



WESTERN TIDEWATER COMMUNITY SERVICES BOARD

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2008

Table of Contents

	Page
Board of Directors and Senior Management Team	i
Organizational Chart	ii
Independent Auditors' Report.....	1-2
Management's Discussion and Analysis.....	3-6
 Basic Financial Statements:	
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Net Assets.....	8
Statement of Cash Flows	9-10
Notes to Financial Statements.....	11-23
 Required Supplementary Information:	
Schedule of Pension Funding Progress	24
 Other Supplementary Information:	
Combining Statement of Net Assets.....	25-26
Combining Statement of Revenues, Expenses and Changes in Net Assets	27-28
Combining Statement of Cash Flows.....	29-30
 Supporting Schedules:	
Schedule of Insurance	31
 Other Information:	
Client Statistics	32
 Compliance:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33-34
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	35-36
Schedule of Expenditures of Federal Awards.....	37
Schedule of Findings and Questioned Costs	38
Schedule of Prior Year Findings and Questioned Costs	39

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

BOARD OF DIRECTORS

Malcolm Clark	Margaret W. Jones	June Steele
Katherine Copeland	Adolphus King	Erin M. Turner
Carol Evans	Yvonne Manning	Stacy Waters-Bailey
Kathleen Holloway	Donald Robertson	James M. Wilson

SENIOR MANAGEMENT TEAM

Demetrios Peratsakis	Executive Director
Andrew Jurewicz	Finance Director
Peggy W. Holland	Human Resources Director
Cheryl Collier	Quality Assurance Director
Darlene Rawls	Community Support Director
Donna Boykin	Care Coordination Director
Princess Wilkins	Administrative Support Specialist

WTCSB Board of Directors
Demetrios Peratsakis, Executive Director

Leadership Team Support
Princess Wilkins

Board Support
Peggy Holland

Office of Consumer & Family Affairs

- Advocacy
 - Advisory Council
- Complaint Mediation
- Education
- Prevention Services
- HIV

Finance
Andrew Jurewicz, Finance Director

- Budget
- Reimbursement
- Procurement
- MIS
 - Comprehensive Plan
 - Priority Population Determination
 - Outcome Measures
- Consumer Data Profiles
- Billing
- Financial Audits

Quality Assurance
Cheryl Collier, Director

- Corporate Compliance
- Health & Safety
- Human Rights
- Utilization Review
- Credentialing

Human Resources
Peggy Holland, Director

- Employment
- Recruitment & Retention
- Compensation
- Benefits
- Training
- Legal Compliance
- Employee Relations
- Organization Development
- Workforce Planning

Resource Development & Marketing
Anita Morris

- Fundraising
 - Corporate Sponsorship
 - Special Events
 - Donation Center
 - Grant Authorship
 - Foundation Access
- Education & Workshops
- Product Development & Sales
- Community Partnerships

Care Coordination & Rehab. Services
Donna Boykin, Director

- Local Community Centers
 - Suffolk Services Center
 - Franklin Services Center
 - Smithfield Services Center
 - Information & Referral
- Case Management
 - Treatment Planning
 - Discharge Planning
- Provider Oversight
 - Service Monitoring
- Tidewater House
- Independence House
- Vocational Job Training & Job Support
- Mental Health Support
 - Assisted Living Facility
 - MHSS Housing

Clinical Treatment Services

- Emergency Services
 - Crisis Intervention, Counseling & CISM
 - Civil Commitment Screenings & Hearings
- Crisis Stabilization
- Outpatient Counseling
- Medical & Nursing Services
- Jail Services
- School-based Services
- NGRI & Forensic CM
- Screening/Intake/Assessment

Community Support Programs
Darlene Rawls, Director

- Residential Tx Houses
 - ICF-MRs
 - Group Homes
- Homeless Service
- Respite
- Pathways
- Main Street Opportunities
- MR In-home Services

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS WESTERN TIDEWATER COMMUNITY SERVICES BOARD SUFFOLK, VIRGINIA

We have audited the statement of net assets of Western Tidewater 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 Western Tidewater 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 March 18, 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 the 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Western Tidewater 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 January 31, 2009, on our consideration of the Western Tidewater 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 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 basic financial statements, taken as a whole. The combining financial statements and the supplemental information for the Virginia Department of Mental Health, Mental Retardation and Substance Abuse are presented for purposes of additional analysis and are not a required part of the 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 also not a required part of the basic financial statements of Western Tidewater Community Services Board. The combining financial statements and the Schedule of Expenditures of Federal Awards 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 which details information about client statistics 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
January 31, 2009

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

This Management's Discussion and Analysis (MD&A) of the Western Tidewater Community Services Board's (WTCSB) financial performance provides an overview to the financial statements of the WTCSB for the fiscal year ended June 30, 2008.

The Western Tidewater Community Services Board (WTCSB) presents three basic financial statements for the purpose of analyzing the financial position of the WTCSB as of June 30, 2008. These are: (1) Statement of Net Assets; (2) Statement of Revenues, Expenses and Changes in Net Assets; and (3) Statement of Cash Flows.

WTCSB's financial position is measured in terms of resources (assets) owned and obligations (liabilities) owed as of June 30, 2008 and 2007. This information is reflected on the Statement of Net Assets. The excess of assets over liabilities is the net assets.

Information showing the results of operations during fiscal year 2008 and 2007 is reported in the Statement of Revenues, Expenses and Changes in Net Assets. This statement details total revenue and total expenses and reflects an excess or deficiency of revenue over expenses for the fiscal years ending June 30, 2008 and 2007.

The flow of cash resources into and out of WTCSB during the fiscal year is reflected on the Statement of Cash Flows. This statement also reflects the net increase or decrease in cash and cash equivalents for the year and the ending cash and cash equivalents as of June 30, 2008 and 2007.

A summary of WTCSB's statements of net assets at June 30, 2008, 2007 and 2006 is presented below:

	Statement of Net Assets		
	2008	2007	2006
Current assets	\$ 8,143,634	\$ 7,517,232	\$ 5,941,113
Current restricted assets	490,868	498,210	459,041
Capital assets	7,240,623	6,802,908	6,810,691
Other assets	-	50,000	150,000
Total assets	<u>\$ 15,875,125</u>	<u>\$ 14,868,350</u>	<u>\$ 13,360,845</u>
Current liabilities	\$ 1,993,327	\$ 1,664,943	\$ 1,461,076
Long-term liabilities	3,960,044	4,150,470	4,332,269
Total liabilities	<u>\$ 5,953,371</u>	<u>\$ 5,815,413</u>	<u>\$ 5,793,345</u>
Net Assets:			
Invested in capital assets	\$ 3,348,556	\$ 2,718,022	\$ 2,304,854
Restricted	354,590	208,598	185,120
Unrestricted	6,218,608	6,126,317	5,077,526
Total net assets	<u>\$ 9,921,754</u>	<u>\$ 9,052,937</u>	<u>\$ 7,567,500</u>
Total liabilities and net assets	<u>\$ 15,875,125</u>	<u>\$ 14,868,350</u>	<u>\$ 13,360,845</u>

The financial position of Western Tidewater Community Services Board has improved during the year ended June 30, 2008 and 2007. Net Assets increased in 2008 by \$868,817 and in 2007 by \$1,485,437.

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

A summary of WTCSB's Statement of Revenues, Expenses and Changes in Net Assets for fiscal years 2008, 2007 and 2006 is presented below.

Summary Statement of Revenues, Expenses and Changes in Net Assets			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating revenues:			
Net patient service revenue	\$ 13,094,764	\$ 12,892,063	\$ 11,666,197
Workshop sales	-	693	2,027
Total operating revenues	<u>\$ 13,094,764</u>	<u>\$ 12,892,756</u>	<u>\$ 11,668,224</u>
Operating expenses	<u>\$ 17,328,006</u>	<u>\$ 16,240,470</u>	<u>\$ 14,602,709</u>
Operating income (loss)	\$ (4,233,242)	\$ (3,347,714)	\$ (2,934,485)
Net non-operating income	<u>5,102,059</u>	<u>4,833,151</u>	<u>4,256,758</u>
Income before capital contributions	\$ 868,817	\$ 1,485,437	\$ 1,322,273
Capital contributions:			
Capital contributions and grants	-	-	23,100
Change in net assets	<u><u>\$ 868,817</u></u>	<u><u>\$ 1,485,437</u></u>	<u><u>\$ 1,345,373</u></u>

Operating Income is generated from providing patient services. The majority of Operating Income is generated from Medicaid services. In fiscal years 2008 and 2007, net Patient Service Revenue increased 2% and 10%, respectively.

Operating expenses increased by 7% in 2008 and 11% in 2007.

Cash Flow: A summary of WTCSB's Statement of Cash Flows for fiscal years 2008, 2007 and 2006 is presented below.

Condensed Statement of Cash Flows			
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash flows provided (used) by operating activities	\$ (3,507,775)	\$ (2,655,294)	\$ (2,789,402)
Cash flows provided (used) by non-capital and related financing activities	5,333,176	4,822,782	4,759,415
Cash flows provided (used) by capital and related financing activities	(1,385,095)	(834,357)	(903,119)
Cash flows provided (used) by investing activities	<u>174,822</u>	<u>223,276</u>	<u>136,779</u>
Net cash increase (decrease)	\$ 615,128	\$ 1,556,407	\$ 1,203,673
Cash and cash equivalents beginning of year	<u>6,743,408</u>	<u>5,187,006</u>	<u>3,983,333</u>
Cash and cash equivalents end of year	<u><u>\$ 7,358,536</u></u>	<u><u>\$ 6,743,413</u></u>	<u><u>\$ 5,187,006</u></u>

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

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

Cash Flows from Non-Capital and Related Financing Activities consists of income received primarily from government grants.

Cash Flows from Capital and Related Financing Activities represents funds from loan proceeds, contributions from private organizations for the purchase of real estate and a federal construction grant less the costs of acquisitions of capital assets (see Notes to Financial Statements, Note 4 - Capital Assets). Also reflected are principal and interest payments on mortgages and loans payable.

Cash Flows from Investing Activities are comprised of interest income.

During 2008 and 2007, there were increases of \$615,128 and \$1,556,407 in cash and cash equivalents. These increases were primarily due to increased operating income from client fees.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2008 and 2007 the WTCSB had \$7,240,623 and \$6,802,908 in net capital assets. These were comprised primarily of land, buildings and improvements, and equipment and vehicles. (See Notes to Financial Statements, Note 4 - Capital Assets.)

During fiscal year 2006 WTCSB purchased property on Commercial Lane in Suffolk, Virginia for \$3,526,535 less a \$350,000 contribution from Obici Memorial Hospital.

Long-Term Debt

Long-term obligations as of June 30, 2008 are \$3,960,144, a decrease of \$190,326 from June 30, 2007 (see Notes to Financial Statements, Note 6 - Long-term Obligations). This debt is for three facilities. 1000 Commercial Lane, our Suffolk clinic, reimbursement office and the Pathways MR day support complex is financed by SunTrust Bank with a balance of \$2,752,729. 5268 Godwin Boulevard our Administration/Day Program Complex is financed by Bank of America with a balance of \$1,052,669. Neighbor's Place located at 22510 Thomas Woods Lane is financed with the Department of Housing and Urban Development with a balance of \$345,072.

Other Significant Activities in Fiscal Year 2008

In fiscal year 2008, the financial position of the Western Tidewater Community Services Board was satisfactory. The Board continues its efforts to expand its programs where need is determined. Western Tidewater received a renewed license to provide Mental Health intensive in-home services for children and adolescents. The license was effective as of May 4, 2008. These community based services will be provided in the families homes and will be referred from our Access Department and the In-School Counseling program. Day support services for intellectually disabled adults increased by twelve percent and hopes to expand capacity.

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

Western Tidewater Community Services Board continues to move toward an Electronic Health Record which is both a Federal and State priority. The goal among Virginia's "Community Behavioral Healthcare Partners: CSB's, State Facilities, DMHMRSAS, Consumers and Family Members" is to develop and implement health information exchange by July 1, 2012. The information system implementation will make it easier to serve customers by freeing up clinical time and reducing paperwork. Additionally, quality assurance of the consumer records and proper documentation required for reimbursement will be advanced.

The Board anticipates its FY 2009 and FY2010 State General Fund dollars to be reduced by five percent each fiscal year as the Commonwealth of Virginia is reconciling a considerable budget shortfall.

- Basic Financial Statements -

This page intentionally left blank

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

ASSETS	2008	2007
Current Assets:		
Cash and cash equivalents	\$ 6,871,750	\$ 6,249,212
Accounts receivable, less allowance for uncollectibles	1,269,495	1,265,631
Prepaid items	2,389	2,389
Total current assets	<u>\$ 8,143,634</u>	<u>\$ 7,517,232</u>
Restricted Current Assets:		
Cash and cash equivalents	\$ 486,786	\$ 494,196
Accounts receivable	4,082	4,014
Total restricted current assets	<u>\$ 490,868</u>	<u>\$ 498,210</u>
Capital Assets:		
Land and other non-depreciable assets	\$ 2,161,792	\$ 1,952,292
Other capital assets, less accumulated depreciation	5,078,831	4,850,616
Total capital assets, net	<u>\$ 7,240,623</u>	<u>\$ 6,802,908</u>
Other Assets:		
Account receivable due after one year	\$ -	\$ 50,000
Total assets	<u>\$ 15,875,125</u>	<u>\$ 14,868,350</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 927,221	\$ 675,093
Compensated absences	821,297	759,586
Long-term debt, current portion	190,426	181,799
Total current liabilities	<u>\$ 1,938,944</u>	<u>\$ 1,616,478</u>
Current Liabilities Payable from From Restricted Assets:		
Client and consumer funds	\$ 47,944	\$ 42,229
Security deposits	6,439	6,236
Total current liabilities payable from restricted assets	<u>\$ 54,383</u>	<u>\$ 48,465</u>
Long-term Liabilities:		
Long-term debt, less current portion	\$ 3,960,044	\$ 4,150,470
Total liabilities	<u>\$ 5,953,371</u>	<u>\$ 5,815,413</u>
Net Assets:		
Invested in capital assets less related debt	\$ 3,348,556	\$ 2,718,022
Restricted	354,590	208,598
Unrestricted	6,218,608	6,126,317
Total net assets	<u>\$ 9,921,754</u>	<u>\$ 9,052,937</u>

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

WESTERN TIDEWATER 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 Revenue:		
Net patient service revenue	\$ 13,094,764	\$ 12,892,063
Workshop sales	-	693
Total revenues	<u>\$ 13,094,764</u>	<u>\$ 12,892,756</u>
Operating Expenses:		
Salaries and benefits	\$ 12,652,075	\$ 11,606,957
Staff development	227,134	134,645
Facility	1,309,069	1,197,942
Supplies	632,374	730,927
Travel	289,842	232,655
Contractual and consulting	1,630,138	1,735,082
Depreciation	464,207	444,884
Other	123,167	157,378
Total expenses	<u>\$ 17,328,006</u>	<u>\$ 16,240,470</u>
Operating income (loss)	<u>\$ (4,233,242)</u>	<u>\$ (3,347,714)</u>
Nonoperating income (expenses):		
Appropriations:		
Commonwealth of Virginia	\$ 3,537,009	\$ 3,299,635
Federal government	729,429	804,041
Local governments	600,688	585,257
Rentals	124,003	123,412
Interest income	174,822	223,276
Other	143,580	13,235
Interest expense	<u>(207,472)</u>	<u>(215,705)</u>
Net nonoperating income	<u>\$ 5,102,059</u>	<u>\$ 4,833,151</u>
Change in net assets	<u>\$ 868,817</u>	<u>\$ 1,485,437</u>
Net assets, beginning of year	<u>9,052,937</u>	<u>7,567,500</u>
Net assets, end of year	<u><u>\$ 9,921,754</u></u>	<u><u>\$ 9,052,937</u></u>

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

WESTERN TIDEWATER 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	\$ 13,183,318	\$ 12,839,290
Payments to suppliers	(4,171,776)	(4,034,793)
Payments to and for employees	(12,519,317)	(11,460,773)
Total cash flows provided (used) by operating activities	<u>\$ (3,507,775)</u>	<u>\$ (2,656,276)</u>
Cash flows provided (used) by noncapital and related financing activities:		
Government grants	\$ 4,867,126	\$ 4,676,809
Other	466,050	146,955
Total cash flows provided (used) by noncapital and related financing activities	<u>\$ 5,333,176</u>	<u>\$ 4,823,764</u>
Cash flows provided (used) by capital and related financing activities:		
Acquisition of capital assets	\$ (995,824)	\$ (445,057)
Interest on long-term debt	(207,472)	(215,732)
Principal payments on mortgages and loans payable	(181,799)	(173,568)
Total cash flows provided (used) by capital and related financing activities	<u>\$ (1,385,095)</u>	<u>\$ (834,357)</u>
Cash provided (used) by investing activities:		
Interest income	\$ 174,822	\$ 223,276
Net increase in cash and cash equivalents	<u>\$ 615,128</u>	<u>\$ 1,556,407</u>
Cash and cash equivalents, beginning of year	<u>6,743,408</u>	<u>5,187,001</u>
Cash and cash equivalents, end of year	<u><u>\$ 7,358,536</u></u>	<u><u>\$ 6,743,408</u></u>
Reconciliation to statement of net assets:		
Cash and cash equivalents	\$ 6,871,750	\$ 6,249,212
Cash and cash equivalents - restricted	486,786	494,196
Total cash and cash equivalents, end of year	<u><u>\$ 7,358,536</u></u>	<u><u>\$ 6,743,408</u></u>

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

	<u>2008</u>	<u>2007</u>
Cash flows provided (used) by operating activities:		
Operating income (loss)	\$ (4,233,242)	\$ (3,347,714)
Adjustments to reconcile operating income (loss) to cash provided (used) by operations:		
Depreciation	464,207	444,884
Changes in assets and liabilities:		
Accounts receivable	(67,009)	40,489
Prepaid items	-	(59)
Accounts payable and accrued expenses	260,843	138,005
Compensated absences	61,711	64,210
Client and consumer funds	5,715	3,909
Cash flows provided (used) by operating activities	<u>\$ (3,507,775)</u>	<u>\$ (2,656,276)</u>

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

WESTERN TIDEWATER 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 Cities of Suffolk and Franklin and Counties of Isle of Wight and Southampton 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), as amended, relating to the Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services. The Board provides a system of community mental health and mental retardation and substance abuse services which are developed in and meet the needs of the participating localities.

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. 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. The Board has the following blended component units.

Community Opportunities for the Disabled: Community Opportunities for the Disabled holds real estate for rental. The Organization is exempt from federal income taxes under Section 501(c)(2) of the Internal Revenue Code. This organization was terminated in fiscal year 2008. Also, see Note 14.

Isle of Wight Opportunities for the Disabled: Isle of Wight Opportunities for the Disabled, Inc. owns 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.

Jay's Place: Jay's Place is an organization established to operate 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.

The Wilkins of Suffolk: The Wilkins of Suffolk is an organization established to operate 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.

Reggie's Place: Reggie's Place is an organization established to operate 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.

Barrett House: Barrett House is an organization established to operate 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.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

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

C. Individual Component Unit Disclosures: (continued)

Gabriel's Place: Gabriel's Place is an organization established to operate 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. The Organization had not commenced operations as of June 30, 2008.

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.

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:

Western Tidewater 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.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

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

I. Net Client Service Revenue:

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

J. 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 and/or elimination of charges to individual clients. Because the Board does not pursue the collection of amounts determined to qualify for financial assistance, they are not reported as revenue.

The vast majority of fees collected result from Medicaid billings.

K. Capital Assets:

Capital assets 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 additions are capitalized.

L. Restricted Assets:

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

M. 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 which is 320 hours. Unused sick leave is paid at the date of separation based on length of service. The amount that shall be paid is limited to 25% of accrued sick leave up to a maximum of \$5,000 for employees with at least five years of service.

The liabilities for annual and sick leave have been recorded in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*. Accordingly, the amount of annual and sick leave recognized as expense is the amount earned during the year. The balance at June 30, 2008 was \$821,297. Because the timing of the use of accrued leave is not estimable, the total amount has been classified as a current liability.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

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

N. Investments:

Investments are reported at fair market value.

O. 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, 45 working days after the end of the second and third quarters. The final quarterly report is due by September 30, unless extended, following the end of the fiscal year.
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.

P. Operating and Nonoperating Revenues and Expenses:

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

Q. Comparative Totals:

Comparative totals for the prior year are presented for informational purposes only.

NOTE 2 - DEPOSITS AND INVESTMENTS:

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. The carrying value of entity deposits with banks was \$113,310 and the bank balances were \$232,262.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

Restricted Cash:

Restricted cash represents funds held for clients and cash held by the component unit organizations for various purposes.

Investments:

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).

Custodial Credit Risk (Investments):

The Board’s investment policy requires it to take all possible precautions to minimize the credit risk of its investments through the monitoring of the credit worthiness of the banks and other organizations in which it deposits its money.

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.

Rated Debt Investments Value	Rated Debt Investments				
	AAA/AAAm	AA	A	A1	Unrated
Virginia Local Government Investment Pool	\$ 2,499,740	\$ -	\$ -	\$ -	\$ -
Federal Home Loan Banks Discount Note	257,686	-	-	-	-
Rideworth U.S. Government Securities Money Market	717	-	-	-	-
Total	\$ 2,758,143	\$ -	\$ -	\$ -	\$ -

Concentration of Credit Risk:

The Board’s investment policy regarding the concentration of credit risk requires the minimization of credit risk by limiting investments to the safest securities, prequalifying financial institutions, brokers, dealers and other organizations, and diversifying the investment portfolio to limit potential losses on individual securities.

The Board had investments at June 30, 2008, with more than 5% of the total investments in the securities underlying the repurchase agreement with Bank of America. This investment represented 62% of total investments.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

NOTE 2 - DEPOSITS AND INVESTMENTS: (continued)

Interest Rate Risk:

The Board's investment policy requires the investing of operating funds primarily in short-term securities, money market funds or similar investment pools to minimize interest rate risk. The following details the Board's investment in repurchase agreements 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>
Repurchase agreements	\$ 4,483,053	\$ 4,483,053	\$ -	\$ -	\$ -
Virginia Local Government Investment Pool	2,499,740	2,499,740	-	-	-
Federal Home Loan Banks Discount Note	257,686	257,686	-	-	-
Rideworth U.S. Government Securities Money Market	717	717	-	-	-
Total	\$ 7,241,196	\$ 7,241,196	\$ -	\$ -	\$ -

The repurchase agreements are collateralized by U.S. Government Securities.

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.

Summary of Cash, Deposits and Investments:

	<u>2008</u>	<u>2007</u>
Cash on hand	\$ 4,030	\$ 4,396
Cash in banks	113,310	212,088
Investments	7,241,196	6,526,924
Total	\$ 7,358,536	\$ 6,743,408
Cash and cash equivalents:		
Unrestricted	\$ 6,871,750	\$ 6,249,212
Restricted	486,786	494,196
Total	\$ 7,358,536	\$ 6,743,408
Restricted cash and cash equivalents consist of:		
Client and consumer funds	\$ 47,944	\$ 42,229
Debt service reserve	258,403	247,383
Other entities	180,439	204,584
Total	\$ 486,786	\$ 494,196

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

NOTE 3 - ACCOUNTS RECEIVABLE:

At June 30, 2008 and 2007 the Board had accounts receivable due from the following primary sources.

	<u>2008</u>	<u>2007</u>
Virginia Department of Medical Assistance Services (Medicaid)	\$ 1,222,946	\$ 971,811
Direct client and third party	696,611	701,503
Other	1,366,635	1,064,165
Total	<u>\$ 3,286,192</u>	<u>\$ 2,737,479</u>
Less: Allowance for uncollectibles	<u>(2,012,615)</u>	<u>(1,417,834)</u>
Net accounts receivable	<u>\$ 1,273,577</u>	<u>\$ 1,319,645</u>

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

As part of the terms of the purchase of property, Obici Memorial Hospital agreed to pay \$350,000 to the Board over four installments. \$100,000 was paid upon the closing of the property. A balance of \$50,000 was owed at June 30, 2008. The installments are due on October 20 as follows:

2008 \$ 50,000

Net accounts receivables are allocated as follows:

	<u>2008</u>	<u>2007</u>
Unrestricted	\$ 1,269,495	\$ 1,265,631
Restricted	4,082	4,014
Long-term	-	50,000
Total	<u>\$ 1,273,577</u>	<u>\$ 1,319,645</u>

The allowance for uncollectible accounts has been computed using historical data and specific account analysis.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

NOTE 4 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2008 was as follows:

	<u>Balance July 1, 2007</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2008</u>
Capital assets not being depreciated:				
Land	\$ 1,952,292	\$ -	\$ -	\$ 1,952,292
Property held for future use	-	209,500	-	209,500
	<u>\$ 1,952,292</u>	<u>\$ 209,500</u>	<u>\$ -</u>	<u>\$ 2,161,792</u>
Total capital assets not being depreciated				
Other capital assets:				
Buildings and improvements	\$ 4,715,419	\$ 435,410	\$ -	\$ 5,150,829
Furniture and equipment	943,157	146,753	(40,364)	1,049,546
Vehicles	1,956,819	322,530	(78,008)	2,201,341
	<u>\$ 7,615,395</u>	<u>\$ 904,693</u>	<u>\$ (118,372)</u>	<u>\$ 8,401,716</u>
Total other capital assets				
Less: Accumulated depreciation	<u>2,764,779</u>	<u>671,114</u>	<u>(113,008)</u>	<u>3,322,885</u>
Other capital assets, net	<u>\$ 4,850,616</u>	<u>\$ 233,579</u>	<u>\$ (5,364)</u>	<u>\$ 5,078,831</u>
Net capital assets	<u>\$ 6,802,908</u>	<u>\$ 443,079</u>	<u>\$ (5,364)</u>	<u>\$ 7,240,623</u>

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.

Rent expenses totaled \$268,473 for fiscal year 2008 and \$289,846 for fiscal year 2007.

NOTE 6 - LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions for the year ended June 30, 2008:

	<u>Mortgages Payable</u>
Balance at July 1, 2007	\$ 4,332,269
Additions	-
Retirements	(181,799)
Balance at June 30, 2008	<u>\$ 4,150,470</u>

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

NOTE 6 - LONG-TERM OBLIGATIONS: (continued)

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

Year Ending June 30,	Principal	Interest
2009	\$ 190,426	\$ 198,874
2010	199,469	189,831
2011	208,949	180,351
2012	218,887	170,412
2013	229,307	159,993
2014-2018	1,321,429	625,070
2019-2023	1,041,722	337,260
2024-2028	617,973	103,144
2029-2033	122,308	24,428
Total	<u>\$ 4,150,470</u>	<u>\$ 1,989,363</u>

Details of Mortgages Payable Indebtedness:

Mortgages Payable:

	<u>Balance</u>	<u>Current Portion</u>
\$3,000,000, SunTrust Bank, interest at 4.60%, due in monthly installments of \$19,171 through November, 2025, secured by real estate	\$ 2,752,729	\$ 105,637
\$375,000, U.S. Department of Housing and Urban Development, interest at 8.375%, due in monthly installments of \$2,769 through October, 2032, secured by real estate	345,072	4,501
\$1,372,500, Bank of America, interest at 4.50%, due in monthly installments of \$11,089, through December, 2019, secured by real estate	<u>1,052,669</u>	<u>80,288</u>
Total long-term indebtedness	<u>\$ 4,150,470</u>	<u>\$ 190,426</u>

Total interest cost for fiscal 2008 was \$207,472, all of which was expensed.

The Board is in compliance with federal arbitrage regulations.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

NOTE 7 - 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/2007AnnuRept.pdf> or obtained by writing to the System at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual salary to the VRS. This 5% member contribution has been assumed by the employer. In addition, the Board is required to contribute the remaining amounts necessary to fund its 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 years ended 2008 and 2007 was 4.39% and in 2006 was .75% of the annual covered payroll.

C. Annual Pension Cost:

For fiscal 2008, the Board's annual pension cost of \$371,533 (does not include the employee share assumed by the Board which was \$423,158) was equal to the Board's required and actual contributions.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

NOTE 7 - DEFINED BENEFIT PENSION PLAN: (continued)

C. Annual Pension Cost: (continued)

Three- Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$ 371,533	100%	\$ -
June 30, 2007	342,089	100%	-
June 30, 2006	53,655	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 over a five-year period. The Board's unfunded actuarial 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 97.39% funded. The actuarial accrued liability for benefits was \$16,069,483, and the actuarial value of assets was \$15,649,918, resulting in an unfunded actuarial accrued liability (UAAL) of \$419,565. The covered payroll (annual payroll of active employees covered by the plan) was \$8,031,575 and ratio of the UAAL to the covered payroll was 5.22%.

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 liability for benefits.

NOTE 8 - FISCAL AGENT:

The City of Franklin, Virginia acts as fiscal agent for the Board pursuant to the requirements of Section 37.1-195 of the Code of Virginia (1950), as amended.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

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. 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.

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.

The Board may be involved in potential lawsuits arising in the ordinary course of business. It is management's belief that any liability resulting from such lawsuits would not be material in relation to the Board's financial position.

The Board has committed to the rehabilitation and construction of a group home in Suffolk, Virginia. The project is to be funded by a capital advance (contribution) in the amount of \$600,900 from the U.S. Department of Housing and Community Development. Property has been purchased for the project at a cost of \$209,500.

Proposed changes in Medicaid regulations relating to the billing of targeted case management programs could result in significantly lower Medicaid revenues in future years.

NOTE 10 - RISK MANAGEMENT:

The Board has contracted with the Commonwealth of Virginia Division of Risk Management and private insurance carriers for property damage and liability, workers compensation, and officer liability and professional liability coverages. Coverages are \$7,818,660 for real and personal property and related items, \$1,000,000 for directors and officers and \$1,850,000 for professional liability policies. Workers compensation coverages are for statutory amounts. There are no surety bond coverages required or purchased for members of the Board of Directors. Management believes its insurance coverages are sufficient to preclude any significant uninsured losses to the Board. There have been no settlements in excess of insurance coverage for the past three years. The Board and its related entities assume risks related to damages in excess of insurance coverages and related deductibles.

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

NOTE 11 - CONTRIBUTIONS BY PARTICIPANT LOCAL GOVERNMENTS:

Funds contributed by participant local governments were as follows:

	<u>2008</u>	<u>2007</u>
City of Suffolk	\$ 293,810	\$ 293,810
City of Franklin	67,550	64,956
County of Isle of Wight	160,272	151,200
County of Southampton	79,056	75,291
Total	<u>\$ 600,688</u>	<u>\$ 585,257</u>

NOTE 12 - NET PATIENT SERVICE REVENUE SOURCES:

Net patient revenue sources for fiscal years 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Medicaid	\$ 11,425,398	\$ 11,179,074
Direct client and third party	578,148	507,451
Other	1,091,218	1,206,231
Total	<u>\$ 13,094,764</u>	<u>\$ 12,892,756</u>

NOTE 13 - NET ASSETS:

Isle of Wight Opportunities for the Disabled, a component unit of the Board, has a deficit net asset balance of \$75,855 at June 30, 2008.

Restricted net assets consist of the following:

Cash and other assets held by component unit organizations which are restricted for HUD purposes	\$ 164,459
Unexpended federal grant funds	190,131
Total	<u>\$ 354,590</u>

NOTE 14 - TRANSFERS:

Community Opportunities for the Disabled (COD) was terminated in fiscal year 2008. All remaining assets were transferred at book value to Western Tidewater Community Services Board. The book value of total transfers was \$215,908.

This page intentionally left blank

- Required Supplementary Information -

This page intentionally left blank

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Schedule of Pension Funding Progress
Virginia Retirement System

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (AVA)</u> (a)	<u>Actuarial Accrued Liability (AAL)</u> (b)	<u>Unfunded (Excess Funded) Actuarial Accrued Liability (UAAL)</u> (b-a)	<u>Funded Ratio</u> (a/b)	<u>Covered Payroll</u> (c)	<u>UAAL as a % of Covered Payroll</u> ((b-a)/c)
June 30, 2007	\$ 15,649,918	\$ 16,069,483	\$ 419,565	97.39%	\$ 8,031,575	5.22%
June 30, 2006	13,511,941	14,004,854	492,913	96.48%	7,237,713	6.81%
June 30, 2005	12,444,023	12,930,742	486,719	96.24%	6,894,382	7.06%

This page intentionally left blank

- Other Supplementary Information -

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Combining Statement of Net Assets
At June 30, 2008

	Western Tidewater Community Services Board	Community Opportunities for the Disabled	Isle of Wight Opportunities for the Disabled
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 6,867,709	\$ -	\$ -
Accounts receivable, less allowance for uncollectibles	1,282,639	-	-
Prepaid expenses	-	-	-
Total current assets	\$ 8,150,348	\$ -	\$ -
Restricted Current Assets:			
Cash and cash equivalents	\$ 306,347	\$ -	\$ 28,784
Accounts receivable	-	-	1,891
Total restricted current assets	\$ 306,347	\$ -	\$ 30,675
Capital Assets:			
Land and other non-depreciable capital assets	\$ 2,097,600	\$ -	\$ 35,192
Other capital assets, less accumulated depreciation	4,065,649	-	208,950
Total capital assets, net	\$ 6,163,249	\$ -	\$ 244,142
Total assets	\$ 14,619,944	\$ -	\$ 274,817
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 924,813	\$ -	\$ 2,408
Compensated absences	821,297	-	-
Long-term debt, current portion	185,925	-	4,501
Total current liabilities	\$ 1,932,035	\$ -	\$ 6,909
Current Liabilities Payable from From Restricted Assets:			
Client and consumer funds	\$ 47,944	\$ -	\$ -
Security deposits	-	-	3,192
Total current liabilities payable from restricted assets	\$ 47,944	\$ -	\$ 3,192
Long-term Liabilities:			
Long-term debt, less current portion	\$ 3,619,473	\$ -	\$ 340,571
Total liabilities	\$ 5,599,452	\$ -	\$ 350,672
Net Assets:			
Invested in capital assets less related debt	\$ 2,616,254	\$ -	\$ (100,930)
Restricted	190,131	-	20,574
Unrestricted	6,214,107	-	4,501
Total net assets	\$ 9,020,492	\$ -	\$ (75,855)
Total liabilities and net assets	\$ 14,619,944	\$ -	\$ 274,817

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

<u>Jay's Place</u>	<u>The Wilkins of Suffolk</u>	<u>Reggie's Place</u>	<u>Barrett House</u>	<u>Gabriel's Place</u>	<u>Inter-Company Eliminations</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,041	\$ -	\$ 6,871,750
-	-	-	-	-	(13,144)	1,269,495
-	-	-	-	2,389	-	2,389
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,430</u>	<u>\$ (13,144)</u>	<u>\$ 8,143,634</u>
\$ 36,386	\$ 14,507	\$ 54,328	\$ 46,434	\$ -	\$ -	\$ 486,786
405	111	828	847	-	-	4,082
<u>\$ 36,791</u>	<u>\$ 14,618</u>	<u>\$ 55,156</u>	<u>\$ 47,281</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 490,868</u>
\$ 5,000	\$ 5,000	\$ 5,000	\$ 14,000	\$ -	\$ -	\$ 2,161,792
177,035	181,573	234,498	211,126	-	-	5,078,831
<u>\$ 182,035</u>	<u>\$ 186,573</u>	<u>\$ 239,498</u>	<u>\$ 225,126</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,240,623</u>
<u>\$ 218,826</u>	<u>\$ 201,191</u>	<u>\$ 294,654</u>	<u>\$ 272,407</u>	<u>\$ 6,430</u>	<u>\$ (13,144)</u>	<u>\$ 15,875,125</u>
\$ 3,791	\$ 2,923	\$ -	\$ -	\$ 6,430	\$ (13,144)	\$ 927,221
-	-	-	-	-	-	821,297
-	-	-	-	-	-	190,426
<u>\$ 3,791</u>	<u>\$ 2,923</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,430</u>	<u>\$ (13,144)</u>	<u>\$ 1,938,944</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,944
726	814	862	845	-	-	6,439
<u>\$ 726</u>	<u>\$ 814</u>	<u>\$ 862</u>	<u>\$ 845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,383</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,960,044
<u>\$ 4,517</u>	<u>\$ 3,737</u>	<u>\$ 862</u>	<u>\$ 845</u>	<u>\$ 6,430</u>	<u>\$ (13,144)</u>	<u>\$ 5,953,371</u>
\$ 182,035	\$ 186,573	\$ 239,498	\$ 225,126	\$ -	\$ -	\$ 3,348,556
32,274	10,881	54,294	46,436	-	-	354,590
-	-	-	-	-	-	6,218,608
<u>\$ 214,309</u>	<u>\$ 197,454</u>	<u>\$ 293,792</u>	<u>\$ 271,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,921,754</u>
<u>\$ 218,826</u>	<u>\$ 201,191</u>	<u>\$ 294,654</u>	<u>\$ 272,407</u>	<u>\$ 6,430</u>	<u>\$ (13,144)</u>	<u>\$ 15,875,125</u>

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

	Western Tidewater Community Services Board	Community Opportunities for the Disabled	Isle of Wight Opportunities for the Disabled
Operating Revenue:			
Net patient service revenue	\$ 13,094,764	\$ -	\$ -
Operating Expenses:			
Salaries and benefits	\$ 12,652,075	\$ -	\$ -
Staff development	227,134	-	-
Facility	1,193,466	-	39,938
Supplies	632,374	-	-
Travel	289,842	-	-
Contractual and consulting	1,630,138	-	-
Depreciation	422,116	-	16,822
Other	123,167	-	-
Total expenses	\$ 17,170,312	\$ -	\$ 56,760
Operating income (loss)	\$ (4,075,548)	\$ -	\$ (56,760)
Nonoperating income (expenses):			
Appropriations:			
Commonwealth of Virginia	\$ 3,537,009	\$ -	\$ -
Federal government	729,429	-	-
Local governments	600,688	-	-
Rentals	-	-	67,040
Interest income	174,684	-	57
Other	143,580	-	-
Interest expense	(178,411)	-	(29,061)
Net nonoperating income	\$ 5,006,979	\$ -	\$ 38,036
Income (loss) before transfers	\$ 931,431	\$ -	\$ (18,724)
Transfers			
Transfer of assets	215,908	(215,908)	-
Change in net assets	\$ 1,147,339	\$ (215,908)	\$ (18,724)
Net assets, beginning of year	7,873,153	215,908	(57,131)
Net assets, end of year	\$ 9,020,492	\$ -	\$ (75,855)

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

<u>Jay's Place</u>	<u>The Wilkins of Suffolk</u>	<u>Reggie's Place</u>	<u>Barrett House</u>	<u>Gabriel's Place</u>	<u>Inter-Company Eliminations</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,094,764
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,652,075
-	-	-	-	-	-	227,134
33,717	22,324	8,808	10,816	-	-	1,309,069
-	-	-	-	-	-	632,374
-	-	-	-	-	-	289,842
-	-	-	-	-	-	1,630,138
5,532	5,674	7,914	6,149	-	-	464,207
-	-	-	-	-	-	123,167
<u>\$ 39,249</u>	<u>\$ 27,998</u>	<u>\$ 16,722</u>	<u>\$ 16,965</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,328,006</u>
<u>\$ (39,249)</u>	<u>\$ (27,998)</u>	<u>\$ (16,722)</u>	<u>\$ (16,965)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,233,242)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,537,009
-	-	-	-	-	-	729,429
-	-	-	-	-	-	600,688
13,859	13,578	14,892	14,634	-	-	124,003
23	10	25	23	-	-	174,822
-	-	-	-	-	-	143,580
-	-	-	-	-	-	(207,472)
<u>\$ 13,882</u>	<u>\$ 13,588</u>	<u>\$ 14,917</u>	<u>\$ 14,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,102,059</u>
<u>\$ (25,367)</u>	<u>\$ (14,410)</u>	<u>\$ (1,805)</u>	<u>\$ (2,308)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 868,817</u>
-	-	-	-	-	-	-
<u>\$ (25,367)</u>	<u>\$ (14,410)</u>	<u>\$ (1,805)</u>	<u>\$ (2,308)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 868,817</u>
<u>239,676</u>	<u>211,864</u>	<u>295,597</u>	<u>273,870</u>	<u>-</u>	<u>-</u>	<u>9,052,937</u>
<u>\$ 214,309</u>	<u>\$ 197,454</u>	<u>\$ 293,792</u>	<u>\$ 271,562</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,921,754</u>

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

**Combining Statement of Cash Flows
Year Ended June 30, 2008**

	Western Tidewater Community Services Board	Community Opportunities for the Disabled	Isle of Wight Opportunities for the Disabled
Cash flows provided (used) by operating activities:			
Receipts from customers	\$ 13,183,318	\$ -	\$ -
Payments to suppliers	(4,061,551)	-	(39,967)
Payments to and for employees	(12,519,317)	-	-
Total cash flows provided (used) by operating activities	<u>\$ (3,397,550)</u>	<u>\$ -</u>	<u>\$ (39,967)</u>
Cash flows provided (used) by noncapital and related financing activities:			
Government grants	\$ 4,867,126	\$ -	\$ -
Other	367,926	(28,515)	66,953
Total cash flows provided (used) by noncapital and related financing activities	<u>\$ 5,235,052</u>	<u>\$ (28,515)</u>	<u>\$ 66,953</u>
Cash flows provided (used) by capital and related financing activities:			
Acquisition of capital assets	\$ (990,829)	\$ -	\$ (4,995)
Interest on long-term debt	(178,411)	-	(29,061)
Principal payments on mortgages and loans payable	(177,658)	-	(4,141)
Total cash flows provided (used) by capital and related financing activities	<u>\$ (1,346,898)</u>	<u>\$ -</u>	<u>\$ (38,197)</u>
Cash flows provided (used) by investing activities:			
Interest income	\$ 174,684	\$ -	\$ 57
Net increase (decrease) in cash and cash equivalents	<u>\$ 665,288</u>	<u>\$ (28,515)</u>	<u>\$ (11,154)</u>
Cash and cash equivalents, beginning of year	<u>6,508,768</u>	<u>28,515</u>	<u>39,938</u>
Cash and cash equivalents, end of year	<u><u>\$ 7,174,056</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 28,784</u></u>
Reconciliation to combining statement of net assets:			
Cash and cash equivalents	\$ 6,867,709	\$ -	\$ -
Cash and cash equivalents - restricted	306,347	-	28,784
Total cash and cash equivalents, end of year	<u><u>\$ 7,174,056</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 28,784</u></u>
Cash flows provided (used) by operating activities:			
Operating income (loss)	\$ (4,075,548)	\$ -	\$ (56,760)
Adjustments to reconcile operating income (loss) to cash provided (used) by operations:			
Depreciation	422,116	-	16,822
Changes in assets and liabilities:			
Accounts receivable	(67,009)	-	-
Accounts payable and accrued expenses	255,465	-	(29)
Compensated absences	61,711	-	-
Client and consumer funds	5,715	-	-
Cash flows provided (used) by operating activities	<u><u>\$ (3,397,550)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (39,967)</u></u>

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

Jay's Place	The Wilkins of Suffolk	Reggie's Place	Barrett House	Gabriel's Place	Inter-Company Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,183,318
(29,926)	(19,401)	(9,115)	(11,816)	-	-	(4,171,776)
-	-	-	-	-	-	(12,519,317)
<u>\$(29,926)</u>	<u>\$(19,401)</u>	<u>\$(9,115)</u>	<u>\$(11,816)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(3,507,775)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,867,126
13,892	13,956	14,626	14,712	2,500	-	466,050
<u>13,892</u>	<u>13,956</u>	<u>14,626</u>	<u>14,712</u>	<u>2,500</u>	<u>-</u>	<u>5,333,176</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (995,824)
-	-	-	-	-	-	(207,472)
-	-	-	-	-	-	(181,799)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(1,385,095)</u>
\$ 23	\$ 10	\$ 25	\$ 23	\$ -	\$ -	\$ 174,822
(16,011)	(5,435)	5,536	2,919	2,500	-	615,128
52,397	19,942	48,792	43,515	1,541	-	6,743,408
<u>\$ 36,386</u>	<u>\$ 14,507</u>	<u>\$ 54,328</u>	<u>\$ 46,434</u>	<u>\$ 4,041</u>	<u>\$ -</u>	<u>\$ 7,358,536</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,041	\$ -	\$ 6,871,750
36,386	14,507	54,328	46,434	-	-	486,786
<u>\$ 36,386</u>	<u>\$ 14,507</u>	<u>\$ 54,328</u>	<u>\$ 46,434</u>	<u>\$ 4,041</u>	<u>\$ -</u>	<u>\$ 7,358,536</u>
\$ (39,249)	\$ (27,998)	\$ (16,722)	\$ (16,965)	\$ -	\$ -	\$ (4,233,242)
5,532	5,674	7,914	6,149	-	-	464,207
-	-	-	-	-	-	(67,009)
3,791	2,923	(307)	(1,000)	-	-	260,843
-	-	-	-	-	-	61,711
-	-	-	-	-	-	5,715
<u>\$(29,926)</u>	<u>\$(19,401)</u>	<u>\$(9,115)</u>	<u>\$(11,816)</u>	<u>\$-</u>	<u>\$-</u>	<u>\$(3,507,775)</u>

This page intentionally left blank

- Supporting Schedules -

This page intentionally left blank

WESTERN TIDEWATER 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	G99274	7/1/07-6/30/08	\$ 27,005	Automobile Liability/Comprehensive and Collision - ACV	\$ 1,000,000	\$ 1,000
				Property damage	20,000	
				Uninsured motorist Per person	25,000	
				Per accident	50,000	
				Medical payments	5,000	
			4,406	General Liability Per occurrence	1,000,000	3,500
				Aggregate	Unlimited	-
			(1)	Medical Malpractice Per occurrence	1,850,000	1,000
				Aggregate	Unlimited	-
			(1)	Public Officials Liability Per occurrence	1,000,000	1,000
				Aggregate	Unlimited	-
Philadelphia Insurance Company	PHPK175299	7/1/07-6/30/08	53,783	Real property, personal property, 90% co-insurance		
				Real property	6,584,560	1,000
				Personal property	1,234,100	
				Extra expense	503,000	
				Computer hardware	570,800	
				Computer media	124,100	
Fidelity and Deposit of Maryland	30577467	2/4/08-2/4/09	500	Employee dishonesty	50,000	500
Virginia Municipal Group	N/A	7/1/07-6/30/08	101,793	Workers compensation Each accident	1,000,000	-
				Policy limit - disease	1,000,000	-
				Each employee - disease	1,000,000	-
Fidelity National Group	45-2510132603-02	7/1/07-6/30/08	560	Flood insurance Contents	57,300	500

(1) Included in general liability premium

- Other Information -

This page intentionally left blank

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

Client Statistics
Last Ten Fiscal Years

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Unduplicated Clients Served										
Mental Health	1,492	1,586	1,601	1,793	1,802	1,901	2,232	2,365	1,974	1,986
Mental Retardation	354	613	618	575	508	449	522	527	312	439
Substance Abuse	524	583	636	708	1,218	1,084	765	939	1,110	1,003
Services available not requiring admission	485	-	-	-	-	-	-	-	-	-
Mental Health Residential Client Days	10,316	10,847	10,710	7,587	1,731	9	634	768	810	958
Mental Retardation Residential Client Days	13,185	14,563	13,191	13,001	12,980	13,020	13,004	11,537	14,246	12,131
Substance Abuse Residential Client Days	526	1,478	2,188	691	801	830	873	2,060	2,295	2,541

This page intentionally left blank

- Compliance -

This page intentionally left blank

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
Western Tidewater Community Services Board
Suffolk, Virginia

We have audited the financial statements of Western Tidewater Community Services Board as of and for the year ended June 30, 2008, and have issued our report thereon dated January 31, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Western Tidewater 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 Western Tidewater Community Services Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Western Tidewater 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 Western Tidewater 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*.

However, we have issued a separate letter dated January 31, 2009 to management relating to other matters noted during our audit of the financial statements.

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
January 31, 2009

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
WESTERN TIDEWATER COMMUNITY SERVICES BOARD
SUFFOLK, VIRGINIA

Compliance

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

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

Robinson, Jarner, Cox Associates
Charlottesville, Virginia
January 31, 2009

WESTERN TIDEWATER 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 Health and Human Services</u>		
Pass-Through Payments:		
Virginia Department of Mental Health, Mental Retardation and Substance Abuse Services:		
Substance Abuse Prevention and Treatment Block Grant	93.959	\$ 464,700
Mental Health Block Grant	93.958	72,723
Substance Abuse Programs of Regional and National Significance	93.243	<u>1,875</u>
Total expenditures of federal awards		<u>\$ 539,298</u>

This schedule is presented on the cash basis of accounting and includes the federal grant activity of Western Tidewater Community Services Board. The information presented in this schedule is of Western Tidewater 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.

WESTERN TIDEWATER 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
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

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

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

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

WESTERN TIDEWATER COMMUNITY SERVICES BOARD

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

There were no items reported.