

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**

**FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**



**WINDES & McCLAUGHRY  
ACCOUNTANCY CORPORATION**  
*Certified Public Accountants & Consultants*

EXCEEDING EXPECTATIONS SINCE 1926

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Valley Mountain Regional Center, Inc.

We have audited the accompanying statements of financial position of Valley Mountain Regional Center, Inc. (a California nonprofit corporation) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Valley Mountain Regional Center, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Valley Mountain Regional Center, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valley Mountain Regional Center, Inc. as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2011 on our consideration of Valley Mountain Regional Center, Inc.'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Valley Mountain Regional Center, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Windes & McCaughey".

Long Beach, California  
February 9, 2011

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

|  | <b>June 30,</b>             |                             |
|--|-----------------------------|-----------------------------|
|  | <b>2010</b>                 | <b>2009</b>                 |
| <b>ASSETS</b>  |                             |                             |
| Cash and cash equivalents  | \$ 10,745,942               | \$ 9,942,800                |
| Cash – client trust funds  | 16,130                      | 17,800                      |
| Contracts receivable – state of California                       | 10,988,178                  | 440,636                     |
| Due from state – accrued vacation and<br>other employee benefits | 2,682,029                   | 2,371,747                   |
| Other receivables  | 10,337                      | 9,201                       |
| Prepaid expenses   | 20,058                      | 19,645                      |
| Deposits and other assets  | <u>119,848</u>              | <u>136,912</u>              |
| <b>TOTAL ASSETS</b>  | <b><u>\$ 24,582,522</u></b> | <b><u>\$ 12,938,741</u></b> |

**LIABILITIES AND NET DEFICIT**

|   |                             |                             |
|---|-----------------------------|-----------------------------|
| <b>LIABILITIES</b>  |                             |                             |
| Accounts payable  | \$ 10,724,252               | \$ 10,420,661               |
| Short-term borrowings                                       | 10,994,000                  |                             |
| Accrued vacation and other employee benefits                | 1,603,914                   | 1,300,563                   |
| Retirement health care plan obligation                      | 3,535,038                   | 2,443,386                   |
| Unexpended client support                                   | <u>16,130</u>               | <u>17,800</u>               |
|   | <u>26,873,334</u>           | <u>14,182,410</u>           |
| <b>COMMITMENTS AND CONTINGENCIES</b><br>(Notes 4, 5, and 7) |                             |                             |
| <b>NET DEFICIT</b>  |                             |                             |
| Unrestricted  | ( <u>2,290,812</u> )        | ( <u>1,243,669</u> )        |
| <b>TOTAL LIABILITIES AND NET DEFICIT</b>                    | <b><u>\$ 24,582,522</u></b> | <b><u>\$ 12,938,741</u></b> |

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

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**

**STATEMENTS OF ACTIVITIES**

|   | <b>For the Year Ended</b> |                       |
|---|---------------------------|-----------------------|
|   | <b>June 30,</b>           |                       |
|   | <u><b>2010</b></u>        | <u><b>2009</b></u>    |
| <b>CHANGE IN UNRESTRICTED NET DEFICIT</b>   |                           |                       |
| <b>SUPPORT AND REVENUE</b>  |                           |                       |
| Contracts – state of California   | \$ 138,933,115            | \$ 138,910,226        |
| Interest income   | 143,796                   | 305,170               |
| Other income  | 31,572                    | 50,797                |
| Total Support and Revenue   | <u>139,108,483</u>        | <u>139,266,193</u>    |
| <b>EXPENSES</b>   |                           |                       |
| Program Services:   |                           |                       |
| Direct consumer services  | 131,196,781               | 131,534,154           |
| Supporting Services:  |                           |                       |
| General and administrative  | <u>7,908,112</u>          | <u>7,742,163</u>      |
| Total Expenses  | <u>139,104,893</u>        | <u>139,276,317</u>    |
| <b>CHANGE IN NET ASSETS (DEFICIT) BEFORE HEALTH PLAN RELATED CHANGES OTHER THAN NET PERIODIC POST-RETIREMENT BENEFIT COST</b> | 3,590                     | ( 10,124)             |
| <b>HEALTH PLAN-RELATED CHANGES OTHER THAN NET PERIODIC POST-RETIREMENT BENEFIT COST</b>                                       | ( 1,050,733)              | <u>718,069</u>        |
| <b>CHANGE IN NET ASSETS (DEFICIT)</b>   | ( 1,047,143)              | 707,945               |
| <b>NET DEFICIT AT BEGINNING OF YEAR</b>   | ( 1,243,669)              | ( 1,951,614)          |
| <b>NET DEFICIT AT END OF YEAR</b>   | <u>(\$ 2,290,812)</u>     | <u>(\$ 1,243,669)</u> |

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

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2010**

|  | <u>Program<br/>Services</u>             | <u>Supporting<br/>Services</u>              |                           |
|--|---|---|---------------------------|
|  | <u>Direct<br/>Consumer<br/>Services</u> | <u>General and<br/>Admin-<br/>istrative</u> | <u>Total<br/>Expenses</u> |
| Salaries                                   | \$ 11,296,475                           | \$ 1,637,835                                | \$ 12,934,310             |
| Employee health and<br>retirement benefits | 2,714,205                               | 1,293,024                                   | 4,007,229                 |
| Payroll taxes                              | 151,160                                 | 255,990                                     | 407,150                   |
| Staff travel                               | <u>323,209</u>                          | <u>26,021</u>                               | <u>349,230</u>            |
| Total Salaries and<br>Related Expenses     | 14,485,049                              | 3,212,870                                   | 17,697,919                |
| Purchase of services:                      |   |   |                           |
| Residential services                       | 31,273,030                              |   | 31,273,030                |
| Day program                                | 28,992,105                              |   | 28,992,105                |
| Other purchased services                   | 56,316,649                              |   | 56,316,649                |
| Communication                              |   | 91,601                                      | 91,601                    |
| General office expenses                    |   | 651,277                                     | 651,277                   |
| Data processing expenses                   |   | 541,427                                     | 541,427                   |
| Printing                                   |   | 16,581                                      | 16,581                    |
| Insurance                                  |   | 59,405                                      | 59,405                    |
| General expenses                           |   | 325,011                                     | 325,011                   |
| Facility and equipment rent                |   | 1,519,929                                   | 1,519,929                 |
| Equipment and facility maintenance         |   | 842,795                                     | 842,795                   |
| Consultant fees                            | 129,948                                 | 164,214                                     | 294,162                   |
| ARCA dues                                  |   | 69,815                                      | 69,815                    |
| Equipment purchases                        |   | 163,438                                     | 163,438                   |
| Board expenses                             |   | 14,589                                      | 14,589                    |
| Legal fees                                 |   | 149,759                                     | 149,759                   |
| Professional fees                          |   | 79,449                                      | 79,449                    |
| Interest expense                           |   | <u>5,952</u>                                | <u>5,952</u>              |
| <b>TOTAL EXPENSES</b>                      | <u>\$ 131,196,781</u>                   | <u>\$ 7,908,112</u>                         | <u>\$ 139,104,893</u>     |

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

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2009**

|  | <u>Program<br/>Services</u>             | <u>Supporting<br/>Services</u>              |                              |
|--|---|---|------------------------------|
|  | <u>Direct<br/>Consumer<br/>Services</u> | <u>General and<br/>Admin-<br/>istrative</u> | <u>Total<br/>Expenses</u>    |
| Salaries                                   | \$ 10,875,997                           | \$ 1,753,122                                | \$ 12,629,119                |
| Employee health and<br>retirement benefits | 3,087,010                               | 1,932,429                                   | 5,019,439                    |
| Payroll taxes                              | 153,349                                 | 23,065                                      | 176,414                      |
| Staff travel                               | <u>357,771</u>                          | <u>21,144</u>                               | <u>378,915</u>               |
| Total Salaries and<br>Related Expenses     | 14,474,127                              | 3,729,760                                   | 18,203,887                   |
| Purchase of services:                      |   |   |                              |
| Residential services                       | 31,086,710                              |   | 31,086,710                   |
| Day program                                | 29,269,383                              |   | 29,269,383                   |
| Other purchased services                   | 56,578,500                              |   | 56,578,500                   |
| Advertising                                |   | 26,695                                      | 26,695                       |
| Communication                              |   | 168,125                                     | 168,125                      |
| General office expenses                    |   | 687,424                                     | 687,424                      |
| Data processing expenses                   |   | 264,178                                     | 264,178                      |
| Printing                                   |   | 17,237                                      | 17,237                       |
| Insurance                                  |   | 39,924                                      | 39,924                       |
| General expenses                           |   | 184,873                                     | 184,873                      |
| Facility and equipment rent                |   | 1,383,638                                   | 1,383,638                    |
| Equipment and facility maintenance         |   | 616,863                                     | 616,863                      |
| Consultant fees                            | 125,434                                 | 201,093                                     | 326,527                      |
| ARCA dues                                  |   | 72,887                                      | 72,887                       |
| Equipment purchases                        |   | 116,099                                     | 116,099                      |
| Board expenses                             |   | 14,509                                      | 14,509                       |
| Legal fees                                 |   | 131,379                                     | 131,379                      |
| Professional fees                          |   | 46,300                                      | 46,300                       |
| Interest expense                           |   | <u>41,179</u>                               | <u>41,179</u>                |
| <b>TOTAL EXPENSES</b>                      | <u><b>\$ 131,534,154</b></u>            | <u><b>\$ 7,742,163</b></u>                  | <u><b>\$ 139,276,317</b></u> |

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

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**

**STATEMENTS OF CASH FLOWS**

|  | <b>For the Year Ended<br/>June 30,</b> |              |
|--|--|--------------|
|  | <b>2010</b>                            | <b>2009</b>  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |              |
| Change in net assets (deficit)   | (\$ 1,047,143)                         | \$ 707,945   |
| Adjustments to reconcile change in net assets (deficit)<br>to net cash used in operating activities: |  |              |
| (Increase) decrease in:  |  |              |
| Cash – client trust funds  | 1,670                                  | 19,567       |
| Contracts receivable – state of California   | ( 10,547,542)                          | 137,889      |
| Due from state – accrued vacation and<br>other employee benefits                                     | ( 310,282)                             | ( 459,528)   |
| Other receivables  | ( 1,136)                               | 644          |
| Prepaid expenses   | ( 413)                                 | ( 19,645)    |
| Deposits and other assets  | 17,064                                 | ( 119,604)   |
| Increase (decrease) in:  |  |              |
| Accounts payable   | 303,591                                | ( 9,765)     |
| Accrued vacation and other employee benefits   | 303,351                                | 103,802      |
| Retirement health care plan obligation   | 1,091,652                              | ( 377,961)   |
| Unexpended client support  | ( 1,670)                               | ( 19,567)    |
| Net Cash Used In Operating Activities  | ( 10,190,858)                          | ( 36,223)    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |  |              |
| Proceeds from short-term borrowings  | 10,994,000                             |              |
| Net Cash Provided By Financing Activities  | 10,994,000                             |              |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>   | 803,142                                | ( 36,223)    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>  | 9,942,800                              | 9,979,023    |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | \$ 10,745,942                          | \$ 9,942,800 |

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash paid during the years ended June 30, 2010 and 2009 for interest totaled \$2,837 and \$41,179, respectively.

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

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 1 – Summary of Significant Accounting Policies**

***Basis of Presentation***

Valley Mountain Regional Center, Inc. (the Center) was incorporated on December 13, 1973 as a California nonprofit corporation. The Center was organized in accordance with the provisions of the Lanterman Developmental Disabilities Services Act (the Act) of the Welfare and Institutions Code of the State of California. In accordance with the Act, the Center provides diagnostic evaluations, client program management, and lifelong planning services for persons with developmental disabilities and their families. The areas served include San Joaquin, Stanislaus, Amador, Calaveras and Tuolumne Counties.

The Act includes governance provisions regarding the composition of the Center's board of directors. The Act states that the board shall be comprised of individuals with demonstrated interest in, or knowledge of, developmental disabilities, and other relevant characteristics, and requires that a minimum of 50 percent of the governing board be persons with developmental disabilities or their parents or legal guardians; and that no less than 25 percent of the members of the governing board shall be persons with developmental disabilities. In addition, a member of a required advisory committee, composed of persons representing the various categories of providers from which the Center purchases client services, shall serve as a member of the regional center board. To comply with the Act, the Center's board of directors includes persons with developmental disabilities, or their parents or legal guardians, who receive services from the Center and a client service provider of the Center.

The Center contracts with the State of California Department of Developmental Services (DDS) to operate a regional center for the developmentally disabled and their families. Under the terms of these contracts, funded expenditures are not to exceed \$139,171,468 and \$140,304,438 for the 2009-2010 and 2008-2009 contract years, respectively. As of June 30, 2010 and 2009, actual net expenditures under the 2009-2010 and 2008-2009 contracts were \$136,939,385 and \$137,987,246, respectively.

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

***Basis of Presentation (Continued)***

As discussed above, the Center operates under contracts with the DDS. Contract revenue is funded on a cost reimbursement basis. The net deficit reported as of June 30, 2010 and 2009 on the statements of financial position is primarily the result of the implementation of an accounting standard regarding the reporting of the Center's post-retirement health care plan. As further discussed in Notes 1 and 5, the accounting standard required the Center to recognize as a charge to net assets the actuarial losses and prior service cost which had not yet been recognized as components of periodic plan expenses. For purposes of reporting plan expenses, the unrecognized actuarial losses and prior service costs will continue to be amortized into plan expenses over future years. Plan expenses under the post-retirement health care plan are reimbursed under the DDS contract as the Center funds the plan.

The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. As of June 30, 2010 and 2009, the Center had no temporarily or permanently restricted net assets.

***Contributions***

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

***Use of Estimates and Assumptions***

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

***Cash and Cash Equivalents and Concentration of Credit Risk***

For purposes of the statements of cash flows, the Center considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2010 and 2009 and at various times during the year, the Center maintained cash balances in its financial institutions in excess of federally insured limits. Given the current economic environment and risks in the banking industry, there is risk that these deposits may not be readily available or covered by insurance.

***Support and Contracts Receivable – State of California***

Support and contracts receivable – state of California is recorded on the accrual method as related expenses are incurred.

***Equipment***

Pursuant to the terms of the DDS contract, equipment purchases become the property of the state and, accordingly, are charged as expenses when incurred. For the years ended June 30, 2010 and 2009, equipment purchases totaled \$163,438 and \$116,099, respectively.

***Accrued Vacation and Other Employee Benefits***

The Center has accrued a liability and a receivable from the state for leave benefits earned, and for post-retirement health care as discussed in Note 5. However, such benefits are reimbursed under the state contract only when actually paid.

***Post-Retirement Health Care Plan***

The Center is required to recognize the funded status of a benefit plan, measured as the difference between plan assets at fair value and the benefit obligation, in the statements of financial position, with an offsetting charge or credit to net assets. Gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net period benefit cost will be recognized each year as a separate charge or credit to net assets.

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

*Allocation of Expenses*

The statements of functional expenses allocate expenses to the program and supporting service categories based on a direct-cost basis for purchase of services and salaries and related expenses. Operating expenses are allocated to supporting services, except for contract consulting, which is allocated on a direct-cost basis.

*Tax Status*

The Center has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code, respectively.

The Center recognizes the financial statement benefit of tax positions, such as a filing status of tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Center is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California purposes is generally three and four years, respectively.

*Reclassifications*

Certain amounts in the prior-year financial statements have been reclassified to conform with the presentation in the current-year financial statements.

*Subsequent Events*

The Center's management has evaluated subsequent events from the statement of financial position date through February 9, 2011, the date the financial statements were available to be issued for the year ended June 30, 2010, and determined there are no other items to disclose.

**NOTE 2 – Cash - Client Trust Funds and Unexpended Client Support**

The Center functions as custodian for the receipt of certain governmental payments and resulting disbursements made on behalf of regional center clients. The cash balances are segregated from the operating cash accounts of the Center and are restricted for client support.

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 3 – Contracts Receivable – State of California**

As of June 30, 2010 and 2009, DDS had advanced the Center \$23,780,037 and \$34,625,978, respectively, under the regional center contracts. For financial statement presentation, to the extent there are claims receivable, these advances have been offset against the claims receivable from DDS contracts.

|                          | <u>June 30,</u>      |                   |
|--------------------------|----------------------|-------------------|
|                          | <u>2010</u>          | <u>2009</u>       |
| Contracts receivable     | \$ 34,768,215        | \$ 35,066,614     |
| Contract advances        | ( 23,780,037)        | ( 34,625,978)     |
| Net contracts receivable | <u>\$ 10,988,178</u> | <u>\$ 440,636</u> |

**NOTE 4 – Short-Term Borrowings**

At June 30, 2010, the Center had a revolving line of credit agreement with a bank, which expired July 30, 2010, whereby it could borrow up to \$10,994,000. Borrowings were secured by substantially all assets of the Center with interest payable monthly at an interest rate of 3.25% at June 30, 2010. At June 30, 2010, the outstanding balance was \$10,994,000. The outstanding balance was paid in full in July 2010.

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 5 – Post-Retirement Health Care Plan**

The Center sponsors a post-retirement health care plan through the California Public Employees’ Retirement System (PERS) for its employees. The actuarial cost method used for determining the benefit obligations is the Projected Unit Benefit Cost Method. Under this method, the actuarial present value of projected benefits is the value of benefits expected to be paid for current active employees and retirees. The Accumulated Post-Retirement Benefit Obligation (APBO) is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The APBO equals the present value of projected benefits multiplied by a fraction equal to service to date over service at full eligibility age. The Periodic Benefit Cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. The actuarial assumptions are summarized below:

|  |   |             |
|--|---|-------------|
| <i>Valuation Date</i>                              | June 30   |             |
| <br><i>Economic Assumptions</i>                    |   |             |
|  | <u>2010</u>   | <u>2009</u> |
| <br><i>Discount Rate</i>                           |   |             |
| Used to determine Net Periodic Benefit Cost        | 6.9%  | 6.9%        |
| Used to determine Benefit Obligations              | 5.5%  | 6.9%        |
| <br><i>Long-term Rate of Return on Plan Assets</i> |   |             |
|  | 6.75%   | 6.75%       |
| <i>Annual Benefit Increases</i>                    | Contributions toward medical premiums are assumed to increase 4.25% per year. |             |
| <i>Health Cost Trend</i>                           | Actual premium rate increases are based on the fixed CalPERS’ schedule.       |             |

The Center is required to recognize an expense each year equal to the Net Periodic Post-Retirement Benefit Cost (NPPBC). The unfunded accumulated benefit obligation for the plan upon its initial valuation was \$2,548,000, an amount which the Center elected to amortize over the average expected future service of its current employees (approximately 17 years).

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 5 – Post-Retirement Health Care Plan (Continued)**

The Center recognizes the post-retirement health care plan liability as the unfunded APBO in its financial statements. All previously unrecognized actuarial gains or losses are reflected in the statements of financial position. The plan items not yet recognized as a component of periodic plan expenses, but included as a separate charge to net assets, are:

|                                       | <b>June 30,</b>     |                     |
|---------------------------------------|---------------------|---------------------|
|                                       | <b>2010</b>         | <b>2009</b>         |
| Unamortized net transition obligation | \$ 1,934,028        | \$ 2,087,522        |
| Unamortized net gain                  | 382,121             | ( 822,106)          |
|                                       | <b>\$ 2,316,149</b> | <b>\$ 1,265,416</b> |

The pension-related changes other than net periodic pension cost were \$1,050,733 and \$718,069 for the years ended June 30, 2010 and 2009, respectively.

The following table provides a reconciliation of the changes in the plan's benefit obligations and funded status:

***Reconciliation of Benefit Obligation***

|                                   | <b>June 30,</b>  |                  |
|-----------------------------------|------------------|------------------|
|                                   | <b>2010</b>      | <b>2009</b>      |
| Change in benefit obligation      |                  |                  |
| Obligation at beginning of year   | \$ 2,443,386     | \$ 2,821,347     |
| Service cost                      | 130,662          | 122,389          |
| Interest cost                     | 190,728          | 151,361          |
| Assumption change loss            | 831,976          |                  |
| Experience (gain) loss            | 350,073          | ( 603,711)       |
| Benefits paid                     | ( 49,709)        | ( 48,000)        |
| Benefit obligation at end of year | <b>3,897,116</b> | <b>2,443,386</b> |

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 5 – Post-Retirement Health Care Plan (Continued)**

*Reconciliation of Benefit Obligation (Continued)*

|   | <b>June 30,</b>       |                       |
|---|-----------------------|-----------------------|
|   | <b>2010</b>           | <b>2009</b>           |
| Change in plan assets   |                       |                       |
| Fair value of plan assets at beginning of year                | None                  |                       |
| Employer contribution   | 388,108               |                       |
| Actual return on plan assets                                  | ( 10,438)             |                       |
| Benefits paid   | ( 15,592)             |                       |
| Fair value of plan assets at end of year                      | 362,078               | None                  |
| Funded status   | ( 3,535,038)          | ( 2,443,386)          |
| Net amount recognized in the statements of financial position | <u>(\$ 3,535,038)</u> | <u>(\$ 2,443,386)</u> |

Net periodic post-retirement benefit cost consists of the following components:

|   | <b>For the Year Ended<br/>June 30,</b> |                   |
|---|--|-------------------|
|   | <b>2010</b>                            | <b>2009</b>       |
| Service cost                              | \$ 130,662                             | \$ 122,389        |
| Interest cost                             | 190,728                                | 151,361           |
| Transition cost                           | 153,494                                | 153,494           |
| Recognized net actuarial gain             | ( 11,740)                              | ( 39,136)         |
| Net periodic post-retirement benefit cost | <u>\$ 463,144</u>                      | <u>\$ 388,108</u> |

The net amount recognized as a separate charge to net assets of \$2,316,149 and \$1,265,416 as of June 30, 2010 and 2009, respectively, for prior service cost does not have an offsetting accrual from the DDS to reflect the future reimbursement of such benefits. The Center has accrued a receivable from the DDS for the balance of the accrued benefit obligation of \$1,218,889 and \$1,177,970 as of June 30, 2010 and 2009, respectively, which results in additional support to offset the net periodic post-retirement benefit cost.

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 5 – Post-Retirement Health Care Plan (Continued)**

*Plan Assets*

The plan’s assets are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A recent accounting standard has established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Center has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table sets forth by level, with the fair value hierarchy, the plan’s assets at fair value as of June 30, 2010:

|                           | <u>Total</u>      | <u>Quoted Prices<br/>in Active<br/>Markets for<br/>Identical<br/>Assets<br/>(Level 1)</u> | <u>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</u> | <u>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</u> |
|---------------------------|-------------------|---|--|--|
| Asset category:           |                   |   |  |  |
| Cash and cash equivalents | \$ 10,483         | \$ 10,483   |  |  |
| Mutual funds              |                   |   |  |  |
| Large blend-equity        | 240,450           | 240,450   |  |  |
| Intermediate-term bond    | 56,385            | 56,385  |  |  |
| Short-term bond           | <u>54,760</u>     | <u>54,760</u>   |  |  |
| Total                     | <u>\$ 362,078</u> | <u>\$ 362,078</u>   | <u>None</u>  | <u>None</u>  |

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 5 – Post-Retirement Health Care Plan (Continued)

*Plan Assets (Continued)*

The allocation of plan assets is as follows:

| <u>Asset Category</u>         | <u>June 30,</u> |             |
|-------------------------------|-----------------|-------------|
|                               | <u>2010</u>     | <u>2009</u> |
| Interest bearing cash         | 2.9%            |             |
| Mutual funds                  |                 |             |
| Highmark Diversified Equity   | 66.4%           |             |
| Highmark Bond Fund            | 15.6%           |             |
| Highmark Short-Term Bond Fund | <u>15.1%</u>    |             |
|                               | <u>100%</u>     | <u>None</u> |

The investment objective of the plan is to provide a rate of return commensurate with a moderate degree of risk of loss of principal and return volatility. A trustee administers the plan assets and investment responsibility for the assets is assigned to outside investment managers. The assets of the plan are periodically rebalanced to remain within the desired target allocations.

*Variability of Estimated APBO*

Actual future costs may vary significantly from the estimates used in calculating the APBO for a variety of reasons. Retiree medical costs are especially difficult to estimate due to the uncertainty of future medical costs.

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 5 – Post-Retirement Health Care Plan (Continued)**

*Cash Flow Estimates for Future Benefit Payments*

The following estimated benefit payments, which reflect expected future services, as appropriate, are expected to be paid on a fiscal year basis:

| <b>For the<br/>Year Ending<br/>June 30,</b> |            |
|---|------------|
| 2011  | \$ 70,990  |
| 2012  | \$ 81,961  |
| 2013  | \$ 93,864  |
| 2014  | \$ 106,868 |
| 2015  | \$ 120,401 |
| 2016 - 2020                                 | \$ 832,455 |

**NOTE 6 – Pension Plan**

The Center contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the state of California. Substantially all of the Center's employees participate in PERS.

PERS uses the Entry Age Normal Cost Method to fund benefits. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire to the assumed retirement age.

The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants.

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 6 – Pension Plan (Continued)**

The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methodology are amortized separately over a 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year rolling period, which results in an amortization of about six percent of unamortized gains and losses each year. Finally, if the plan's accrued liability exceeds the actuarial value of plan assets, the annual contribution with respect to the total unfunded liability may not be less than the amount produced by a 30-year amortization of the unfunded liability.

A summary of principal actuarial assumptions used is as follows:

|                            |  |
|----------------------------|--|
| Valuation Date             | June 30, 2009  |
| Actuarial Cost Method      | Entry Age Normal Cost Method   |
| Amortization Method        | Level percent of payroll   |
| Average Remaining Period   | 22 years as of the valuation date  |
| Asset Valuation Method     | 15-year smoothed market  |
| Investment Rate of Return  | 7.75% (net of administrative expense)  |
| Projected Salary Increases | 3.55% to 14.45% depending on age, service, and type of employment  |
| Inflation                  | 3.00%  |
| Payroll Growth             | 3.25%  |
| Individual Salary Growth   | A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of .25% |

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 6 – Pension Plan (Continued)**

The asset allocation shown below reflects the PERS fund in total as of June 30, 2009. The assets of the Center’s plan are part of the PERS fund and are invested accordingly.

| <u>Asset Class</u>      | <u>Current<br/>Allocation</u> | <u>Target</u> |
|-------------------------|-------------------------------|---------------|
| Cash equivalents        | 6.5%                          | 0.0%          |
| Global fixed income     | 28.1                          | 19.0          |
| Equities                | 55.6                          | 66.0          |
| Inflation linked (ILAC) | 2.4                           | 5.0           |
| Real estate             | 7.4                           | 10.0          |
|                         | 100.0%                        | 100.0%        |

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

| <u>Valuation<br/>Date</u> | <u>Accrued<br/>Liability</u> | <u>Actuarial<br/>Value of<br/>Assets (AVA)</u> | <u>Unfunded<br/>Liability</u> | <u>Funded Ratios</u> |                         | <u>Annual<br/>Covered<br/>Payroll</u> | <u>UL as a<br/>Percentage<br/>of Payroll</u> |
|---------------------------|------------------------------|--|-------------------------------|----------------------|-------------------------|---------------------------------------|--|
|                           |                              |  |                               | <u>AVA</u>           | <u>Market<br/>Value</u> |                                       |  |
| 06/30/07                  | \$32,187,016                 | \$25,852,149                                   | \$6,334,867                   | 80.3%                | 91.6%                   | \$11,463,712                          | 55.3%  |
| 06/30/08                  | \$35,217,166                 | \$29,935,752                                   | \$5,281,414                   | 85.0%                | 85.0%                   | \$12,232,736                          | 43.2%  |
| 06/30/09                  | \$38,986,156                 | \$34,078,085                                   | \$4,908,071                   | 87.4%                | 64.0%                   | \$12,367,315                          | 39.7%  |

Employee contributions are approximately seven percent of salaries and wages. The Center is required to contribute the remaining amount necessary to fund benefits for its employees, using the actuarial basis adopted by the PERS Board of Administration. Total retirement expense for the years ended June 30, 2010 and 2009 was \$1,618,236 and \$2,436,275, respectively.

**NOTE 7 – Commitments and Contingencies**

***Commitments***

The Center is obligated under certain operating leases for office equipment, field and main office facilities. The lease terms expire in various years through November 30, 2019. The terms of the leases provide for payment of minimum annual rentals, insurance, and property taxes. In the event the DDS does not renew its annual support contract, the leases described above become cancelable by the Center.

VALLEY MOUNTAIN REGIONAL CENTER, INC.

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009

NOTE 7 – Commitments and Contingencies (Continued)

*Commitments (Continued)*

Future minimum rental commitments for facilities are as follows:

| <u>For the Year Ending<br/>June 30,</u> |                     |
|---|---------------------|
| 2011                                    | \$ 1,494,716        |
| 2012                                    | 1,507,784           |
| 2013                                    | 1,524,635           |
| 2014                                    | 1,450,396           |
| 2015                                    | 1,449,876           |
| Thereafter                              | <u>1,968,438</u>    |
|   | <u>\$ 9,395,845</u> |

Total office equipment and facilities rental expense for the years ended June 30, 2010 and 2009 was \$1,519,929 and \$1,383,638, respectively.

*Contingencies*

In accordance with the terms of the contract with DDS, an audit may be performed by an authorized DDS representative. Should such audit disclose any unallowable costs, the Center may be liable to DDS for reimbursement of such costs. In the opinion of the Center's management, the effect of any disallowed costs would be immaterial to the financial statements at June 30, 2010 and 2009, and for the years then ended.

The Center is dependent on continued funding provided by DDS to operate and provide services for its clients. The Center's contract with DDS provides funding for services under the Lanterman Act. In the event that the operations of the Center result in a deficit position at the end of any contract year, DDS may reallocate surplus funds within the State of California system to supplement the Center's funding. Should a system-wide deficit occur, DDS is required to report to the Governor of California and the appropriate fiscal committee of the State Legislature and recommend actions to secure additional funds or reduce expenditures. DDS's recommendations are subsequently reviewed by the Governor and the Legislature and a decision is made with regard to specific actions, including the possible suspension of the entitlement.

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009**

**NOTE 7 – Commitments and Contingencies (Continued)**

*Contingencies (Continued)*

The state of California is experiencing an unprecedented budget shortfall due to the severe national and state economic crisis. The DDS has undertaken numerous efforts to control costs throughout the system and is committed to preserving the entitlement services and supports. Reductions in regional center operations and purchase of services are expected for the 2010/2011 fiscal year as a result of cost control efforts and legislation enacted.

The Center retains approximately 80 percent of its labor force through Social Services Union Local 1021, Service Employees International Union. This labor force is subject to a collective bargaining agreement and, as such, renegotiation of such agreement could expose the Center to an increase in hourly costs and work stoppages. The agreement was renewed October 1, 2008 and covers the period through September 30, 2011.

The Center is involved in various claims and lawsuits arising in the normal conduct of its operations. The Center's management believes it has adequate defenses and insurance coverage for these actions and, thus, has made no provision in the financial statements for any costs relating to the settlement of such claims.

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

| <u>Federal Grantor/<br/>Pass-Through Grantor/<br/>Grant Title</u>           | <u>Federal<br/>CFDA<br/>Number</u> | <u>Grant<br/>Identification<br/>Number</u> | <u>Federal<br/>Expenditures</u>       |
|---|------------------------------------|--|---------------------------------------|
| <b>U.S. Department of Education</b>   |                                    |  |                                       |
| <b>Passed through State of California</b>                                   |                                    |  |                                       |
| <b>Department of Developmental Services</b>                                 |                                    |  |                                       |
| <b>Early Intervention Services (IDEA) Cluster:</b>                          |                                    |  |                                       |
| Special Education – Grants for Infants<br>and Families                      | 84.181                             | H181A090037                                | \$ 1,360,788                          |
| ARRA – Special Education – Grants for<br>Infants and Families, Recovery Act | 84.393                             | H393A090037A                               | <u>1,451,122</u><br><u>2,811,910</u>  |
| <b>U.S. Corporation for National and<br/>Community Service</b>              |                                    |  |                                       |
| <b>Pass through State of California</b>                                     |                                    |  |                                       |
| <b>Department of Developmental Services</b>                                 |                                    |  |                                       |
| Foster Grandparent program  | 94.011                             | HD099021                                   | <u>134,635</u><br><u>\$ 2,946,545</u> |

***Basis of Presentation***

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Valley Mountain Regional Center, Inc. and is presented based on state contract budget allocations. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, 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.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Valley Mountain Regional Center, Inc.

We have audited the financial statements of Valley Mountain Regional Center, Inc. as of and for the year ended June 30, 2010, and have issued our report thereon dated February 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Valley Mountain Regional Center, Inc.'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 Valley Mountain Regional Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Valley Mountain Regional Center, Inc.'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, others within the organization and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Windes & McCaughey".

Long Beach, California  
February 9, 2011



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OBM CIRCULAR A-133**

To the Board of Directors of  
Valley Mountain Regional Center, Inc.

**Compliance**

We have audited Valley Mountain Regional Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Valley Mountain Regional Center, Inc.'s major federal programs for the year ended June 30, 2010. Valley Mountain Regional Center, Inc.'s major federal programs are identified in the summary of auditors' 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 Valley Mountain Regional Center, Inc.'s management. Our responsibility is to express an opinion on Valley Mountain Regional Center, Inc.'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 Valley Mountain Regional Center, Inc.'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 on Valley Mountain Regional Center, Inc.'s compliance with those requirements.

In our opinion, Valley Mountain Regional Center, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

## Internal Control Over Compliance

Management of Valley Mountain Regional Center, Inc. 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 Valley Mountain Regional Center, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Valley Mountain Regional Center, Inc.'s internal control over compliance.

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

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

This report is intended solely for the information and use of the Board of Directors, management, others within the organization 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.



Long Beach, California  
February 9, 2011

**VALLEY MOUNTAIN REGIONAL CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

**Financial Statements**

Type of auditors’ report issued – Unqualified

*Internal control over financial reporting*

1. Material weakness(es) identified? – No
2. Significant deficiencies identified that are not considered to be material weaknesses? – None reported
3. Noncompliance material to financial statements noted? – No

**Federal Awards**

*Internal control over major programs*

1. Material weakness(es) identified? – No
2. Significant deficiencies identified that are not considered to be material weakness(es)? – None reported
3. Type of auditors’ report issued on compliance for major programs? – Unqualified
4. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? – No
5. Identification of major programs: Early Intervention Services (IDEA) Cluster – Special Education – Grants for Infants and Families, CFDA #84.181, and ARRA – Special Education – Grants for Infants and Families, Recovery Act, CFDA #84.393
6. Dollar threshold used to distinguish between type A and type B programs was \$300,000.
7. Auditee qualified as low-risk auditee? – Yes

**SECTION II – FINANCIAL STATEMENTS FINDINGS**

None

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None