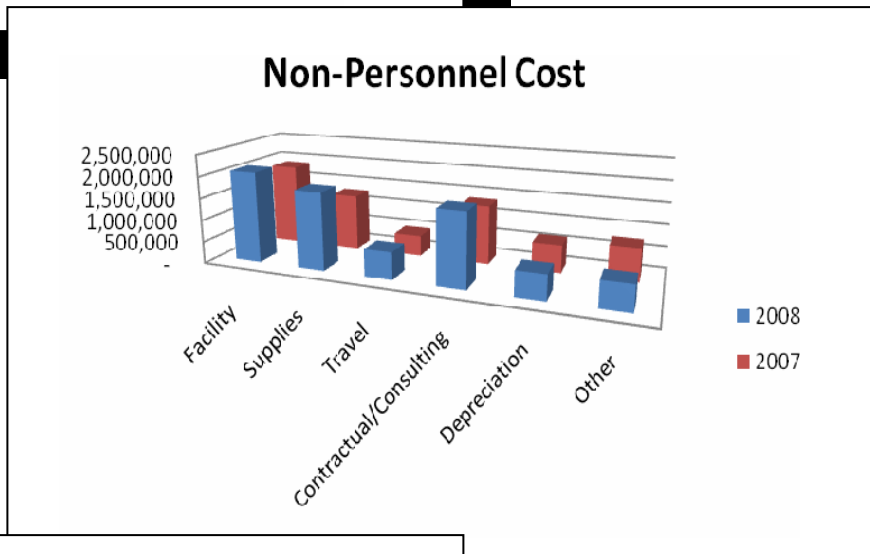
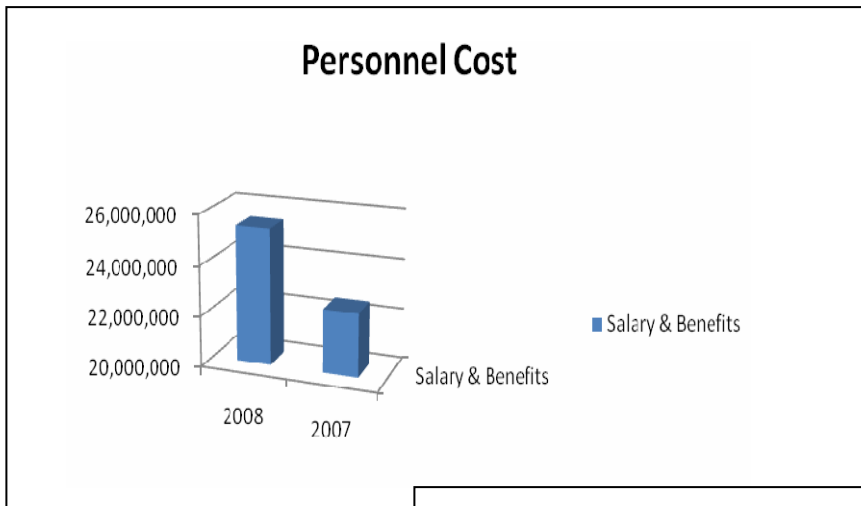
In FY2008 Medicaid represented 91.5% of operating income and 59.3% of total revenue.

The board's net assets or the Board's unrestricted fund balance totals \$3,324,254. The combined financial statements reflect an overall net asset/fund balance of \$9,811,607

The Statement of Revenues, Expenses and Changes in Net Assets also reflects a Capital Contributions of \$480,129. This represents funding associated with Pine Ridge Residence, a 6 bed residential property located in Louisa County funded by H.U.D.

OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Statement of Revenues, Expenses and Changes in Net Assets: (Continued)



OVERVIEW OF THE FINANCIAL STATEMENTS: (CONTINUED)

Statement of Cash Flows

Condensed Statement of Cash Flows

	<u>2008</u>	<u>2007</u>
Cash flows from Operating Activities	\$ (12,345,025)	\$ (10,120,489)
Cash flows from Non-capital and related financing activities	12,246,056	11,127,463
Cash flows from Capital and related financing activities	(1,897,411)	1,440,311
Cash flows from Investment Activities	60,920	151,600
Net increase in cash and cash equivalents	<u>\$ (1,935,460)</u>	<u>\$ 2,598,885</u>
Cash and cash equivalents, beginning of year	<u>\$ 3,987,937</u>	<u>\$ 1,389,052</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,052,477</u></u>	<u><u>\$ 3,987,937</u></u>

Cash Flows from Operating activities shows that in FY2008 collections from services provided were able to meet 59% of total operating cost, compared to 62% in FY2007. Again, this is primarily due to a shortfall in Medicaid.

Cash flows from Capital and related financing activities net change from 2008 to 2007 is a negative net change of \$3,337,722. This change is a primarily a result of the refinancing activities existing in 2007.

## **Basic Financial Statements**

**Region Ten Community Services Board**

**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	\$ 2,052,477	\$ 3,987,937
Accounts receivable, less allowance for uncollectibles	3,480,123	2,190,769
Accrued revenue	198,786	254,836
Prepaid items	58,510	107,783
Total current assets	<u>\$ 5,789,896</u>	<u>\$ 6,541,325</u>
<b>Restricted Current Assets:</b>		
Cash and cash equivalents	\$ -	\$ 185,932
Client funds	208,047	228,870
Total restricted current assets	<u>\$ 208,047</u>	<u>\$ 414,802</u>
<b>Capital Assets:</b>		
Property and equipment, less accumulated depreciation	\$ 18,439,342	\$ 17,568,070
<b>Other Assets:</b>		
Bond issuing costs and deferred loan fees, less accumulated amortization	\$ 177,687	\$ 187,292
Total assets	<u><u>\$ 24,614,972</u></u>	<u><u>\$ 24,711,489</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 864,845	\$ 523,424
Accrued interest payable	223,383	207,983
Compensated absences	1,186,595	975,821
Deferred revenue	-	17,276
Line of Credit	360,000	-
Long-term debt, current portion	556,839	508,546
Total current liabilities	<u>\$ 3,191,662</u>	<u>\$ 2,233,050</u>
<b>Current Liabilities Payable from Restricted Assets:</b>		
Client funds	\$ 208,047	\$ 228,870
<b>Long-term Liabilities:</b>		
Long-term debt, less current portion	\$ 11,403,656	\$ 11,840,692
Total liabilities	<u>\$ 14,803,365</u>	<u>\$ 14,302,612</u>
<b>Net Assets:</b>		
Invested in capital assets net of related debt	\$ 6,478,847	\$ 6,404,764
Unrestricted	3,332,760	4,004,113
Total net assets	<u><u>\$ 9,811,607</u></u>	<u><u>\$ 10,408,877</u></u>

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

**Region Ten Community Services Board**

**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>Revenues:</b>		
Net consumer service revenue	\$ 20,520,181	\$ 18,821,111
<b>Expenses:</b>		
Salaries and benefits	\$ 25,404,512	\$ 22,505,480
Staff development	82,162	93,678
Facility	2,081,372	1,872,342
Supplies	1,772,758	1,285,434
Travel	614,036	479,035
Contractual and consulting	1,670,653	1,349,438
Depreciation and amortization	567,781	632,544
Other	500,480	663,763
Total expenses	\$ 32,693,754	\$ 28,881,714
<b>Operating income (loss)</b>	<b>\$ (12,173,573)</b>	<b>\$ (10,060,603)</b>
<b>Nonoperating income:</b>		
Appropriations:		
Commonwealth of Virginia	\$ 7,398,001	\$ 7,238,664
Federal government	2,160,528	2,245,006
Local governments	1,311,211	1,110,995
Contributions	22,187	29,875
Other	566,803	314,506
Rental income	253,423	339,112
Interest income	60,920	151,600
Interest expense	(676,899)	(650,060)
Net nonoperating income	\$ 11,096,174	\$ 10,779,698
<b>Income (loss) before capital contributions</b>	<b>\$ (1,077,399)</b>	<b>\$ 719,095</b>
Capital Contributions	\$ 480,129	-
<b>Change in net assets</b>	<b>\$ (597,270)</b>	<b>\$ 719,095</b>
<b>Net assets, beginning of year</b>	<b>10,408,877</b>	<b>9,689,782</b>
<b>Net assets, end of year</b>	<b>\$ 9,811,607</b>	<b>\$ 10,408,877</b>

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

**Region Ten Community Services Board**

**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	\$ 19,215,827	\$ 18,087,578
Payments to suppliers	(6,367,114)	(5,694,654)
Payments to and for employees	<u>(25,193,738)</u>	<u>(22,513,413)</u>
Total cash flows provided (used) by operating activities	\$ <u>(12,345,025)</u>	\$ <u>(10,120,489)</u>
<b>Cash flows provided (used) by noncapital and related financing activities:</b>		
Government grants	\$ 11,388,643	\$ 10,443,970
Other	<u>857,413</u>	<u>683,493</u>
Total cash flows provided (used) by noncapital and related financing activities	\$ <u>12,246,056</u>	\$ <u>11,127,463</u>
<b>Cash flows provided (used) by capital and related financing activities:</b>		
Acquisition of fixed assets	\$ (1,393,100)	\$ (1,690,664)
Net proceeds from the line of credit	360,000	-
Proceeds from the issuance of long-term debt	-	12,312,600
Bond issuance cost	-	(192,094)
Deferred loan fees	-	48,552
Net deposits to sinking fund account	185,932	635,389
Interest payments on long-term debt	(661,499)	(442,077)
Principal payments on long-term debt	<u>(388,744)</u>	<u>(9,231,395)</u>
Cash flows provided (used) by capital and related financing activities	\$ <u>(1,897,411)</u>	\$ <u>1,440,311</u>
<b>Cash flows provided (used) by investing activities:</b>		
Interest income	\$ <u>60,920</u>	\$ <u>151,600</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ (1,935,460)	\$ 2,598,885
<b>Cash and cash equivalents, beginning of year</b>	<u>3,987,937</u>	<u>1,389,052</u>
<b>Cash and cash equivalents, end of year</b>	\$ <u><u>2,052,477</u></u>	\$ <u><u>3,987,937</u></u>

**Region Ten Community Services Board**

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

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	<u>2008</u>	<u>2007</u>
Cash flows provided (used) by operating activities:		
Operating income (loss)	\$ (12,173,573)	\$ (10,060,603)
Adjustments to reconcile excess of revenues over expenses to cash provided (used) by operations:		
Depreciation and amortization	567,781	632,544
Changes in assets and liabilities:		
Accounts receivable	(1,304,354)	(733,533)
Prepaid expenses	49,273	17,545
Accounts payable and accrued expenses	305,074	31,491
Compensated absences	<u>210,774</u>	<u>(7,933)</u>
Cash flows provided (used) by operating activities	<u>\$ (12,345,025)</u>	<u>\$ (10,120,489)</u>

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

**REGION TEN COMMUNITY SERVICES BOARD**

Notes to Financial Statements  
At of June 30, 2008

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

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**A. Financial Reporting Entity**

The Board operates as an agent for the Counties of Albemarle, Nelson, Fluvanna, Greene, and Louisa, and the City of Charlottesville 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 and Mental Retardation. In addition, the Board provides a system of community mental health and mental retardation and substance abuse services that relate to and are integrated with existing and planned programs.

The Board has determined that it is a jointly governed organization in accordance with Governmental Accounting Standards Board Statement 14. The Board includes all organizations for which it is considered financially accountable. Financial accountability includes the appointment of a voting majority of the Organization's governing body and the ability of the Board to impose its will on the organization that is financially dependent on the Board.

The Financial statements present the Region Ten Community Services Board and its component unit. The component unit discussed below is included in the Board's reporting entity because of the significance of the operational and financial relationship with the Board.

**Blended Component Unit**

Region Ten Community Services Board, Inc.

Region Ten Community Services Board, Inc. is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. The members of the Region Ten Community Services Board also serve as the Board of Directors of Region Ten Community Services Board, Inc. The Organization is responsible for receiving public support to establish, maintain, and promote the development of mental health, mental retardation, and substance abuse services. The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the U.S. Internal Revenue Code. Although the Organization is legally separate, Region Ten Community Services Board can impose its will over the Organization and is financially accountable for the Organization. The Organization has been blended with the Board's financial statements.

**B. 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 and Mental Retardation. The principles prescribed by the Governmental Accounting Standards Board (GASB) represent generally accepted accounting principles applicable to governmental units.

The Board 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.

## REGION TEN COMMUNITY SERVICES BOARD

Notes to Financial Statements  
At June 30, 2008 (Continued)

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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#### **C. Enterprise Fund Accounting**

Region Ten Community Services Board 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 practices the Board utilizes the enterprise fund method whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual. The Board's component unit, Region Ten Community Services Board, Inc. also uses enterprise fund accounting.

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

#### **D. Budgets and Budgetary Accountings**

The Board adopted annual budgets for its fiscal planning purposes only. The budgets are periodically amended by the Board primarily based on changes in revenues from grantors fees collected, and other revenue sources.

The Board follows these procedures in establishing budgets:

- a. In response to Letters of Notification received from the Department of Mental Health, Mental Retardation and Substance Abuse Service (the Department), the Board submits a Performance Contract to the Department. This application contains complete budgets for all Core Services.
- b. The Board's Performance reports are filed with the Department during the fiscal year, 30 working days after the end of the second and fourth quarters. The final quarterly report is due by September 1 (following the end of the fiscal year), unless extended.
- c. If any changes are made during the fiscal year in state or federal block grants, or local match funds, the Board submits Performance Contract revisions that reflect these changes in time to be received by the Department by required deadlines.

#### **E. Eliminating Entries**

These combined financial statements include eliminating entries that present financial position, results of operations, and changes in financial position in conformity with generally accepted accounting principles.

#### **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.

## REGION TEN COMMUNITY SERVICES BOARD

Notes to Financial Statements  
At June 30, 2008 (Continued)

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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#### **G. Cash and Cash Equivalents**

The Board 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. Capital Assets**

Capital assets acquired are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets ranging from 5 to 40 years and is computed using the straight-line method. Donated fixed assets are recorded at their estimated fair market value at the time of the gift. The Board's capitalization policy is to capitalize and depreciate all long-lived assets with a cost or donated value of \$5,000 or more.

#### **I. Fees Receivables/Allowance for Uncollectible Accounts**

The Board estimated the allowance for uncollectible accounts using historical collection data. The estimate considers the uncertainty of pending insurance claims, other third party receivables, and client self-pay accounts. The Board carries client self-pay receivable accounts at undiscounted balances for the purposes of client Medicaid certification. Once Medicaid determines a client is eligible for benefits, the Board writes the account down to a discounted figure. The allowance at June 30, 2008 was \$2,133,298. Actual uncollected amounts may be different than the estimated allowance.

#### **J. Net Client Service Revenue**

Net client service revenue is reported at the estimated net realizable amounts from consumers, third-party payers, and other 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.

#### **K. Financial Assistance**

The Board 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 Board has established procedures for granting financial assistance in cases of hardship. The granting of financial assistance results in a substantial reduction of charges to individual clients.

The vast majority of fees collected result from Medicaid billings.

## REGION TEN COMMUNITY SERVICES BOARD

Notes to Financial Statements  
At June 30, 2008 (Continued)

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### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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#### L. Deferred Revenue

Deferred revenue consists of client fees and other amounts, for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met. Under the accrual basis of accounting, such are measurable, but not available. The board did not have any deferred revenue at June 30, 2008.

#### M. Bond Financing Costs

Total costs relating to the bond financing were \$192,094. These costs are being amortized over the term of the loan which is 20 years. Amortization expense for the year ending June 30, 2008 was \$9,605.

#### N. Accounts Receivable

Generally, accounts receivable are unsecured and subject to risk of loss. These accounts consist of amounts due from grants or other governmental localities and no allowance has been made because management believes that any uncollectible amounts would not be material to the financial statements.

#### O. Due to Clients

The board segregates monies held on behalf of third parties, which have not been totally expended for their intended purposes. Included in cash and cash equivalents is \$208,047 of funds that belong to clients as of June 30, 2008. Additionally, this amount is shown as an obligation of the Board as of June 30, 2008.

#### P. Rental Income

Region Ten Community Services Board, Inc. owns various properties which are leased to Region Ten Community Services Board and others. Rental income is recognized as earned.

#### Q. Comparative Totals

Comparative amounts for the prior year are presented for informational purposes only. Certain amounts from the prior year have been reclassified to conform with the current year classifications.

#### R. 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 capital and noncapital related financing and other expenses.

## REGION TEN COMMUNITY SERVICES BOARD

Notes to Financial Statements  
At June 30, 2008 (Continued)

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### NOTE 2-CASH:

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#### Deposits:

All cash of the Board 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.

#### Restricted Cash:

Restricted cash represents funds held for related organizations. Client escrow funds are not held in the name of the Board.

#### Investments:

State statutes authorize the Board 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).

Investments are reported at fair value.

#### Custodial Credit Risk (Investments):

To protect the Board against potential fraud, the Board requires the investment assets of the Board to be secured through third-party custody and safekeeping procedures. Collateralized securities, such as repurchase agreements, shall be purchased using the delivery versus payment procedure.

At June 30, 2008 the Board had investments in one financial institution collateral pool as part of a cash management arrangement with its bank. The Board's investment consists of commercial paper. The Board's investment in the collateral pool at June 30, 2008 was \$273,000.

#### Credit Risk of Debt Securities:

The Board's rated debt investments as of June 30, 2008 were rated by Standard and Poor's and the ratings are presented below using Standard and Poor's rating scale.

<u>Rated Debt Investments Value</u>	<u>Rated Debt Investments</u>				
	<u>Fair Quality Ratings</u>				
	<u>AAA/AAAm</u>	<u>AA</u>	<u>A</u>	<u>A1</u>	<u>Unrated</u>
Collateral Pools	\$ -	\$ -	\$ -	\$ -	\$ 273,000

## REGION TEN COMMUNITY SERVICES BOARD

Notes to Financial Statements  
At June 30, 2008 (Continued)

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### NOTE 2-CASH: (Continued)

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#### Concentration of Credit Risk:

At June 30, 2008 the Board did not have an investment policy regarding the concentration of credit risk.

The Board had investments at June 30, 2008, with more than 5% of the total investments in the securities underlying the Cash Management Agreement with the bank. These investments represented 100% of total investments.

#### Interest Rate Risk:

The Board's investment policy does not address interest rate risk. The following details the Board's interest rate risk at June 30, 2008.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than One Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>10 Years +</u>
Collateral Pools	\$ 273,000	\$ 273,000	\$ -	\$ -	\$ -

There were no involuntary participations in external investment pools. The Board does not sponsor any external investment pools.

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

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#### Client Accounts Receivable:

At June 30, 2008, the Board had accounts receivable due from the following primary sources:

Virginia Department of Medical Assistance Services (Medicaid)	\$ 2,526,509
Third Party	271,927
Direct client and other	2,814,985
Total	\$ 5,613,421
Less: Allowance for uncollectibles	2,133,298
Net accounts receivable	\$ 3,480,123

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

**REGION TEN COMMUNITY SERVICES BOARD**

Notes to Financial Statements  
At June 30, 2008 (Continued)

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**NOTE 3-ACCOUNTS RECEIVABLE AND ACCRUED REVENUE: (Continued)**

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Accrued Revenue:

Commonwealth of Virginia Grants	\$	82,307
Other		<u>116,479</u>
Total	\$	<u><u>198,786</u></u>

**NOTE 4-LEASE COMMITMENTS:**

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The Board leases office space and other facilities from various lessors. The lease terms range from month to month to eleven years. Leases may be adjusted each year based on changes in prior year's Consumer Price Index. Future minimum lease payments exclusive of intercompany amounts, for the fiscal years ending June 30 are as follows:

2008	\$	164,874
2009		175,491
2010		133,339
2011		37,534
2012		<u>30,876</u>
Total	\$	<u><u>542,114</u></u>

Total rental expenditures for the year ended June 30, 2008 totaled \$1,789,830, exclusive of \$967,678 of intercompany lease payments.

**NOTE 5-LOCAL SUPPORT:**

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Local support for the year ended June 30, 2008 from the participant localities is as follows:

<u>City or County</u>		
Albemarle (fiscal agent)	\$	437,276
City of Charlottesville		521,192
Fluvanna		85,000
Greene		76,078
Louisa		121,000
Nelson		<u>70,665</u>
Total	\$	<u><u>1,311,211</u></u>

## REGION TEN COMMUNITY SERVICES BOARD

Notes to Financial Statements  
At June 30, 2008 (Continued)

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### NOTE 6—RENTAL INCOME:

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Region Ten Community Services Board, Inc. leases office space and other facilities to Region Ten Community Services Board, commercial and residential lessees. Future minimum lease rentals, exclusive of intercompany amounts for the fiscal years ending June 30 are as follows:

2009	\$	175,492
2010		133,339
2011		37,534
2012		<u>30,877</u>
Total	\$	<u><u>377,242</u></u>

Total rental income for the year ended June 30, 2008 totaled \$253,423. This includes property under formal leases as noted above and rent received on a month-to-month basis. This amount does not include \$967,678 of intercompany rents.

### NOTE 7—CAPITAL ASSETS:

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Capital assets consist of the following:

#### Region Ten Community Services Board:

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Capital assets not being depreciated:				
Land	\$ <u>71,325</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>71,325</u>
Capital assets being depreciated:				
Building and Improvements	\$ 260,474	\$ 30,810	\$ -	\$ 291,284
Equipment	1,453,043	7,413	-	1,460,456
Vehicles	867,544	27,800	-	895,344
Total capital assets being depreciated	\$ <u>2,581,061</u>	\$ <u>66,023</u>	\$ <u>-</u>	\$ <u>2,647,084</u>
Less: Accumulated depreciation	<u>1,880,928</u>	<u>191,455</u>	<u>-</u>	<u>2,072,383</u>
Net capital assets being depreciated	\$ <u>700,133</u>	\$ <u>(125,432)</u>	\$ <u>-</u>	\$ <u>574,701</u>
Net capital assets	\$ <u><u>771,458</u></u>	\$ <u><u>(125,432)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>646,026</u></u>

**REGION TEN COMMUNITY SERVICES BOARD**

Notes to Financial Statements  
At June 30, 2008 (Continued)

**NOTE 7-CAPITAL ASSETS: (Continued)**

**Region Ten Community Services Board, Inc.:**

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2008</u>
Capital assets not being depreciated:				
Land	\$ 4,935,745	\$ -	\$ -	\$ 4,935,745
Construction in Progress	<u>109,972</u>	<u>805,524</u>	<u>-</u>	<u>915,496</u>
Total capital assets not being depreciated	<u>\$ 5,045,717</u>	<u>805,524</u>	<u>\$ -</u>	<u>\$ 5,851,241</u>
Capital assets being depreciated:				
Building and Improvements	\$ 13,187,550	\$ 515,090	\$ -	\$ 13,702,640
Equipment	<u>135,138</u>	<u>42,812</u>	<u>-</u>	<u>177,950</u>
Total capital assets being depreciated	\$ 13,322,688	\$ 557,902	\$ -	\$ 13,880,590
Less: Accumulated depreciation	<u>1,571,794</u>	<u>366,721</u>	<u>-</u>	<u>1,938,515</u>
Net capital assets being depreciated	<u>\$ 11,750,894</u>	<u>\$ 191,181</u>	<u>\$ -</u>	<u>\$ 11,942,075</u>
Net capital assets	<u><u>\$ 16,796,611</u></u>	<u><u>\$ 996,705</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,793,316</u></u>

**NOTE 8-LONG-TERM OBLIGATIONS:**

Changes in Long-term obligations:

**Leases and Loans Payable:**

	<u>Region Ten</u> <u>Community</u> <u>Services Board</u>	<u>Region Ten</u> <u>Community</u> <u>Services Board, Inc.</u>	<u>Total</u>
Balance at July 1, 2007	\$ 113,291	\$ 12,235,947	\$ 12,349,238
Deduct: Retirements			
Loans payable	(33,296)	(91,847)	(125,143)
Bonds payable	<u>-</u>	<u>(263,600)</u>	<u>(263,600)</u>
Balance at June 30, 2008	<u><u>\$ 79,995</u></u>	<u><u>\$ 11,880,500</u></u>	<u><u>\$ 11,960,495</u></u>

**REGION TEN COMMUNITY SERVICES BOARD**

Notes to Financial Statements  
At June 30, 2008 (Continued)

**NOTE 8—LONG-TERM OBLIGATIONS: (Continued)**

Details of Long-term Obligations are as follows:

**Region Ten Community Services Board:**

	<u>Balance</u>	<u>Current Portion</u>
<u>Loans Payable:</u>		
\$70,000 Virginia Housing Partnership revolving fund congregate loan, 240 payments of \$354, October 1990 to October 2010, including interest at 2%; secured by deed of trust on real estate.	\$ 10,000	\$ 4,087
\$15,500 note with Virginia National Bank for purchase of Chevrolet Astro, 60 payments of \$284, May 2004 to May 2009, including interest at 3.75%; secured by vehicle.	3,067	3,067
\$15,500 note with Virginia National Bank for purchase of Chevrolet Astro, 60 payments of \$284, May 2004 to May 2009, including interest at 3.75%; secured by vehicle.	3,067	3,067
\$15,000 note with Virginia National Bank for purchase of GMC Safari, 60 payments of \$275, May 2004 to May 2009, including interest at 3.75%; secured by vehicle.	2,968	2,968
\$17,896 note with Virginia National Bank for purchase of Dodge Caravan, 60 payments of \$357, April 2006 to March 2011, including interest at 7.25%; secured by vehicle.	10,617	3,640
\$17,896 note with Virginia National Bank for purchase of Dodge Caravan, 60 payments of \$357, April 2006 to March 2011, including interest at 7.25%; secured by vehicle.	10,617	3,640
\$34,262 note with Virginia National Bank for purchase of Ford Braun Bus, 60 payments of \$684, March 2006 to February 2011, including interest at 7.25%; secured by vehicle.	19,830	6,985
\$34,262 note with Virginia National Bank for purchase of Ford Braun Bus, 60 payments of \$684, March 2006 to February 2011, including interest at 7.25%; secured by vehicle.	<u>19,829</u>	<u>6,985</u>
Total loans payable	\$ 79,995	\$ 34,439
Total Region Ten Community Services Board long-term obligations	<u>\$ 79,995</u>	<u>\$ 34,439</u>

**REGION TEN COMMUNITY SERVICES BOARD**

Notes to Financial Statements  
At June 30, 2008 (Continued)

**NOTE 8—LONG-TERM OBLIGATIONS: (Continued)**

**Region Ten Community Services Board, Inc.:**

	<u>Balance</u>	<u>Current Portion</u>
<u>Bond Payable:</u>		
\$7,601,200 Industrial Development Authority of the Town of Louisa Revenue Bonds, issued December 21, 2006. Payable in various annual principal payments through June 30, 2026. Interest payable annually at 4.29%; secured by current and future revenues.	\$ 7,240,200	\$ 275,000
<u>Note Payable:</u>		
\$4,711,400 Taxable Note, Series 2006, issued December 21, 2006. Payable in various annual principal payments through June 2026. Interest payable annually at 7.39%	<u>4,640,300</u>	<u>247,400</u>
Total Region Ten Community Service Board, Inc. long-term obligations	<u>\$ 11,880,500</u>	<u>\$ 522,400</u>
Grand Total Long-term Obligations	<u>\$ 11,960,495</u>	<u>\$ 556,839</u>

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

**Region Ten Community Services Board:**

<u>Year Ending June 30,</u>	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 34,439	\$ 4,083
2010	27,061	2,190
2011	18,495	472
Total	<u>\$ 79,995</u>	<u>\$ 6,745</u>

## REGION TEN COMMUNITY SERVICES BOARD

Notes to Financial Statements  
At June 30, 2008 (Continued)

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### NOTE 8—LONG-TERM OBLIGATIONS: (Continued)

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#### Region Ten Community Services Board, Inc.:

Year Ending June 30,	Bonds Payable		Notes Payable	
	Principal	Interest	Principal	Interest
2009	\$ 275,000	\$ 310,605	\$ 247,400	\$ 677,020
2010	286,600	298,807	137,500	324,635
2011	299,000	286,512	147,700	311,474
2012	311,800	273,685	158,600	303,559
2013	325,200	260,309	170,300	291,839
2014-2018	1,847,400	1,079,943	1,060,100	1,250,735
2019-2023	2,279,200	648,172	1,514,300	796,664
2024-2026	1,616,000	140,588	1,204,400	182,237
Total	\$ 7,240,200	\$ 3,298,621	\$ 4,640,300	\$ 4,138,163

The Board is in compliance with federal arbitrage regulations.

### NOTE 9—DEFINED PENSION BENEFIT PLAN:

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#### 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 law enforcement officers, firefighters, and sheriffs) or at age 50 with at least 30 years of service for participating employees (age 50 with 25 years for participating law enforcement officers and firefighters) payable monthly for life in an amount equal to 1.7 percent of their average final salary (AFS) 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. AFS is defined as the highest consecutive 36 months of salary. Participating 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.

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.

## REGION TEN COMMUNITY SERVICES BOARD

Notes to Financial Statements  
At June 30, 2008 (Continued)

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### NOTE 9—DEFINED PENSION BENEFIT PLAN: (Continued)

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#### 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 may be assumed by the employer. In addition, the Board is required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the statute and approved by the VRS Board of Trustees. The Board's contribution rate for the fiscal year ended June 30, 2008 was 4.41%.

#### C. Annual Pension Cost:

During the fiscal year ended June 30, 2008 the Board's annual pension cost was \$761,384 (does not include the employee share which was assumed by the Board which was \$863,247) and its contribution represented 4.41% of covered payroll. The required contributions were determined as a 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 for Non-LEO employees ranging from 3.5% to 5.73% per year and for LEO employees ranging from 3.50% to 4.71% per year, 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 Board'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.

#### Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2006	\$ 206,553	100%	\$ -
June 30, 2007	670,250	100%	-
June 30, 2008	761,384	100%	-

(1) Employer portion only

#### D. Funded Status and Funding Programs

As of June 30, 2007, the most recent actuarial valuation date, the plan was 106.33% funded. The actuarial accrued liability for benefits was \$20,827,734 and the actuarial value of assets was \$22,145,492 resulting in an unfunded actuarial accrued liability (UAAL) of (\$1,317,758). The covered payroll (annual payroll of active employees covered by the plan) was \$15,791,955 and ratio of the UAAL to the covered payroll was (8.34%).

The schedule of pension 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.

## REGION TEN COMMUNITY SERVICES BOARD

Notes to Financial Statements  
At June 30, 2008 (Continued)

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### NOTE 10-DEFERRED COMPENSATION PLAN:

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The Region Ten Community Services Board offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code Section 457. The plan, available to all Region Ten employees, permits them to defer the payment of a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of deferred compensation, including the investments and earnings thereon, remain the property of the Board until paid to the employee, subject to the claims of the Board's general creditors. Participating employees' rights under the plan are equal to those of general creditors of the Board. It is the opinion of the Board's legal counsel that the Board has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The Plan assets are held by a trustee and, therefore, are not reported in the financial statements.

### NOTE 11-COMMITMENTS/CONTINGENT LIABILITIES:

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Federal programs in which the Board participates were audited in accordance with the provisions of the 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 and certain other programs were tested for compliance with applicable grant requirements.

Additionally, the federal government may subject grant programs to additional compliance tests, which could result in disallowed expenditures. In the opinion of management, any future disallowances of grant program expenditures would be immaterial.

The Board set aside approximately \$1,025,000 at June 30, 2007 for construction of a clinic in Nelson County. The anticipated cost of the project is estimated to be \$1.6 million with construction costs incurred as of June 30, 2008 of \$311,934.

### NOTE 12-INSURANCE COVERAGE:

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The Board has insurance agreements with various insurance companies to provide its insurance coverage.

### NOTE 13-CLIENT FEES:

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Client fee revenues for the year ending 2008 were from the following sources:

Medicaid	\$	18,778,603
Direct client and third party		593,902
Other		1,147,676
Total	\$	<u>20,520,181</u>

**REGION TEN COMMUNITY SERVICES BOARD**

Notes to Financial Statements  
At June 30, 2008 (Continued)

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**NOTE 14—COMPENSATED ABSENCES:**

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**Annual Leave** - Salaried employees are entitled to paid vacation in accordance with the schedule below (prorated for part-time). Effective July 1, 2001, the Board adopted a two tier system for employees hired before July 1, 2001 and after this date.

**Tier I Employees Hired Prior to July 1, 2001**

<b>Length of Service in Years</b>	<b>Rate of Monthly Accrual in Hours</b>	<b>Maximum Accrual in Hours</b>
0-1	8.00	120.00
2-5	8.00	120.00
5-10	11.33	169.95
10-15	13.33	199.95
15 or more	13.33	199.95

**Tier II Employees Hired After July 1, 2001**

<b>Length of Service in Years</b>	<b>Rate of Monthly Accrual in Hours</b>	<b>Maximum Accrual in Hours</b>
0-1	6.67	100.05
2-5	6.67	100.05
5-10	10.00	150.00
10-15	10.00	150.00
15 or more	13.33	199.95

Credits over the maximum accumulation are lost.

In the case of termination or extended leave without pay, all accumulated annual leave will be paid. In the event of death, the employee's estate will be entitled to payment of unused annual leave.

**Sick Leave** - Benefits accumulate year to year, but unused sick leave days are not payable in full on termination of employment except for resignations due to childbirth. Probationary and full-time employees earn sick leave at the rate of eight hours for each completed month of service; part-time employees earn sick leave in relation to the number of hours worked each month. At termination, an employee who has reached his/her 5th anniversary while an active employee will be paid up to ¼ of accumulated sick leave hours or \$5,000 maximum, whichever is less.

Accrued annual leave and sick leave benefits equaled \$1,186,595 at June 30, 2008.

## REGION TEN COMMUNITY SERVICES BOARD

Notes to Financial Statements  
At June 30, 2008 (Continued)

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### **NOTE 15–RISK MANAGEMENT:**

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The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board pays annual premiums to an insurance plan administered by the Department of General Services, Division of Risk Management for coverage of public officials, general liability, and medical malpractice. This plan is a self-insurance liability plan of the Commonwealth of Virginia known as the Virginia Local Government Risk Management Plan. The maximum this plan will pay as compensation for any one claim is one million dollars. The Board retains the risk associated with deductibles in the plan.

The Board also uses commercial insurance for all other risks of loss, including real and personal property coverage, automobile, worker's compensation, employee benefits liability, and commercial excess liability. There have been no settlements in excess of insurance coverages in the past three years.

### **NOTE 16–OTHER POST EMPLOYMENT BENEFITS:**

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The Board has a policy that allows retirees to remain in the Board's health, dental and vision plans until they reach age 65. The retiree must pay the full cost of the dental and visions plans, but the Board assumes a portion of the cost of the health insurance costs. The cost of these benefits to the Board in fiscal year 2008 was \$5,745.

## Required Supplementary Information

**Region Ten Community Services Board**

Schedule of Pension Funding Progress  
Last Three Fiscal Years

**Virginia Retirement System**

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL) (3)-(2)		Funded Ratio (2)/(3)	Annual Covered Payroll (6)	UAAL as a % of Payroll (4)/(6)
			(4)	(5)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
June 30, 2005	\$ 16,909,578	\$ 16,310,589	(598,989)	103.67%	\$ 12,775,634	-4.69%	
June 30, 2006	18,750,173	18,205,419	(544,754)	102.99%	14,129,904	-3.86%	
June 30, 2007	22,145,492	20,827,734	(1,317,758)	106.33%	15,791,955	-8.34%	

**Supplemental Information:**  
*Combining Financial Statements*

Region Ten Community Services Board

Combining Statement of Net Assets

At June 30, 2008

(With Comparative Totals for June 30, 2007)

	Region Ten Community Services Board	Region Ten Community Services Board, Inc.	Inter- company Eliminations	Total	2007 Total
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 839,852	\$ 1,212,625	\$ -	\$ 2,052,477	\$ 3,987,937
Accounts receivable, less allowance for uncollectibles	3,480,123	-	-	3,480,123	2,190,769
Accrued revenue	198,786	-	-	198,786	254,836
Due from related party	427,000	-	(427,000)	-	-
Prepaid items	58,510	-	-	58,510	107,783
Total current assets	\$ 5,004,271	\$ 1,212,625	\$ (427,000)	\$ 5,789,896	\$ 6,541,325
<b>Restricted Current Assets:</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 185,932
Client funds	208,047	-	-	208,047	228,870
Total restricted current assets	\$ 208,047	\$ -	\$ -	\$ 208,047	\$ 414,802
<b>Capital Assets:</b>					
Property and equipment, less accumulated depreciation	\$ 646,026	\$ 17,793,316	\$ -	\$ 18,439,342	\$ 17,568,070
<b>Other Assets:</b>					
Bond issuing costs and deferred loan fees, less accumulated amortization	\$ -	\$ 177,687	\$ -	\$ 177,687	\$ 187,292
Total assets	\$ 5,858,344	\$ 19,183,628	\$ (427,000)	\$ 24,614,972	\$ 24,711,489
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current Liabilities:</b>					
Accounts payable and accrued expenses	\$ 699,453	\$ 165,392	\$ -	\$ 864,845	\$ 523,424
Accrued interest payable	-	223,383	-	223,383	207,983
Compensated absences	1,186,595	-	-	1,186,595	975,821
Deferred revenue	-	-	-	-	17,276
Due to related party	-	427,000	(427,000)	-	-
Line of Credit	360,000	-	-	360,000	-
Long-term debt, current portion	34,439	522,400	-	556,839	508,546
Total current liabilities	\$ 2,280,487	\$ 1,338,175	\$ (427,000)	\$ 3,191,662	\$ 2,233,050
<b>Current Liabilities Payable from Restricted Assets:</b>					
Client funds	\$ 208,047	\$ -	\$ -	\$ 208,047	\$ 228,870
<b>Long-term Liabilities:</b>					
Long-term debt, less current portion	\$ 45,556	\$ 11,358,100	\$ -	\$ 11,403,656	\$ 11,840,692
Total liabilities	\$ 2,534,090	\$ 12,696,275	\$ (427,000)	\$ 14,803,365	\$ 14,302,612
<b>Net Assets:</b>					
Invested in capital assets net of related debt	\$ 566,031	\$ 5,912,816	\$ -	\$ 6,478,847	\$ 6,404,764
Unrestricted	2,758,223	574,537	-	3,332,760	4,004,113
Total net assets	\$ 3,324,254	\$ 6,487,353	\$ -	\$ 9,811,607	\$ 10,408,877

Region Ten Community Services Board

Combining Statement of Revenues, Expenses and Changes in Net Assets

Year Ended June 30, 2008

(With Comparative Totals for June 30, 2007)

	Region Ten Community Services Board	Region Ten Community Services Board, Inc.	Inter- company Eliminations	Total	2007 Total
<b>Revenues:</b>					
Net consumer service revenue	\$ 20,520,181	\$ -	\$ -	\$ 20,520,181	\$ 18,821,111
<b>Expenses:</b>					
Salaries and benefits	\$ 25,404,512	\$ -	\$ -	\$ 25,404,512	\$ 22,505,480
Staff development	82,162	-	-	82,162	93,678
Facility	3,049,050	-	(967,678)	2,081,372	1,872,342
Supplies	1,772,758	-	-	1,772,758	1,285,434
Travel	614,036	-	-	614,036	479,035
Contractual and consulting	1,670,653	-	-	1,670,653	1,349,438
Depreciation and amortization	191,455	376,326	-	567,781	632,544
Other	384,106	116,374	-	500,480	663,763
Total expenses	\$ 33,168,732	\$ 492,700	\$ (967,678)	\$ 32,693,754	\$ 28,881,714
<b>Operating income (loss)</b>	\$ (12,648,551)	\$ (492,700)	\$ 967,678	\$ (12,173,573)	\$ (10,060,603)
<b>Nonoperating income (expenses):</b>					
Appropriations:					
Commonwealth of Virginia	\$ 7,398,001	\$ -	\$ -	\$ 7,398,001	\$ 7,238,664
Federal government	2,160,528	-	-	2,160,528	2,245,006
Local governments	1,311,211	-	-	1,311,211	1,110,995
Contributions	-	22,187	-	22,187	29,875
Other	566,778	25	-	566,803	314,506
Rental income	-	1,221,101	(967,678)	253,423	339,112
Interest income	22,610	38,310	-	60,920	151,600
Interest expense	(12,653)	(664,246)	-	(676,899)	(650,060)
Net nonoperating income	\$ 11,446,475	\$ 617,377	\$ (967,678)	\$ 11,096,174	\$ 10,779,698
<b>Income (loss) before capital contributions</b>	\$ (1,202,076)	\$ 124,677	\$ -	\$ (1,077,399)	\$ 719,095
Capital Contributions	\$ -	\$ 480,129	\$ -	\$ 480,129	\$ -
<b>Change in net assets</b>	\$ (1,202,076)	\$ 604,806	\$ -	\$ (597,270)	\$ 719,095
<b>Net assets, beginning of year</b>	4,526,330	5,882,547	-	10,408,877	9,689,782
<b>Net assets, end of year</b>	\$ 3,324,254	\$ 6,487,353	\$ -	\$ 9,811,607	\$ 10,408,877

**Region Ten Community Services Board**

**Combining Statement of Cash Flows**

**Year Ended June 30, 2008**

**(With Comparative Totals for June 30, 2007)**

	<b>Region Ten Community Services Board</b>	<b>Region Ten Community Services Board, Inc.</b>	<b>Total</b>	<b>2007 Total</b>
<b>Cash flows provided (used) by operating activities:</b>				
Receipts from customers	\$ 19,215,827	\$ -	\$ 19,215,827	\$ 18,087,578
Payments to suppliers	(7,218,418)	(116,374)	(7,334,792)	(6,521,802)
Payments to and for employees	(25,193,738)	-	(25,193,738)	(22,513,413)
Total cash flows provided (used) by operating activities	\$ (13,196,329)	\$ (116,374)	\$ (13,312,703)	\$ (10,947,637)
<b>Cash flows provided (used) by noncapital and related financing activities:</b>				
Government grants	\$ 10,908,514	\$ 480,129	\$ 11,388,643	\$ 10,443,970
Net change in related party receivables and payables	(422,000)	422,000	-	-
Other	566,778	1,258,313	1,825,091	1,510,641
Total cash flows provided (used) by noncapital and related financial activities	\$ 11,053,292	\$ 2,160,442	\$ 13,213,734	\$ 11,954,611
<b>Cash flows provided (used) by capital and related financing activities:</b>				
Acquisition of fixed assets	\$ (66,024)	\$ (1,327,076)	\$ (1,393,100)	\$ (1,690,664)
Proceeds from line of credit	360,000	-	360,000	12,312,600
Bond issuance costs	-	-	-	(192,094)
Deferred loan fees	-	-	-	48,552
Net deposits to sinking fund account	-	185,932	185,932	635,389
Interest payments on long-term debt	(12,653)	(648,846)	(661,499)	(442,077)
Principal payments on long-term debt	(33,297)	(355,447)	(388,744)	(9,231,395)
Cash flows provided (used) by capital and related financing activities	\$ 248,026	\$ (2,145,437)	\$ (1,897,411)	\$ 1,440,311
<b>Cash flows provided (used) by investing activities:</b>				
Interest income	\$ 22,610	\$ 38,310	\$ 60,920	\$ 151,600
<b>Net increase (decrease) in cash and cash equivalents</b>				
	\$ (1,872,401)	\$ (63,059)	\$ (1,935,460)	\$ 2,598,885
<b>Cash and cash equivalents, beginning of year</b>				
	2,712,253	1,275,684	3,987,937	1,389,052
<b>Cash and cash equivalents, end of year</b>				
	\$ 839,852	\$ 1,212,625	\$ 2,052,477	\$ 3,987,937
<b>Cash flows provided (used) by operating activities:</b>				
Operating income (loss)	\$ (12,648,551)	\$ (492,700)	\$ (13,141,251)	\$ (10,887,751)
Adjustments to reconcile excess of revenues over expenses to cash provided (used) by operations:				
Depreciation and amortization	191,455	376,326	567,781	632,544
Changes in assets and liabilities:				
Accounts receivable	(1,304,354)	-	(1,304,354)	(733,533)
Prepaid items	49,273	-	49,273	17,545
Accounts payable and accrued expenses	305,074	-	305,074	31,491
Compensated absences	210,774	-	210,774	(7,933)
<b>Cash flows provided (used) by operating activities</b>	\$ (13,196,329)	\$ (116,374)	\$ (13,312,703)	\$ (10,947,637)

Supplemental Information:

*Supporting Schedules*

Region Ten Community Services Board

Schedule of Insurance  
At June 30, 2008

Insurance Coverages					
Insurance Coverage	Insurance Company/ Agent/ Policy Number	Policy Period	Annual Policy Cost	Limits of Liability	Deductible
Automobile Liability Physical Damage	Co: CarCare Adantage Ag: State of VA Pol. #: G99F65	7/1/07- 6/30/08	\$ 10,318	BI/PD Uninsured Motorist Medical Payments ACV - Comprehensive ACV - Collision	Actual cash value of property \$ 1,000
Boiler and Machinery	Co: Philadelphia Indemnity Insurance Company Ag: HRH Pol. #: PHPK088253	7/15/07- 7/15/08	Included with P & P Insurance	Direct Damage Business Income Extra Expense	NA NA
Crime	Co: CoFidelity & Guaranty Company Ag: HRH Pol. #: CCP903667010	6/1/07- 6/1/08	\$ 756	Employee Dishonesty Forgery or Alteration Money & Securities-Inside Money & Securities-Outside Money Orders	200,000 200,000 200,000 200,000 100 100 100
Electronic Data Processing	Co: Philadelphia Indemnity Insurance Company Ag: HRH Pol. #: PHPK088253	7/15/07- 7/15/08	Included with P & P Insurance	Hardware Software Extra Expense	684,000 100,000
General Liability	Co: VaRisk 2 Ag: State of VA Pol. #: G99F65	7/1/07- 6/30/08	\$ 17,639	Aggregate Occurrence Medical Employee Benefits	1,000,000 1,000
Medical Malpractice	Co: VaRisk 2 Ag: State of VA Pol. #: G99F65	7/1/07- 6/30/08	\$ 13,303	Aggregate Occurrence	1,000,000 1,000
Public Officials Liability	Co: VaRisk 2 Ag: State of VA Pol. #: G99F65	10/21/07- 10/21/08	Included in General Liability	Aggregate Occurrence	1,000,000 1,000
Property	Co: Philadelphia Indemnity Insurance Company Ag: HRH Pol. #: PHPK088253	7/15/07- 7/15/08	\$ 63,892	Real Property Personal Property Business Income	15,295,500 2,258,820 1,743,637 500 500 500
Workers Compensation	Co: VACO Risk Management Ag: N/A Pol. #: VA-RE 250C	7/1/07- 6/30/08	\$ 304,340	Each Accident Policy Limit - Disease Each Employee - Disease	1,000,000 1,000,000 1,000,000 N/A
Miscellaneous Coverage: Flood	Co: Fidelity National Insurance Company Ag: HRH Pol. #: 3509316919	9/21/07- 9/21/08	\$ 3,201	Building Contents	500,000 210,000 N/A

Region Ten Community Services Board

Client Statistical Information

June 30, 2008

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**Mental Health**

Service hours	103,876
Day support hours	472,471
Residential support hours	55,427
Residential bed days	13,443
Total mental health customers served	3,207

**Mental Retardation**

Service hours	17,376
Day support hours	79,508
Residential support hours	5,037
Residential bed days	26,117
Total mental retardation customers served	564

**Substance Abuse**

Service hours	34,922
Residential bed days	3,416
Total substance abuse customers served	1,426

**Outside Program Areas**

Service hours	15,879
Total outside area customers served	2,511

## **Compliance**

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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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 Honorable Members of the  
Region Ten Community Services Board  
Charlottesville, Virginia

We have audited the financial statements of the Region Ten Community Services Board as of and for the year ended June 30, 2008, and have issued our report thereon dated February 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Specifications for Audits of Authorities, Boards, and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia; 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 Region Ten Community Services Board'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 Region Ten Community Services Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Region Ten Community Services Board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Region Ten Community Services Board'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 Region Ten Community Services Board's financial statements that is more than inconsequential will not be prevented or detected by the Region Ten Community Services Board's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 2008-01 and 2008-02 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

## Compliance and Other Matters

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

We noted certain matters that we reported to management of Region Ten Community Services Board, in a separate letter dated February 23, 2009.

Region Ten Community Services Board's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Region Ten Community Services Board's response and, accordingly express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, 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, James, Cox Associates*

Charlottesville, Virginia  
February 23, 2009

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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To the Honorable Members of the  
Region Ten Community Services Board  
Charlottesville, Virginia

### Compliance

We have audited the compliance of Region Ten Community Services Board, 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. Region Ten Community Services Board'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 Region Ten Community Services Board's management. Our responsibility is to express an opinion on Region Ten Community Services Board'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 Region Ten Community Services Board'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 Region Ten Community Services Board's compliance with those requirements.

In our opinion, Region Ten Community Services Board, 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 Region Ten Community Services Board 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 Region Ten Community Services Board'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 Region Ten Community Services Board'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 management, the Board of Directors, others within the entity, 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  
February 23, 2009

**Region Ten Community Services Board**

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

<b>Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number</b>	<b>Federal Catalogue Number</b>	<b>Expenditures</b>
<b>Department of Health and Human Services:</b>		
Pass through payments:		
Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services PATH	93.150	\$ 29,060
Traumatic Brain Injury State Demonstration Grant	93.243	5,778
Substance Abuse and Treatment Block Grant	93.959	1,033,948
Mental Health Block Grant	93.958	368,259
Total Department of Health and Human Services		<u>\$ 1,437,045</u>
<b>Department of Education:</b>		
Pass through payments:		
Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services Early Intervention - Part C	84.181	\$ 357,766
<b>Department of Housing and Urban Development:</b>		
Direct payments:		
HUD grant - Special Needs Assistance Program	14.238	\$ 122,066
Pass through payments:		
Virginia Department of Housing and Community Development: Emergency Shelter Grants Program	14.231	134,646
Virginia Housing Development Authority administrative services	14.156	109,005
Total Department of Housing and Community Development		<u>\$ 365,717</u>
Total Expenditures		<u><u>\$ 2,160,528</u></u>

This schedule is presented on the accrual basis of accounting and includes the federal grant activity of Region Ten 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.

**Region Ten Community Services Board**

**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?	Yes
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?	No
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
84.181	Mental Retardation and Substance Abuse Services Early Intervention - Part C

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

## Region Ten Community Services Board

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

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#### Section II - Financial Statement Findings

##### Finding 2008-01 - Significant Deficiency:

Conditions: The investment account with the Charlottesville Area Community Foundation was not recorded on the Board's books during the year. The account had a balance of \$42,066 at June 30, 2008.

Criteria: All bank and investment accounts should be recorded on the Board's books and reconciled monthly.

Cause of Condition: Accounting personnel did not perform bank reconciliations for this account.

Effect of Condition: The failure to record all bank and investment accounts in the Board's name cause the Organization's assets and financial activity to be understated. Interim financial information and reports generated by the accounting system will not be accurate.

Recommendation: All bank and investment accounts in the Board's name should be recorded and reconciled on the books.

##### Finding 2008-02 - Significant Deficiency:

Conditions: Material adjustments that needed to be made to the books as a result of reconciliations performed were not made on a timely basis. The June 2008 reconciliation for the main checking account obtained in August of 2008 contained material reconciling items which required adjustments to the books identified throughout the year, which had not yet been made.

Criteria: All adjustments needed to be made as a result of performing bank reconciliations should be made in a timely maner after the reconciliation is performed.

Cause of Condition: Accounting personnel did not make adjustments needed as a result of bank reconciliations in a timely maner.

Effect of Condition: The failure to make timely adjustments to the books of account for reconciling items will cause interim financial information and reports generated by the accounting system not to be accurate.

Recommendation: All adjustments needed to be made as a result of the reconciliation process should be made on a timely basis after the reconciliation is performed.

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

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

Region Ten Community Services Board

Management's Response to Findings

Year Ended June 30, 2008

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**Section II - Financial Statement Findings**

Response to Finding 2008-01

Endowment fund donations received by Region Ten Community Services, Inc. are deposited and then transferred to Charlottesville Albemarle Foundation for investing. The investment of those funds were not recorded on the books, but are now currently recorded and all efforts will be made to assure that any subsequent accounts are properly reflected on our books.

Response to Finding 2008-02

During FY08 a very large electronic Medicaid batch posted a tremendous number of duplicate payments to the accounts receivable. Knowing the amount of the duplication allowed us to maintain accurate cash records, but the needed adjustments to the subsidiary account receivable accounts required a great deal of research that spanned over many months in the fiscal year. All efforts will be made to assure, as much as is possible, that corrections/adjustments to the bank reconciliations are done timely.

Region Ten Community Services Board

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

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**Section IV - Prior Year Financial Statement Findings**

Finding 2007-01 - Significant Deficiency:

Conditions: Bank accounts for the component unit Region Ten Community Services, Inc. for the entire year ended June 30, 2007 were not reconciled until August, 2007. A certificate of deposit in existence since 1999 was not recorded on the books, and reconciling items on several bank reconciliations contained general journal entries which had not cleared. Also, a deposit in transit item was erroneously listed on the checking account reconciliation and interest income of approximately \$25,000 was not recorded for the escrow account for the Nelson County clinic construction.

Criteria: Monthly bank reconciliations should be prepared for all bank accounts on a timely basis. All reconciling adjustments should be recorded on a timely basis.

Cause of Condition: Accounting personnel did not perform bank reconciliations on a timely basis.

Effect of Condition: The failure to timely reconcile bank accounts and make timely adjustments to the books of account for reconciling items increases the risks that errors or other discrepancies may occur, and interim financial information and reports generated by the accounting system may not be accurate and that errors or improper transactions may occur.

Recommendation: Monthly bank reconciliations should be prepared on a timely basis and all reconciling adjustments be posted to the books of account.

Management's Response: It is management's policy to reconcile all bank accounts on a monthly basis. Due to the fiscal year 2006 audit completion date extending to May 2007, the bank accounts for the Board's component unit were not reconciled until August 2007. All bank accounts, including those of Region Ten Community Services, Inc., are currently being reconciled on a timely basis.