
SOUTHSIDE COMMUNITY SERVICES BOARD

South Boston, Virginia

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2008

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY CERTIFIED PUBLIC ACCOUNTANTS

CHARLOTTESVILLE □ RICHMOND □ FREDERICKSBURG □ VERONA □ CHRISTIANSBURG



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SOUTHSIDE COMMUNITY SERVICES BOARD

BOARD OF DIRECTORS

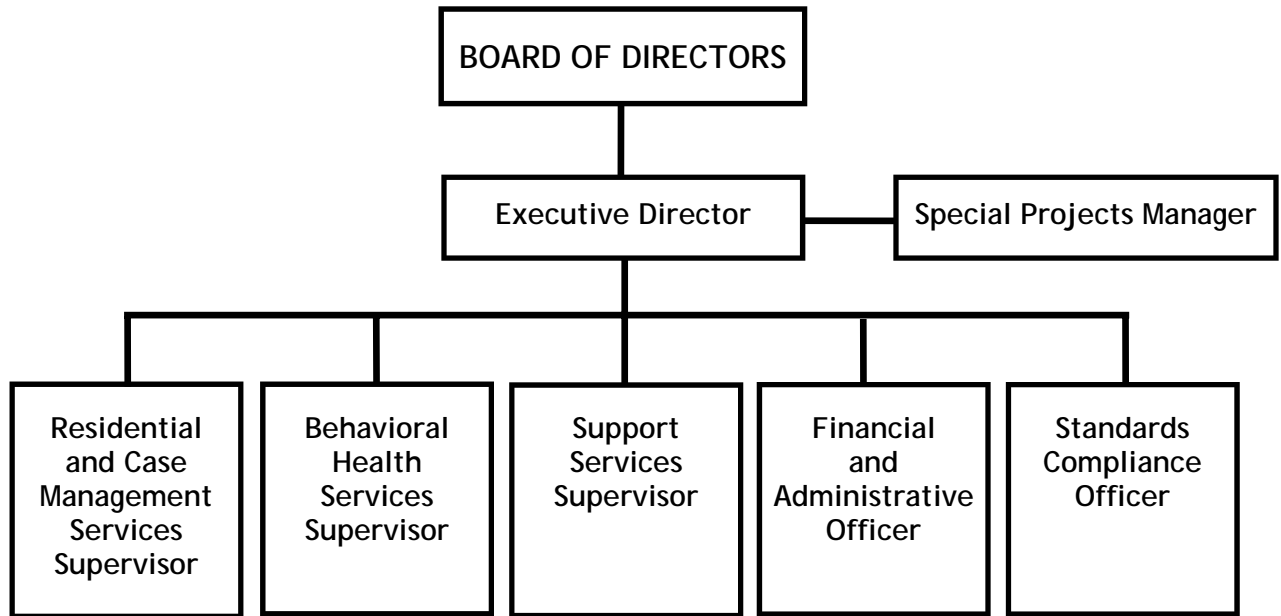
Barbara Bass, Chairperson
Margaret Neblett, Vice Chairperson
Everette Burwell, Sr., Secretary
Jacie Roberts, Treasurer

Joseph Bittman
Stanford Bradshaw
Jeff Pittman
Joan Thomas
Shirley Wetherbee

Principal Management Team

Joseph Edwards	Executive Director
William Coleman	Financial and Administrative Officer
Sarah Chipps	Special Projects Manager
Joyce Willis	Behavioral Health Services Supervisor
Pamela Wallace	Residential Services Supervisor
Nannie Russell	Case Management Supervisor
Bernadine Johnson	Standards Compliance Officer

SOUTHSIDE COMMUNITY SERVICES BOARD
ORGANIZATIONAL CHART



ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Southside Community Services Board
South Boston, Virginia

We have audited the statement of net assets of Southside 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 Southside 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 October 19, 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; *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. 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 Southside Community Services Board, 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 November 26, 2008, on our consideration of the Southside 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 as listed in the table of contents, is not a required part of the basic financial statements but is 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 Southside Community Services Board, basic financial statements. 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 not a required part of the basic financial statements of Southside Community Services Board. This schedule and the other supporting schedules, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The other information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on it.

Robinson, Jarner, & Associates

Charlottesville, Virginia
November 26, 2008

Management's Discussion & Analysis
Year Ending June 30, 2008

The operational efficiency and effectiveness of Southside Community Services Board (SCSB) are of paramount interest to the general public in Southside Virginia. While oversight responsibility of Board services rests with the Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services, operational responsibility rests with the Board of Directors of Southside Community Services Board and the Executive Director (including the Board's top management team). Included in the oversight tasks are the Boards of Supervisors of Brunswick, Halifax, and Mecklenburg Counties. All members of the Board of Directors are appointed by the respective county Boards of Supervisors.

A vital part of the overall management responsibility is the issuance of an annual Financial Audit conducted by an independent, certified public accounting firm. This document summarizes the financial operations conducted during the course of a State fiscal year (July 1 - June 30).

Monthly financial statements, prepared by the Board's accounting office, and verified by the Board's Financial Officer, are presented to the Board's Finance Committee and to the full Board of Directors. Subsequently, copies of these documents are sent to each of the three Boards of Supervisors in Southside Virginia.

Annual budgets and performance contracts reflect operational plans for continuity of services in mental health, mental retardation, and substance abuse. It is management's responsibility to ensure that qualified staff are employed and engaged in the provision of needed services.

Assuming there are various ways in which year ending financial reports are analyzed, this year's Management's Discussion and Analysis has focused on the composition of its capital structure and on changes and trends in revenues. In addition, management finds comparative analysis between fiscal years useful in analyzing areas of potential growth.

Funding Analysis

Over the past year there were several significant increases in Board funding that primarily resulted from the following:

1. Mental Health
 - A. New Funding for Regional programs.
 - B. Increase in admissions to MH Day Support Programs.
2. Mental Retardation
 - A. Increase in MR Residential waivers.
 - B. Increase in MR case management admission.
3. Substance Abuse - No significant change.

The Board's three disability programs' total funding are as follows:

	2008	2007	2006	2008 % (decrease) % increase to 2007
Mental Health	\$ 4,696,382	\$ 4,393,666	\$ 4,105,841	6.89%
Mental Retardation	5,487,513	5,019,404	3,922,074	9.33%
Substance Abuse	1,032,590	973,822	960,743	6.03%
Annual Totals	<u>\$ 11,216,485</u>	<u>\$ 10,386,892</u>	<u>\$ 8,988,658</u>	<u>36.35%</u>

Financial Analysis

It should be noted that the Board does not carry any long term liabilities on its Balance Sheet which is a result of no outstanding debt incurred from previously borrowed money. Over the past 17 plus years, all capital outlays have been absorbed through either annual operational cost and/or net assets.

Net assets is an excellent barometer of the Board's current financial position. The following condensed summary of the Board's statement of net assets and operations for the years ending June 30, 2008, 2007 and 2006, lists net assets at \$12,221,048, \$11,963,944, and \$11,388,545 with respective increases of \$257,104, \$575,399 and \$362,819.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Assets:			
Current	\$ 5,981,475	\$ 5,461,618	\$ 4,847,274
Capital (net of accumulated depreciation)	<u>6,680,109</u>	<u>6,908,261</u>	<u>6,931,986</u>
Total Assets	<u>\$ 12,661,584</u>	<u>\$ 12,369,879</u>	<u>\$ 11,779,260</u>
Liabilities:			
Current	<u>\$ 440,536</u>	<u>\$ 405,935</u>	<u>\$ 390,715</u>
Total Liabilities	<u>\$ 440,536</u>	<u>\$ 405,935</u>	<u>\$ 390,715</u>
Net Assets	<u>12,221,048</u>	<u>11,963,944</u>	<u>11,388,545</u>
Total Liabilities and Net Assets	<u>\$ 12,661,584</u>	<u>\$ 12,369,879</u>	<u>\$ 11,779,260</u>

Summary of Operations and Changes in Net Assets

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating revenues	\$ 7,310,938	\$ 6,574,276	\$ 5,968,042
Operating expenses	<u>11,149,626</u>	<u>10,173,923</u>	<u>8,951,729</u>
Operating income (loss)	\$ (3,838,688)	\$ (3,599,647)	\$ (2,983,687)
Non-operating income	<u>4,095,792</u>	<u>4,175,046</u>	<u>3,346,506</u>
Change in net assets	<u>\$ 257,104</u>	<u>\$ 575,399</u>	<u>\$ 362,819</u>

Revenue Analysis

If you review the revenue history of SCSB over the past 19 years, you would find a shifting of funds in operational revenue from State to Medicaid. The gradual migration to Medicaid revenues will no longer allow management to provide services based on program funding. Programs that are primarily funded through Medicaid dollars are based on services provided to individuals. Individualized funding has caused management to revise and develop programs that generate adequate revenues to defray operational cost.

The following table defines all major revenue sources and their percent of Board total funds:

	2008	% Total	2007	% Total	2006	% Total	2008 Increase/ (Decrease) from 2007	2008 % of Increase (Decrease)
Medicaid	\$ 6,828,370	59.9%	\$ 6,233,424	54.6%	\$ 5,664,772	49.7%	\$ 594,946	9.5%
State	3,014,803	26.4%	2,860,365	25.1%	2,298,827	20.2%	154,438	5.4%
Federal	553,983	4.9%	730,529	6.4%	517,902	4.5%	(176,546)	-24.2%
Local	222,901	2.0%	242,214	2.1%	242,214	2.1%	(19,313)	-8.0%
Other	786,673	6.9%	682,790	6.0%	590,833	5.2%	103,883	15.2%
Total	\$ 11,406,730	100.1%	\$ 10,749,322	94.2%	\$ 9,314,548	81.7%	\$ 657,408	6.1%

Expense Analysis

The following table shows the expenses by categories for the years ended June 30, 2008, 2007 and 2006 and the amount and percentage change in 2008 in relation to 2007. A major contributing factor for the 11.35% increase in salaries/benefits relates to the operational cost associated with the opening of a new group home (Kings Manor) during fiscal year 2008.

	2008	% Total	2007	2006	2008 Increase/ (Decrease) from 2007	2008 % of Increase (Decrease)
Salaries/Benefits	\$ 8,403,897	75.4%	\$ 7,547,003	\$ 6,581,236	\$ 856,894	11.35%
Staff Development	165,499	1.5%	137,029	117,757	28,470	20.78%
Facility	391,148	3.5%	587,797	357,247	(196,649)	-33.46%
Supplies	305,976	2.7%	432,673	329,569	(126,697)	-29.28%
Travel	111,636	1.0%	94,235	73,452	17,401	18.47%
Contractual/Consulting	1,013,590	9.1%	588,051	740,175	425,539	72.36%
Depreciation	509,165	4.6%	476,938	461,692	32,227	6.76%
Other	248,715	2.2%	310,197	290,601	(61,482)	-19.82%
Total Expenses	\$ 11,149,626	100.0%	\$ 10,173,923	\$ 8,951,729	\$ 975,703	9.59%

Analysis of Cash Flows

There was a net increase of \$422,545 in cash and cash equivalents for the year ending June 30, 2008 compared to a net increase of \$621,855 for 2007, and a net decrease of \$796,921 for 2006. During fiscal years 2006 and 2007, the Board was heavily involved in new construction projects. The cost of capital expenditures [\$280,914 (2008), \$461,168 (2007) and \$1,430,951 (2006)] is recorded as a negative cash flow under Financing/Capital Activities. Cash flow from operating activities and non-capital financing activities for fiscal year 2008 decreased by \$324,341 from the previous year.

During fiscal year 2008, interest rates on investments decreased from rates paid in fiscal year 2007. Interest rates in 2007 were substantially higher than in 2006. The Board continued to invest in the same sources in 2008 as in 2007 and 2006. Earnings from these investments paid \$155,958 in 2008, \$211,221 in 2007 and \$150,168 in 2006.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash flow from operating activities and non-capital financing activities	\$ 547,461	\$ 871,802	\$ 483,862
Cash flow from financing/capital activities	(280,914)	(461,168)	(1,430,951)
Cash flow from investing activities	<u>155,998</u>	<u>211,221</u>	<u>150,168</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 422,545</u>	<u>\$ 621,855</u>	<u>\$ (796,921)</u>

Capital Assets

The Board's net capital assets decreased by \$228,152 in 2008 from 2007 and \$23,725 in 2007 from 2006 due to depreciation expenses exceeding new capital asset acquisitions. Actual capital asset expenditures were \$280,914 (2008), \$461,168 (2007) and \$1,430,951 (2006). Most of the capital asset purchases in 2008 were related to the purchase of a new client fee billing and accounting software and the purchase of vehicles. Significant acquisitions in 2007 were the construction of the Kings Manor facility and acquisitions in 2006 were primarily related to the construction of Hope House.

The Board has no long-term debt.

As stated above, the financial position of Southside Community Services Board is measured in terms of resources (assets) it owns and obligations (liabilities) it owes on a given date. This strong liquidity and lack of debt shows our financial position to be strong and secure.

- Basic Financial Statements -

SOUTHSIDE COMMUNITY SERVICES BOARD

Statement of Net Assets

At June 30, 2008

(With Comparative Totals for 2007)

	2008	2007
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5,272,748	\$ 4,850,203
Accounts receivable, less allowance for uncollectibles	686,324	609,619
Prepaid expenses	20,755	570
Total current assets	\$ 5,979,827	\$ 5,460,392
Current Restricted Assets:		
Funds held for consumers	\$ 1,648	\$ 1,226
Capital Assets:		
Property and equipment, less accumulated depreciation	\$ 6,680,109	\$ 6,908,261
Total assets	\$ 12,661,584	\$ 12,369,879
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 155,878	\$ 134,354
Compensated absences	278,415	266,049
Security deposits	4,595	4,307
Total current liabilities	\$ 438,888	\$ 404,710
Current Liabilities Payable from Restricted Assets:		
Amounts held for consumers	1,648	1,225
Total liabilities	\$ 440,536	\$ 405,935
Net Assets:		
Invested in capital assets	\$ 6,680,109	\$ 6,908,261
Restricted	266,953	338,588
Unrestricted	5,273,986	4,717,095
Total net assets	\$ 12,221,048	\$ 11,963,944

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

SOUTHSIDE 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>
Operating revenues:		
Net patient service revenue	\$ 7,310,938	\$ 6,574,276
Operating expenses:		
Salaries and benefits	\$ 8,403,897	\$ 7,547,003
Staff development	165,499	137,029
Facility	391,148	587,797
Supplies	305,976	432,673
Travel	111,636	94,235
Contractual and consulting	1,013,590	588,051
Depreciation	509,066	476,938
Other	248,814	310,197
Total operating expenses	\$ 11,149,626	\$ 10,173,923
Operating income (loss)	\$ (3,838,688)	\$ (3,599,647)
Nonoperating income:		
Appropriations:		
Commonwealth of Virginia	\$ 3,014,803	\$ 2,860,365
Federal government	553,983	730,529
Local governments	222,901	242,214
Interest income	155,998	211,221
Contributions and other	60,735	45,236
Rentals	87,372	85,481
Net nonoperating income	\$ 4,095,792	\$ 4,175,046
Change in net assets	\$ 257,104	\$ 575,399
Net assets, beginning of year	11,963,944	11,388,545
Net assets, end of year	\$ 12,221,048	\$ 11,963,944

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

SOUTHSIDE COMMUNITY SERVICES BOARD

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

	<u>2008</u>	<u>2007</u>
Cash flows provided (used) by operating activities:		
Receipts from customers	\$ 7,233,555	\$ 6,573,039
Payments to suppliers	(2,234,968)	(2,140,019)
Payments to and for employees	(8,391,532)	(7,532,995)
Total cash flows provided (used) by operating activities	<u>\$ (3,392,945)</u>	<u>\$ (3,099,975)</u>
Cash flows provided (used) by noncapital and related financing activities:		
Government grants	\$ 3,791,687	\$ 3,833,108
Other	148,719	138,669
Total cash flows provided (used) by noncapital and related financing activities	<u>\$ 3,940,406</u>	<u>\$ 3,971,777</u>
Cash flows provided (used) by capital and related financing activities:		
Acquisition of capital assets	\$ (280,914)	\$ (461,168)
Cash flows provided (used) by investing activities:		
Interest income	\$ 155,998	\$ 211,221
Net increase (decrease) in cash and cash equivalents	\$ 422,545	\$ 621,855
Cash and cash equivalents, beginning of year	4,850,203	4,228,348
Cash and cash equivalents, end of year	<u>5,272,748</u>	<u>4,850,203</u>
Cash flows from operating activities:		
Operating income (loss)	\$ (3,838,688)	\$ (3,599,647)
Adjustments to reconcile operating income (loss) to cash provided (used) by operations:		
Depreciation and amortization	509,066	476,938
Changes in assets and liabilities:		
Accounts receivable	(77,384)	(126)
Prepaid expenses	(20,185)	7,901
Accounts payable and accrued expenses	21,524	12,841
Compensated absences	12,365	2,118
Security deposits	357	-
Cash flows provided (used) by operating activities	<u>\$ (3,392,945)</u>	<u>\$ (3,099,975)</u>

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

SOUTHSIDE COMMUNITY SERVICES BOARD

Notes to Financial Statements As of June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Description and Purpose of Agency:

The Board operates as an agent for the Counties of Brunswick, Halifax, Mecklenburg and the City of South Boston 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 Board provides a system of community mental health and mental retardation and substance abuse services which relate to and are integrated with existing and planned programs.

B. Reporting Entity:

For financial reporting purposes, in conformance with GASB Statement 39, *Determining Whether Certain Organizations are Component Units*, the Board includes all organizations for which it is considered financially accountable and which exclusively benefit the Board operations. All component units included in these financial statements have years which end on June 30.

C. Individual Component Unit Disclosures:

Blended Component Units: Blended component units, although legally separate entities are, in substance, part of the Board's operations, and so data from these units are combined with data of the Board. These organizations exclusively benefit the Board by holding properties for the Board's programs. The Board has the following blended component units.

Alberta Manor, Inc.: Alberta Manor, Inc. operates a residential facility for mentally ill and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Gateway-Halifax Apartments, Inc.: Gateway-Halifax Apartments, Inc. operates a residential facility for mentally ill and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Brandon Home, Inc.: Brandon Home, Inc. operates a residential facility for mentally retarded and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Marc of Virginia, Inc.: Marc of Virginia, Inc. owns Ashley Manor, a residential facility for mentally ill and/or handicapped persons. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

D. Basis of Accounting:

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. The Board utilizes the accrual basis of accounting where revenues are recorded when earned and expenses recorded when due.

SOUTHSIDE COMMUNITY SERVICES BOARD

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

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

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

F. Enterprise Fund Accounting:

Southside 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 purposes, the Board 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.

G. 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.

H. 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.

I. Investments:

Investments are reported at fair value.

J. Financial Assistance/Accounts Receivable:

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 and/or elimination of charges to individual clients. Because the Board does not pursue the collection

SOUTHSIDE COMMUNITY SERVICES BOARD

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

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

J. Financial Assistance/Accounts Receivable: (continued)

of amounts determined to qualify for financial assistance, they are not reported as revenue. The vast majority of fees collected result from Medicaid billings.

An allowance for doubtful client accounts has been estimated by management to approximate \$275,608 at June 30, 2008 and \$257,832 at June 30, 2007.

K. 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 31 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. All capital asset acquisitions of \$1,500 or more are capitalized.

L. Compensated Absences:

The Board's employees earn annual leave (vacation pay) in varying amounts and can accumulate annual leave based on length of service.

Employees terminating their employment are paid by the Board their accumulated annual leave up to the maximum limit. Unused sick leave is not paid at the date of separation.

The liability for annual leave has been recorded in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*. Accordingly, the amount of annual leave recognized as expense is the amount earned during the year. The balance at June 30, 2008 and 2007 was \$278,415 and \$266,049, respectively. All of the liability for annual leave has been reported as a current liability because the non-current portion is not estimable.

M. Statement of Cash Flows:

For the purposes of the Statement of Cash Flows, the Board considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

N. 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, non-capital 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.

O. 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.

SOUTHSIDE COMMUNITY SERVICES BOARD

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

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

P. Budgetary Accounting:

The Board 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 Board submits a Performance Contract to the Department. This application contains complete budgets for all Core Services.
2. The Board's Performance reports are filed with the Department during the fiscal year, 30 working days after the end of the second quarter. The final quarterly report is due in September following the end of the fiscal year unless extended.
3. 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 which reflect these changes in time to be received by the Department by required deadlines.

Q. Comparative Amounts:

Comparative amounts for the prior year are presented on the combined statements for informational purposes only.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits:

At year-end, entity deposits with banks were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. 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. Of the bank balances none was uninsured and not collateralized in banks or savings and loans not qualifying under the Act. The book value of bank deposits was \$2,005,179 and the bank balances were \$2,511,193.

Investments:

The Board has no formal investment policies. However, it does follow state law with regard to its 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) and Asian Development Bank, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements and the state Treasurer's Local Government Investment Pool (LGIP).

SOUTHSIDE COMMUNITY SERVICES BOARD

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

NOTE 2 - DEPOSITS AND INVESTMENTS: (Continued)

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 the Standard and Poor's rating scale.

Rated Debt Investments					
Rated Debt Investments Value	Fair Quality Ratings				
	AAA _m	AA	A	A1	Unrated
Virginia Local Government Investment Pool	\$ 3,130,109	\$ -	\$ -	\$ -	\$ -

External Investment Pools:

The fair value of the positions in the external investment pools (Local Government Investment Pool and State Non-Arbitrage Pool) are the same as the value of the pool shares. As these pools are not SEC registered, regulatory oversight of the pools rests with the Virginia State Treasury.

	Southside CSB	Component Units	Total
Summary:			
Cash and cash equivalents consists of the following at June 30, 2008:			
Petty cash and cash on hand	\$ 1,450	\$ -	\$ 1,450
Cash in banks	2,005,179	136,010	2,141,189
Investments	3,130,109	-	3,130,109
Total	\$ 5,136,738	\$ 136,010	\$ 5,272,748

NOTE 3 - ACCOUNTS RECEIVABLE:

At June 30, 2008 and 2007 the Board had accounts receivable due from the following primary sources. The amounts are net of estimated uncollectible amounts:

	2008	2007
Virginia Dept. of Medical Assistance Services (Medicaid)	\$ 599,799	\$ 546,088
Direct client and third party	71,241	46,633
Other	15,284	16,898
Total	\$ 686,324	\$ 609,619

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

SOUTHSIDE COMMUNITY SERVICES BOARD

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

NOTE 4 - CAPITAL ASSETS:

Capital assets consist of the following:

Southside Community Services Board

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 598,712	\$ -	\$ -	\$ 598,712
Construction in progress	494,521	1,253	495,774	-
Total capital assets not being depreciated	<u>\$ 1,093,233</u>	<u>\$ 1,253</u>	<u>\$ 495,774</u>	<u>\$ 598,712</u>
Capital assets being depreciated:				
Building and improvements	\$ 6,312,828	\$ 544,950	\$ -	\$ 6,857,778
Furnishings and equipment	574,810	176,129	-	750,939
Vehicles	1,193,045	47,305	-	1,240,350
Total capital assets being depreciated	<u>\$ 8,080,683</u>	<u>\$ 768,384</u>	<u>\$ -</u>	<u>\$ 8,849,067</u>
Less: Accumulated depreciation	<u>3,474,009</u>	<u>440,855</u>	<u>-</u>	<u>3,914,864</u>
Net capital assets being depreciated	<u>\$ 4,606,674</u>	<u>\$ 327,529</u>	<u>\$ -</u>	<u>\$ 4,934,203</u>
Net capital assets	<u><u>\$ 5,699,907</u></u>	<u><u>\$ 328,782</u></u>	<u><u>\$ 495,774</u></u>	<u><u>\$ 5,532,915</u></u>

Component Unit Organizations

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 80,877	\$ -	\$ -	\$ 80,877
Capital assets being depreciated:				
Building and improvements	\$ 1,798,976	\$ -	\$ -	\$ 1,798,976
Furnishings and equipment	33,852	7,051	-	40,903
Total capital assets being depreciated	<u>\$ 1,832,828</u>	<u>\$ 7,051</u>	<u>\$ -</u>	<u>\$ 1,839,879</u>
Less: Accumulated depreciation	<u>705,351</u>	<u>68,211</u>	<u>-</u>	<u>773,562</u>
Net capital assets being depreciated	<u>\$ 1,127,477</u>	<u>\$ (61,160)</u>	<u>\$ -</u>	<u>\$ 1,066,317</u>
Net capital assets	<u><u>\$ 1,208,354</u></u>	<u><u>\$ (61,160)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,147,194</u></u>
Total reporting entity capital assets	<u><u>\$ 6,908,261</u></u>	<u><u>\$ 267,622</u></u>	<u><u>\$ 495,774</u></u>	<u><u>\$ 6,680,109</u></u>

Total depreciation expense was \$509,066 for 2008 and \$476,938 for 2007.

SOUTHSIDE COMMUNITY SERVICES BOARD

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

NOTE 5 - LEASE COMMITMENTS:

The Board leases office space, vehicles and other facilities from various lessors. The lease terms generally range from monthly to one year.

Total rent expense for the year ended June 30, 2008 was \$28,704 and \$47,031 for 2007.

NOTE 6 - 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.

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/2007/AnnuRept.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 Board 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 Board's contribution rate for the fiscal years ended 2008 and 2007 was 7.64% and 8.75% of the annual covered payroll for 2006.

SOUTHSIDE COMMUNITY SERVICES BOARD

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

NOTE 6 - DEFINED BENEFIT PENSION PLAN: (continued)

C. Annual Pension Cost:

For fiscal 2008, the Board’s annual pension cost of \$352,690 (does not include the employee share assumed by the Board which was \$230,818) was equal to the Board’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	\$ 352,690	100%	\$ -
June 30, 2007	320,693	100%	-
June 30, 2006	317,053	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 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. The Board’s unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 20 years.

D. Funded Status and Funding Progress:

As of June 30, 2007, the most recent actuarial valuation date, the plan was 75.41% funded. The actuarial accrued liability for benefits was \$8,092,461, and the actuarial value of assets was \$6,102,354, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,990,107. The covered payroll (annual payroll of active employees covered by the plan) was \$4,351,808, and ratio of the UAAL to the covered payroll was 45.73%.

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 7 - FISCAL AGENT:

The County of Halifax, Virginia serves as fiscal agent for the Board pursuant to the requirements of Section 37.1-195 of the Code of Virginia (1950), as amended.

SOUTHSIDE COMMUNITY SERVICES BOARD

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

NOTE 8 - RELATED PARTY TRANSACTIONS:

The Board provides management services to its component units. The total charges to these organizations were \$15,972.

NOTE 9 - COMMITMENTS AND CONTINGENCIES:

The Board operates programs which are funded by grants received from federal, state or local sources. Expenditures financed by grants are subject to audit by the grantor. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor. The Board believes that the likelihood of disallowance of expenditures and subsequent reimbursements is remote and would not have a material effect on the overall financial position of the Board.

The reimbursement office of the Board is periodically reviewed by representatives of federal and state authorities regarding its billing of Medicaid and Medicare. These reviews may result in the Board refunding certain collections or prior claims to Medicare and Medicaid. The impact of these reviews cannot be presently determined. However, the Board's management believes that any liability for reimbursement which may arise as the result of these audits is not believed to be material to the financial position of the Board.

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

NOTE 10 - RISK MANAGEMENT:

The Board has contracted with insurance carriers for property damage and liability, workers compensation, directors and officer liability and professional liability coverages. Coverages are \$7,736,244 for property, \$1,000,000 for directors and officers liability, and \$1,925,000 for professional liability policies. Workers compensation coverages are for \$1,000,000. There are no surety bond coverages required or purchased for members of the Board of Directors. The policy deductibles range from \$500 to \$1,000 and property coverages include a 90% co-insurance requirement. Management believes its insurance coverages are sufficient to preclude any significant uninsured losses to the Board. There have been no settlements that exceeded insurance coverages in the past three years.

NOTE 11 - CONTRIBUTIONS BY PARTICIPANT LOCAL GOVERNMENTS:

Funds contributed by participant local governments are as follows:

	<u>2008</u>	<u>2007</u>
County of Halifax	\$ 78,152	\$ 100,148
County of Mecklenburg	92,100	89,417
County of Brunswick	52,649	52,649
Total	<u>\$ 222,901</u>	<u>\$ 242,214</u>

SOUTHSIDE COMMUNITY SERVICES BOARD

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

NOTE 12 - NET PATIENT SERVICE REVENUE SOURCES:

Net patient revenue sources are as follows:

	<u>2008</u>	<u>2007</u>
Medicaid	\$ 6,828,370	\$ 6,233,434
Direct client and third party	450,152	293,665
Other	32,416	47,177
Total	<u>\$ 7,310,938</u>	<u>\$ 6,574,276</u>

NOTE 13 - NET ASSETS:

Restricted net assets consist of net assets of the component units which own group homes for the Board of \$130,778 and \$136,175 in unexpended federal grant funds. These balances are restricted for the operation and maintenance of the respective properties, and for subsequent years' federal programs.

NOTE 14 - FEDERAL GRANTS:

The following is a summary of federal funds received and expended during the year:

Total federal funds received	\$ 644,106
Carryover from prior years	162,502
Refunds to grantor	(90,123)
Unexpended balances	<u>(136,175)</u>
Total federal funds expended	<u>\$ 580,310</u>

NOTE 15 - OTHER POST-EMPLOYMENT BENEFITS:

Employees, upon retirement and meeting certain other criteria, are eligible to receive a monthly health insurance supplement. For the year ended June 30, 2008 there were two persons covered under this plan and benefits totaling \$1,836 were paid during the year.

- Required Supplementary Information -

SOUTHSIDE COMMUNITY SERVICES BOARD

Schedule of Pension Funding Progress
As of June 30, 2008

Virginia Retirement System

Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded (Excess Funded)		Funded Ratio (2)/(3)	Annual Covered Payroll (6)	UAAL as a % of Payroll (4)/(6)
			Actuarial Accrued Liability (UAAL)	(3)-(2)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
June 30, 2007	\$ 6,102,354	\$ 8,092,461	\$ 1,990,107	75.41%	\$ 4,351,808	45.73%	
June 30, 2006	5,093,920	7,184,094	2,090,174	70.91%	3,979,618	52.52%	
June 30, 2005	4,369,003	6,178,823	1,809,820	70.71%	3,282,310	55.14%	

- Supplemental Information -

- *Combining Financial Statements* -

SOUTHSIDE COMMUNITY SERVICES BOARD

Combining Statement of Net Assets
At June 30, 2008

	Southside Community Services Board	Gateway- Halifax Apartments	Alberta Manor
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 5,136,738	\$ 26,413	\$ 74,652
Accounts receivable, less allowance for uncollectibles	686,324	-	-
Prepaid expenses	20,185	-	570
Total current assets	\$ 5,843,247	\$ 26,413	\$ 75,222
Current Restricted Assets:			
Funds held for consumers	\$ 1,648	\$ -	\$ -
Capital Assets:			
Property and equipment, less accumulated depreciation	\$ 5,532,915	\$ 300,636	\$ 452,277
Total assets	\$ 11,377,810	\$ 327,049	\$ 527,499
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 154,671	\$ -	\$ -
Compensated absences	278,415	-	-
Security deposits	-	487	1,586
Total current liabilities	\$ 433,086	\$ 487	\$ 1,586
Current Liabilities Payable from Restricted Assets:			
Amounts held for consumers	1,648	-	-
Total liabilities	\$ 434,734	\$ 487	\$ 1,586
Net Assets:			
Invested in capital assets	\$ 5,532,915	\$ 300,636	\$ 452,277
Restricted	136,175	25,926	73,636
Unrestricted	5,273,986	-	-
Total net assets	\$ 10,943,076	\$ 326,562	\$ 525,913
Total liabilities and net assets	\$ 11,377,810	\$ 327,049	\$ 527,499

	<u>Brandon Home</u>	<u>Marc of Virginia</u>	<u>Total</u>
\$	8,351	\$ 26,594	\$ 5,272,748
	-	-	686,324
	-	-	20,755
\$	<u>8,351</u>	<u>\$ 26,594</u>	<u>\$ 5,979,827</u>
\$	<u>-</u>	<u>\$ -</u>	<u>\$ 1,648</u>
\$	<u>167,139</u>	<u>\$ 227,142</u>	<u>\$ 6,680,109</u>
\$	<u>175,490</u>	<u>\$ 253,736</u>	<u>\$ 12,661,584</u>
\$	1,207	\$ -	\$ 155,878
	-	-	278,415
	<u>686</u>	<u>1,836</u>	<u>4,595</u>
\$	1,893	\$ 1,836	\$ 438,888
	<u>-</u>	<u>-</u>	<u>1,648</u>
\$	<u>1,893</u>	<u>\$ 1,836</u>	<u>\$ 440,536</u>
\$	167,139	\$ 227,142	\$ 6,680,109
	6,458	24,758	266,953
	<u>-</u>	<u>-</u>	<u>5,273,986</u>
\$	<u>173,597</u>	<u>\$ 251,900</u>	<u>\$ 12,221,048</u>
\$	<u>175,490</u>	<u>\$ 253,736</u>	<u>\$ 12,661,584</u>

SOUTHSIDE COMMUNITY SERVICES BOARD

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

	Southside Community Services Board	Gateway- Halifax Apartments	Alberta Manor
Operating revenues:			
Net patient service revenue	\$ 7,310,938	\$ -	\$ -
Operating expenses:			
Salaries and benefits	\$ 8,403,897	\$ -	\$ -
Staff development	165,499	-	-
Facility	304,875	20,726	32,282
Supplies	305,976	-	-
Travel	111,636	-	-
Contractual and consulting	1,013,590	-	-
Depreciation	440,855	20,223	24,366
Other	248,814	-	-
Total operating expenses	\$ 10,995,142	\$ 40,949	\$ 56,648
Operating income (loss)	\$ (3,684,204)	\$ (40,949)	\$ (56,648)
Nonoperating income:			
Appropriations:			
Commonwealth of Virginia	\$ 3,014,803	\$ -	\$ -
Federal government	553,983	-	-
Local governments	222,901	-	-
Interest income	155,584	75	211
Contributions and other	60,735	-	-
Rentals	-	22,958	27,660
Net nonoperating income	\$ 4,008,006	\$ 23,033	\$ 27,871
Excess (deficiency) of revenues over expenses	\$ 323,802	\$ (17,916)	\$ (28,777)
Net assets, beginning of year	10,619,274	344,478	554,690
Net assets, end of year	\$ 10,943,076	\$ 326,562	\$ 525,913

	<u>Brandon Home</u>	<u>Marc of Virginia</u>	<u>Total</u>
\$	-	-	\$ 7,310,938
\$	-	-	8,403,897
	-	-	165,499
	11,293	21,972	391,148
	-	-	305,976
	-	-	111,636
	-	-	1,013,590
	9,258	14,364	509,066
	-	-	248,814
\$	<u>20,551</u>	<u>36,336</u>	<u>\$ 11,149,626</u>
\$	<u>(20,551)</u>	<u>(36,336)</u>	<u>\$ (3,838,688)</u>
\$	-	-	\$ 3,014,803
	-	-	553,983
	-	-	222,901
	15	113	155,998
	-	-	60,735
	<u>12,638</u>	<u>24,116</u>	<u>87,372</u>
\$	<u>12,653</u>	<u>24,229</u>	<u>\$ 4,095,792</u>
\$	(7,898)	(12,107)	257,104
	<u>181,495</u>	<u>264,007</u>	<u>11,963,944</u>
\$	<u><u>173,597</u></u>	<u><u>251,900</u></u>	<u><u>\$ 12,221,048</u></u>

SOUTHSIDE COMMUNITY SERVICES BOARD

Combining Statement of Cash Flows

Year Ended June 30, 2008

	Southside Community Services Board	Gateway- Halifax Apartments	Alberta Manor
Cash flows provided (used) by operating activities:			
Receipts from customers	\$ 7,233,555	\$ -	\$ -
Payments to suppliers	(2,149,052)	(20,838)	(31,934)
Payments to and for employees	(8,391,532)	-	-
Total cash flows provided (used) by operating activities	<u>\$ (3,307,029)</u>	<u>\$ (20,838)</u>	<u>\$ (31,934)</u>
Cash flows provided (used) by noncapital and related financing activities:			
Government grants	\$ 3,791,687	\$ -	\$ -
Other	61,416	22,958	27,657
Total cash flows provided (used) by noncapital and related financing activities	<u>\$ 3,853,103</u>	<u>\$ 22,958</u>	<u>\$ 27,657</u>
Cash flows provided (used) by capital and related financing activities:			
Acquisition of capital assets	\$ (273,863)	\$ (5,900)	\$ (1,151)
Cash flows provided (used) by investing activities:			
Interest income	\$ 155,584	\$ 75	\$ 211
Net increase (decrease) in cash and cash equivalents	\$ 427,795	\$ (3,705)	\$ (5,217)
Cash and cash equivalents, beginning of year	<u>4,708,943</u>	<u>30,118</u>	<u>79,869</u>
Cash and cash equivalents, end of year	<u>\$ 5,136,738</u>	<u>\$ 26,413</u>	<u>\$ 74,652</u>
Cash flows provided (used) by operating activities:			
Operating income (loss)	\$ (3,684,204)	\$ (40,949)	\$ (56,648)
Adjustments to operating income (loss) to cash provided (used) by operating activities:			
Depreciation and amortization	440,855	20,223	24,366
Changes in assets and liabilities:			
Accounts receivable	(77,384)	-	-
Prepaid expenses	(20,185)	-	-
Accounts payable and accrued expenses	21,524	-	-
Compensated absences	12,365	-	-
Security deposits	-	(112)	348
Cash flows provided (used) by operating activities	<u>\$ (3,307,029)</u>	<u>\$ (20,838)</u>	<u>\$ (31,934)</u>

	<u>Brandon Home</u>	<u>Marc of Virginia</u>	<u>Total</u>
\$	-	-	\$ 7,233,555
	(11,293)	(21,851)	(2,234,968)
	<u>-</u>	<u>-</u>	<u>(8,391,532)</u>
\$	<u>(11,293)</u>	<u>(21,851)</u>	<u>\$ (3,392,945)</u>
\$	-	-	\$ 3,791,687
	12,633	24,055	148,719
	<u>12,633</u>	<u>24,055</u>	<u>3,940,406</u>
\$	<u>-</u>	<u>-</u>	<u>(280,914)</u>
\$	15	113	\$ 155,998
\$	1,355	2,317	\$ 422,545
	6,996	24,277	4,850,203
\$	<u>8,351</u>	<u>26,594</u>	<u>\$ 5,272,748</u>
\$	(20,551)	(36,336)	\$ (3,838,688)
	9,258	14,364	509,066
	-	-	(77,384)
	-	-	(20,185)
	-	-	21,524
	-	-	12,365
	<u>-</u>	<u>121</u>	<u>357</u>
\$	<u>(11,293)</u>	<u>(21,851)</u>	<u>\$ (3,392,945)</u>

- *Supporting Schedules* -

SOUTHSIDE COMMUNITY SERVICES BOARD

Supplemental Information for the Virginia Department of
Mental Health, Mental Retardation and Substance Abuse Services

Reconciliation of Revenues and Expenditures of the Fourth Quarter Report
to the Combining Statement of Operations
Year Ended June 30, 2008

Report Printed - October 29, 2008	<u>Total Revenues</u>	<u>Federal Revenues</u>	<u>Total Expenses</u>
Amounts per fourth Quarter Reports			
Mental Health	\$ 4,669,784	\$ 38,235	\$ 4,316,647
Mental Retardation	5,487,513	-	5,487,513
Substance Abuse	1,134,599	485,690	803,895
Total	<u>\$ 11,291,896</u>	<u>\$ 523,925</u>	<u>\$ 10,608,055</u>
Amounts per Southside Community Services Board Entity in Audit Report			
	\$ 11,318,944	\$ 553,983	\$ 10,995,142
Client fees accrual adjustments	(77,383)	-	-
Federal and state retained earnings included in fourth quarter reports	217,903	-	-
Part C revenues included in other	-	(90,571)	-
Funds returned	90,123	90,123	-
Other grants not on Performance Contract	(103,312)	-	(213,879)
State SARPOS funds	-	(29,610)	-
Interest income	(155,584)	-	-
Capital assets capitalized	-	-	273,863
Depreciation expense	-	-	(440,855)
Prepaid expenses	-	-	20,185
Accounts payable and accrued expenses, net	-	-	(21,524)
Compensated absences, net	-	-	(12,365)
Other items	1,205	-	7,488
Total per fourth quarter reports	<u>\$ 11,291,896</u>	<u>\$ 523,925</u>	<u>\$ 10,608,055</u>

SOUTHSIDE COMMUNITY SERVICES BOARD

Schedule of Insurance
At June 30, 2008

Insurance Coverages

Insurance Company	Policy No.	Policy Period	Annual Policy Cost	Insurance Coverage	Deductible			
Commonwealth of Virginia Division of Risk Management	G99E58	7/1/07-6/30/08	\$ 18,023	Automobile Liability/Comprehensive and Collision - ACV	\$ 1,000,000	\$ 1,000		
				Medical payments	5,000			
				8,305	General Liability			
				Per occurrence	1,000,000		1,000	
				Aggregate	Unlimited		-	
The Travelers Insurance Company	I-660-762X9401	7/1/07-6/30/08	29,846	7,667	Medical Malpractice			
				Per occurrence	1,925,000	1,000		
				Aggregate	Unlimited	-		
				(1)	Public Officials Liability			
				Per occurrence	1,000,000	1,000		
Aggregate	Unlimited	-						
VACO Risk Management	VA-SO-084A-03	7/1/07-6/30/08	72,869	Real property, personal property, 90% co-insurance				
				Real property	7,736,244	1,000		
				Personal property	625,056	1,000		
				EDP equipment	200,000	1,000		
				Software	100,000	1,000		
				Extra expense	2,500	-		
				Employee dishonesty	200,000	500		
Workers compensation	Each accident	1,000,000	-					
	Policy limit - disease	1,000,000	-					
	Each employee - disease	1,000,000	-					

(1) Included in general liability premium

- Other Information -

SOUTHSIDE COMMUNITY SERVICES BOARD

Client Statistics
Last Ten Fiscal Years

Unduplicated Clients Served

<u>Fiscal Year</u>	<u>Mental Health</u>	<u>Mental Retardation</u>	<u>Substance Abuse</u>	<u>Non Program Services</u>
2008	1,296	305	368	733
2007	1,500	313	383	N/A
2006	1,606	251	327	N/A
2005	1,681	260	354	N/A
2004	1,693	260	323	N/A
2003	1,801	253	469	N/A
2002	1,725	233	514	N/A
2001	1,783	317	611	N/A
2000	1,796	191	479	N/A
1999	1,689	254	445	N/A

N/A = Not applicable

- Compliance -

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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*

To the Board of Directors
Southside Community Services Board
South Boston, Virginia

We have audited the financial statements of the Southside Community Services Board, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 26, 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 Southside 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 Southside Community Services Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Southside Community Services Board'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 Southside 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*.

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, Jarmer, Cox Associates

Charlottesville, Virginia
November 26, 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 of Directors
Southside Community Services Board
South Boston, Virginia

Compliance

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

In our opinion, Southside 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

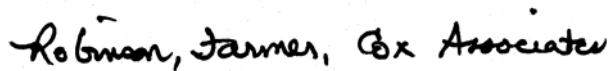
The management of Southside Community Services Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Southside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

Handwritten signature in black ink that reads "Robison, Jarner, Ex Associate".

Charlottesville, Virginia
November 26, 2008

SOUTHSIDE COMMUNITY SERVICES BOARD

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

Federal Granting Agency/ Recipient State Agency/ Grant Program/Grant Number	Federal Catalogue Number	Expenditures
<u>Department of Education</u>		
Pass-Through Payments:		
Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services:		
Early Intervention - Part C	84.181	\$ <u>90,571</u>
<u>Department of Health and Human Services</u>		
Pass-Through Payments:		
Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services:		
Mental Health Block Grant	93.958	\$ 9,325
Substance Abuse Prevention and Treatment Block Grant	93.959	<u>480,414</u>
Total Department of Health and Human Services		\$ <u>489,739</u>
Total expenditures of federal awards		<u>\$ 580,310</u>

This schedule is presented on the accrual basis of accounting.

SOUTHSIDE COMMUNITY SERVICES BOARD

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

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
Reportable conditions 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
Reportable conditions 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?	No

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.

SOUTHSIDE COMMUNITY SERVICES BOARD

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

There were no prior year findings or questioned costs.