

**TRI-COUNTIES ASSOCIATION FOR THE
DEVELOPMENTALLY DISABLED, 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
Tri-Counties Association for the Developmentally Disabled, Inc.:

We have audited the accompanying statements of financial position of Tri-Counties Association for the Developmentally Disabled, 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 the Organization'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 the Organization'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 the 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 Tri-Counties Association for the Developmentally Disabled, 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 January 24, 2011, on our consideration of Tri-Counties Association for the Developmentally Disabled, 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 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 audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements 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". The signature is written in black ink and is positioned above the typed text.

Long Beach, California
January 24, 2011

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2010	2009
ASSETS		
Cash and cash equivalents	\$ 16,705,877	\$ 14,612,836
Cash - client trust funds	1,153	3,216
Contracts receivable – state of California	20,283,855	5,286,576
Client receivables from government agencies	59,324	87,591
Other receivables	63,461	529,675
Prepaid expenses and deposits	102,281	82,654
Due from state – accrued vacation and other employee benefits	6,046,276	5,221,496
TOTAL ASSETS	\$ 43,262,227	\$ 25,824,044

LIABILITIES AND NET DEFICIT

LIABILITIES		
Accounts payable	\$ 19,771,719	\$ 19,391,040
Accrued payroll	653,778	568,373
Line of credit	16,401,000	
Accrued vacation	794,172	811,671
Due to state	34,624	253,340
Post-retirement health care plan obligation	6,410,898	6,258,044
Other liabilities	137,629	81,683
	44,203,820	27,364,151
COMMITMENTS AND CONTINGENCIES (Notes 5, 6, and 9)		
NET ASSETS (DEFICIT)		
Unrestricted	(1,089,906)	(1,792,101)
Temporarily restricted	148,313	251,994
	(941,593)	(1,540,107)
TOTAL LIABILITIES AND NET DEFICIT	\$ 43,262,227	\$ 25,824,044

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

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contracts – state of California	\$ 212,237,848		\$ 212,237,848
Interest income	207,830		207,830
Other income	<u>166,426</u>		<u>166,426</u>
	212,612,104		212,612,104
NET ASSETS RELEASED FROM RESTRICTION			
	<u>103,681</u>	(\$ <u>103,681</u>)	<u> </u>
Total Support and Revenue	<u>212,715,785</u>	(<u>103,681</u>)	<u>212,612,104</u>
EXPENSES			
Program Services			
Client services	206,423,851		206,423,851
Supporting Services			
General and administrative	<u>6,279,164</u>		<u>6,279,164</u>
Total Expenses	<u>212,703,015</u>		<u>212,703,015</u>
CHANGE IN NET ASSETS (DEFICIT) BEFORE HEALTH PLAN-RELATED CHANGES OTHER THAN NET PERIODIC POST- RETIREMENT BENEFIT COST			
	12,770	(103,681)	(90,911)
HEALTH PLAN-RELATED CHANGES OTHER THAN NET PERIODIC POST- RETIREMENT BENEFIT COST			
	<u>689,425</u>	<u> </u>	<u>689,425</u>
CHANGE IN NET ASSETS (DEFICIT)	702,195	(103,681)	598,514
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR			
	(<u>1,792,101</u>)	<u>251,994</u>	(<u>1,540,107</u>)
NET ASSETS (DEFICIT) AT END OF YEAR			
	(<u>\$ 1,089,906</u>)	<u>\$ 148,313</u>	(<u>\$ 941,593</u>)

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

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contracts – state of California	\$ 208,965,653		\$ 208,965,653
Interest income	697,412		697,412
Grants		\$ 137,608	137,608
Other income	55,395		55,395
	<u>209,718,460</u>	<u>137,608</u>	<u>209,856,068</u>
NET ASSETS RELEASED FROM RESTRICTION			
	<u>170,911</u>	<u>(170,911)</u>	
Total Support and Revenue	<u>209,889,371</u>	<u>(33,303)</u>	<u>209,856,068</u>
EXPENSES			
Program Services			
Client services	203,154,190		203,154,190
Supporting Services			
General and administrative	<u>6,821,419</u>		<u>6,821,419</u>
Total Expenses	<u>209,975,609</u>		<u>209,975,609</u>
CHANGE IN NET ASSETS (DEFICIT) BEFORE HEALTH PLAN-RELATED CHANGES OTHER THAN NET PERIODIC POST- RETIREMENT BENEFIT COST			
	(86,238)	(33,303)	(119,541)
HEALTH PLAN-RELATED CHANGES OTHER THAN NET PERIODIC POST- RETIREMENT BENEFIT COST			
	<u>44,003</u>		<u>44,003</u>
CHANGE IN NET ASSETS (DEFICIT)	(42,235)	(33,303)	(75,538)
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR			
	(<u>1,749,866</u>)	<u>285,297</u>	(<u>1,464,569</u>)
NET ASSETS (DEFICIT) AT END OF YEAR			
	(<u>\$ 1,792,101</u>)	<u>\$ 251,994</u>	(<u>\$ 1,540,107</u>)

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

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

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

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Client Services</u>	<u>General and Admin- istrative</u>	<u>Total Expenses</u>	<u>% of Total Expenses</u>
Purchase of services				
Living out of home	\$ 28,062,432		\$ 28,062,432	13.19%
Day program	56,745,994		56,745,994	26.68
Transportation	10,645,166		10,645,166	5.00
Other services	92,399,381		92,399,381	43.44
Personnel services				
Salaries	10,154,961	\$ 3,186,105	13,341,066	6.27
Benefits	4,020,485	1,513,087	5,533,572	2.60
Taxes	137,176	88,328	225,504	0.11
Occupancy				
Facility rent and maintenance	1,884,028	603,774	2,487,802	1.17
One-time facility expense	95,803	31,419	127,222	0.06
Utilities	139,757	45,834	185,591	0.09
General expense	293,554	25,493	319,047	0.15
Equipment				
Purchase, rental, and maintenance	421,116	137,774	558,890	0.26
Professional fees				
Accounting fees	44,153	14,447	58,600	0.03
Legal fees	221,025	72,486	293,511	0.14
Consultant services	28,405	280,981	309,386	0.15
Insurance	72,054	23,597	95,651	0.05
Communication				
Telephone	286,344	93,759	380,103	0.18
Postage	84,958	27,764	112,722	0.05
Travel	411,361	52,347	463,708	0.22
Training, development, and conferences	118,832	32,795	151,627	0.07
General office expense				
Office supplies	156,866	42,896	199,762	0.09
Interest expense		6,278	6,278	0.00
TOTAL EXPENSES	<u>\$ 206,423,851</u>	<u>\$ 6,279,164</u>	<u>\$ 212,703,015</u>	<u>100.00%</u>

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

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

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

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Client Services</u>	<u>General and Admin- istrative</u>	<u>Total Expenses</u>	<u>% of Total Expenses</u>
Purchase of services				
Living out of home	\$ 29,278,403		\$ 29,278,403	13.94%
Day program	56,392,599		56,392,599	26.86
Transportation	10,706,472		10,706,472	5.10
Other services	88,906,191		88,906,191	42.34
Personnel services				
Salaries	9,980,545	\$ 3,415,780	13,396,325	6.38
Benefits	3,249,041	1,553,353	4,802,394	2.29
Taxes	122,567	187,150	309,717	0.15
Occupancy				
Facility rent and maintenance	1,729,220	618,878	2,348,098	1.12
One-time facility expense	219,667	78,809	298,476	0.14
Utilities	82,119	29,461	111,580	0.05
General expense	389,532	65,116	454,648	0.22
Equipment				
Purchase, rental, and maintenance	466,045	167,015	633,060	0.30
Professional fees				
Accounting fees	38,561	13,799	52,360	0.02
Legal fees	185,504	66,552	252,056	0.12
Consultant services	26,224	258,802	285,026	0.14
Insurance	118,237	42,383	160,620	0.08
Communication				
Telephone	314,985	112,740	427,725	0.20
Postage	136,546	48,881	185,427	0.09
Travel	488,690	57,107	545,797	0.26
Training, development, and conferences	118,138	35,122	153,260	0.07
General office expense				
Office supplies	204,904	51,748	256,652	0.12
Interest expense		18,723	18,723	0.01
TOTAL EXPENSES	<u>\$ 203,154,190</u>	<u>\$ 6,821,419</u>	<u>\$ 209,975,609</u>	<u>100.00%</u>

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

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

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

NOTE 1 – Summary of Significant Accounting Policies

Organization and Operations

Tri-Counties Association for the Developmentally Disabled, Inc. (the Center), was incorporated on November 29, 1968 as a California not-for-profit corporation for the purpose of operating Tri-Counties Regional Center and related activities. 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 Center serves the counties of Ventura, Santa Barbara and San Luis Obispo.

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% of the governing board be persons with developmental disabilities or their parents or legal guardians; and that no less than 25% 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 regional 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 individuals with developmental disabilities and their families. Under the terms of these contracts, funded expenditures are not to exceed \$210,451,963 and \$209,484,276 for the 2009-2010 and 2008-2009 contract years, respectively. As of June 30, 2010, actual net expenditures under the 2009-2010 and 2008-2009 contracts were \$208,546,298 and \$208,615,785, respectively.

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

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

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Organization and Operations (Continued)

As discussed above, the Center operates under contracts with the DDS. Contract revenue is funded on a cost reimbursement basis. The net asset 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 that 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.

Financial Statement Presentation

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 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. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, 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 the purpose of the statements of cash flows, the Center considers all highly liquid debt instruments with maturity of three months or less when purchased to be cash equivalents.

At June 30, 2010 and throughout the year, the Center maintained cash balances in its bank 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

Contracts receivable and contract support are recorded on the accrual method as related expenses are incurred.

Equipment

Pursuant to the terms of the contract with the DDS, 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 \$505,447 and \$562,248, respectively.

Accrued Vacation and Other Employee Benefits

The Center has accrued a liability for leave benefits earned and for post-retirement health care as discussed in Note 5. However, such benefits are reimbursed under the contract with the DDS only when actually paid. The Center has also recorded a receivable from the DDS for the accrued benefits to reflect the future reimbursement of such benefits.

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.

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, 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 both a direct-cost basis for purchase of services and salaries and related expenses and a percentage of salaries per category to total salaries and related expenses for operating expenses. Travel and contract consulting expenses, however, are 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 the 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.

Subsequent Events

The Center's management has evaluated subsequent events from the statement of financial position date through January 24, 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. In August 2008, a significant portion of the client trust fund and unexpended client support was transferred to an unrelated third-party management service.

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

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

NOTE 3 – Contracts Receivable/Contract Advances – State of California

As of June 30, 2010 and 2009, the DDS had advanced the Center \$32,978,855 and \$53,160,583, respectively, under the contracts with the DDS. For financial statement presentation, to the extent there are claims receivable, these advances have been offset against the claims receivable from the DDS as follows:

	June 30,	
	2010	2009
Contracts receivable	\$ 53,262,710	\$ 58,447,159
Contract advances	(32,978,855)	(53,160,583)
Net contracts receivable	<u>\$ 20,283,855</u>	<u>\$ 5,286,576</u>

NOTE 4 – Short-Term Borrowings

The Center had a revolving line of credit agreement with a bank which expired December 31, 2010, whereby it could borrow up to \$31,527,000. 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 \$16,401,000. The outstanding balance was paid in full in October 2010.

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

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

NOTE 5 – Post-Retirement Health Care Plan

The Center has a noncontributory post-retirement health care plan for its employees. The Center uses a June 30 measurement date for its plan.

The following tables provide a reconciliation of the changes in the plan’s benefit obligations and funded status as of June 30, 2010 and 2009:

Reconciliation of Benefit Obligation

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 7,337,057	\$ 6,496,130
Service cost	588,445	577,104
Interest cost	408,822	429,844
Actuarial loss (gain)	(513,635)	79,767
Benefits paid	(193,424)	(245,788)
Obligation at end of year	<u>7,627,265</u>	<u>7,337,057</u>
Change in plan assets		
Fair value of plan assets at beginning of year	1,079,013	1,000,000
Actual return on plan assets	<u>137,354</u>	<u>79,013</u>
Fair value of plan assets at end of year	<u>1,216,367</u>	<u>1,079,013</u>
Net amount recognized in the statements of financial position	(<u>\$ 6,410,898</u>)	(<u>\$ 6,258,044</u>)

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

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

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

The following table provides the components of the net periodic benefit cost for the plan:

	For the Year Ended June 30,	
	<u>2010</u>	<u>2009</u>
Service cost	\$ 588,445	\$ 577,104
Interest cost	408,822	429,844
Return on investments	(137,354)	(79,013)
Net asset gain (loss)	51,033	(987)
Amortization of unrecognized past service cost	<u>124,757</u>	<u>124,757</u>
Net periodic benefit cost	<u><u>\$ 1,035,703</u></u>	<u><u>\$ 1,051,705</u></u>

The plan items not yet recognized as a component of periodic plan expenses, but included as a separate charge to net assets at June 30, 2010 and 2009 are:

	June 30,	
	<u>2010</u>	<u>2009</u>
Prior service cost	\$ 998,060	\$ 1,122,817
Actuarial loss	<u>160,734</u>	<u>725,402</u>
	<u><u>\$ 1,158,794</u></u>	<u><u>\$ 1,848,219</u></u>

The Center has accrued a receivable as of June 30, 2010 and 2009 from the DDS totaling \$5,252,104 and \$4,409,825, respectively, representing the portion of the post-retirement health care plan obligation which has been recognized as plan expense. The receivables are included in due from state-accrued vacation and other employee benefits in the statements of financial position.

The accumulated benefit obligation as of July 1, 2000 of \$2,245,630 is being considered an unrecognized prior service cost and is being amortized on a straight-line basis over 18 years.

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

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

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

Assumptions

Weighted-average assumptions used to determine benefit obligations at June 30:

	<u>2010</u>	<u>2009</u>
Discount rate	5.50%	6.25%
General inflation	2.50%	3.25%
Long-term rate of return on plan assets	8.00%	8.00%

Weighted-average assumptions used to determine net periodic benefit cost for years ended June 30:

	<u>2010</u>	<u>2009</u>
Discount rate	6.25%	6.75%
General inflation	3.25%	3.75%
Long-term rate of return on plan assets	8.00%	8.00%

Assumed health care cost trends at June 30:

	<u>2010</u>	<u>2009</u>
Net Periodic Benefit Cost:		
Health care cost trend rate assumed for next year	6.90%	7.10%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	5.25%	5.75%
Year that the rate reaches the ultimate trend rate	2014	2013

Accumulated Benefit Obligation:

Health care cost trend rate assumed for next year	7.30%	7.45%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	4.50%	5.25%
Year that the rate reaches the ultimate trend rate	2015	2014

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

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

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

Assumptions (Continued)

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A 1% change in assumed health care cost trend rates would have the following effects for the year ended June 30, 2010:

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on the accumulated post-retirement benefit obligation	\$ 1,404,950	(\$ 1,122,088)

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.

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

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

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

Plan Assets (Continued)

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 in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Asset category:				
Cash and cash equivalents	\$ 56,762	\$ 56,762		
Common stocks – materials	68,877	68,877		
Mutual funds – equities	839,396	839,396		
Mutual funds – bonds	<u>251,332</u>	<u>251,332</u>		
Total	<u>\$ 1,216,367</u>	<u>\$ 1,216,367</u>	<u>None</u>	<u>None</u>

Plan Asset Allocations

Weighted-average asset allocations at June 30, 2010 were as follows:

<u>Asset Class</u>	<u>Current Allocation</u>	<u>Target</u>
Cash equivalents	5%	5%
Fixed income	20%	20%
Equity	75%	75%

Weighted-average asset allocations at June 30, 2009 were as follows:

<u>Asset Class</u>	<u>Current Allocation</u>	<u>Target</u>
Cash equivalents	9%	9%
Fixed income	21%	21%
Equity	70%	70%

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

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

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

Cash Flows

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future services, as appropriate, are expected to be paid:

<u>For the Year Ending June 30,</u>	
2011	\$ 243,000
2012	281,000
2013	312,000
2014	360,000
2015	414,000
Years 2016 – 2020	<u>2,605,000</u>
	<u>\$ 4,215,000</u>

NOTE 6 – Retirement Plan

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

The actuarial calculations generated by PERS are based on a number of assumptions about very long-term demographic and economic behavior. Unless these assumptions (terminations, deaths, disabilities, retirements, salary growth, and investment return) are exactly realized each year, there will be differences on a year-to-year basis.

PERS actuarial calculation determines plan cost as the sum of two pieces: 1) Normal Cost - the future annual premiums excluding any surplus or unfunded liability; and 2) Past Service Cost - the current value of the benefit for all credited past service of current members.

Under the Normal Cost 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.

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

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

NOTE 6 – Retirement Plan (Continued)

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.

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. If the plan's accrued liability exceeds the actuarial value of 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 are as follows:

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level percent of payroll
Average Remaining Period	13 years as of the valuation date
Asset Valuation Method	15-year smoothed market
Actuarial Assumptions (used for all plans)	
Investment Rate of Return	7.75% (net of administrative expense)
Projected Salary Increases	Annual increases vary by category, entry age, and duration of service
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 0.25%

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

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

NOTE 6 – Retirement 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 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	2.4	5.0
Real estate	<u>7.4</u>	<u>10.0</u>
	<u>100.0%</u>	<u>100.0%</u>

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 Date</u>	<u>Accrued Liability</u>	<u>Actuarial Value of Assets (AVA)</u>	<u>Unfunded Liability (UL)</u>	<u>Funded Ratios AVA</u>	<u>Market Value</u>	<u>Annual Covered Payroll</u>	<u>UL as a Percentage of Payroll</u>
06/30/06	\$37,563,989	\$28,676,140	\$8,887,849	76.3%	80.6%	\$12,156,754	73.1%
06/30/07	\$42,022,961	\$34,018,702	\$8,004,259	81%	92.9%	\$12,149,729	65.9%
06/30/08	\$46,515,600	\$39,074,471	\$7,441,129	84%	84.5%	\$13,104,693	56.8%
06/30/09	\$50,592,735	\$43,399,285	\$7,193,450	85.8%	62.7%	\$13,484,056	53.3%

Employee contributions are approximately 5% of salary and wages. The Center has two retirement plans with PERS to which it contributes an additional percentage to fund the remaining employee contributions. One is a 3%-at-age-60 formula which was discontinued as of December 31, 2005. All employees hired on or before this date participate in this plan. All employees hired on or after January 1, 2006 participate in a 2%-at-age-60 plan. The total required employee contributions are 7% for the 2%-at-age-60 plan and 8% for the 3%-at-age-60 plan; however, employees contribute 5% and the Center contributes the balance.

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

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

NOTE 6 – Retirement Plan (Continued)

In addition, 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. The employer rate is determined using the actuarial basis adopted by the PERS Board of Administration.

Total retirement expense for the years ended June 30, 2010 and 2009 was \$2,530,205 and \$2,736,421, respectively.

NOTE 7 – Temporarily Restricted Net Assets

During the year ended June 30, 2009 and prior, the Center received a private grant to be used for specific purposes as stated by the grantor. As of June 30, 2010 and 2009, temporarily restricted net assets available for the private grant were \$148,313 and \$251,994, respectively.

NOTE 8 – Related-Party Transactions

In June 2008, the Center established a non-profit housing corporation, Tri-Counties Community Housing Corporation (the Housing Corporation) for the acquisition of and retention of housing in perpetuity for persons served by the Center. The Center and the Housing Corporation do not share common board directors. However, the Center has the power to designate each and all of the directors on the Housing Corporation's Board of Directors, or revoke a designation with or without cause. Under the housing guidelines established by DDS, the Center obtained start-up funding under the Community Placement Plan and then, through a contract with the Housing Corporation, provided those funds to the Housing Corporation for the purchase of housing. At June 30, 2010, the Center owed the Housing Corporation \$124,650 under operating contracts. This amount is included in accounts payable at June 30, 2010. During the year ended June 30, 2010, the Housing Corporation recognized \$520,095 in revenue earned under the contracts.

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

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

NOTE 8 – Related-Party Transactions (Continued)

Summarized unaudited financial information for the Housing Corporation is as follows:

	June 30, 2010 <u>(Unaudited)</u>
Current assets	\$ 40,391
Receivable from the Center	124,650
Property, buildings, and equipment	1,035,360
Other assets	<u>1,070</u>
	<u>\$ 1,201,471</u>
Current liabilities	\$ 1,470
Notes payable	620,499
Unrestricted net assets	<u>579,502</u>
	<u>\$ 1,201,471</u>
	For the Year Ended June 30, 2010 <u>(Unaudited)</u>
Revenue and support	\$ 557,388
Expenses	<u>157,405</u>
Change in unrestricted net assets	<u>\$ 399,983</u>

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

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

NOTE 9 – Commitments and Contingencies

Lease Commitments

The Center has entered into various leases for office facilities. The lease terms range from five to ten-and-one-half years, expiring at various dates through June 30, 2018. Certain leases contain provisions for renewal options and for increasing rent due to increased expenses, taxes, and cost of living. In addition, the Center is required to pay for insurance on certain premises.

The following is a schedule of future minimum lease payments required as of June 30, 2010:

For the Year Ending June 30,	
2011	\$ 2,177,721
2012	2,042,513
2013	1,924,048
2014	1,536,902
2015	1,457,383
Thereafter	<u>3,759,867</u>
	<u>\$ 12,898,434</u>

The facilities rental expense for the years ended June 30, 2010 and 2009 was \$2,455,184 and \$2,335,950, respectively.

Contract Commitment

In January 2010, the Center entered into a contract agreement with a service provider to provide residential treatment services through June 30, 2020 along with two other regional centers. The agreement renews on an annual basis thereafter, unless canceled in accordance with a termination clause defined in the agreement. The agreement also provides for a funding contingency, where if funding under the Center's contract with the DDS is not adequate to pay for services under the agreement, the Center may cancel the agreement and fund other services as deemed necessary. The Center's maximum future payments under the agreement are approximately \$1.3 million per year.

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

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

NOTE 9 – Commitments and Contingencies (Continued)

Contract Commitment (Continued)

The following is a schedule of future payments required as of June 30, 2010:

For the Year Ending June 30,	
2011	\$ 1,304,912
2012	1,304,912
2013	1,304,912
2014	1,304,912
2015	1,304,912
Thereafter	<u>6,524,588</u>
	<u>\$ 13,049,148</u>

The expense for the year ended June 30, 2010 was \$652,455.

Contingencies

In accordance with the terms of the contract with the DDS, an audit may be performed by an authorized DDS representative. Should such audit disclose any unallowable costs, the Center may be liable to the 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 the DDS to operate and provide services for its clients. The Center's contract with the DDS provides funding for services under the Lanterman Act. In the event that the Center has insufficient funds to meet its contractual obligations, the state shall make best efforts to secure additional funds and/or provide the Center with regulatory and statutory relief. Should a system-wide deficit occur, the 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. The 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.

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

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

NOTE 9 – 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 50% of its labor force through Service Employees International Union Local 721; however, approximately 79% of the Center's labor force is subject to a collective bargaining agreement. This labor force is subject to collective bargaining agreements and, as such, renegotiation of such agreements could expose the Center to an increase in hourly costs and work stoppages. The current agreements are generally effective through December 31, 2014.

The Center has elected to finance its unemployment insurance using the prorated cost-of-benefits method. Under this method, the Center is required to reimburse the State of California Employment Development Department for benefits paid to certain former employees. The Center had \$137,629 and \$81,683 in a reserve trust account to pay for any potential unemployment claims at June 30, 2010 and 2009, respectively.

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.

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Grant Expenditures</u>
U.S. Department of Education			
Passed through State of			
California Department of			
Developmental Services			
Early Intervention Services (IDEA) Cluster:			
Special Education – Grants for Infants and Families	84.181	H181A090037	\$ 1,946,386
ARRA – Special Education – Grants for Infants and Families, Recovery Act	84.393	H393A090037A	<u>1,958,532</u>
			<u>3,904,918</u>
U.S. Corporation for National and Community			
Service Passed through State of California			
Department of Developmental Services			
Foster Grandparent Program	94.011	HD099020	<u>166,486</u>
			<u>\$ 4,071,404</u>

Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Tri-Counties Association for the Developmentally Disabled, Inc. and is prepared 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.



**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
Tri-Counties Association for the Developmentally Disabled, Inc.

We have audited the financial statements of Tri-Counties Association for the Developmentally Disabled, Inc. as of and for the year ended June 30, 2010, and have issued our report thereon dated January 24, 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 Tri-Counties Association for the Developmentally Disabled, 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 Tri-Counties Association for the Developmentally Disabled, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Tri-Counties Association for the Developmentally Disabled, 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*.

We noted certain matters that we reported to management of Tri-Counties Association for the Developmentally Disabled, Inc. in a separate letter dated January 24, 2011.

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
January 24, 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 OMB CIRCULAR A-133**

To the Board of Directors of
Tri-Counties Association for the Developmentally Disabled, Inc.

Compliance

We have audited Tri-Counties Association for the Developmentally Disabled, 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 Tri-Counties Association for the Developmentally Disabled, Inc.'s major federal programs for the year ended June 30, 2010. Tri-Counties Association for the Developmentally Disabled, 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 Tri-Counties Association for the Developmentally Disabled, Inc.'s management. Our responsibility is to express an opinion on Tri-Counties Association for the Developmentally Disabled, 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 Tri-Counties Association for the Developmentally Disabled, 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 of Tri-Counties Association for the Developmentally Disabled, Inc.'s compliance with those requirements.

In our opinion, Tri-Counties Association for the Developmentally Disabled, 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 Tri-Counties Association for the Developmentally Disabled, 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 Tri-Counties Association for the Developmentally Disabled, 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 Tri-Counties Association for the Developmentally Disabled, 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
January 24, 2011

**TRI-COUNTIES ASSOCIATION
FOR THE DEVELOPMENTALLY DISABLED, 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 weakness(es)?
– 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