

Mental Health Services Act (MHSA)

Program and Fiscal Review

- I. Name of Program/Plan Element:** Lao Family Community Development
1865 Rumrill Blvd. Suite #B
San Pablo, CA 94806
- II. Review Team:** Michelle Rodriguez-Ziemer, Warren Hayes
- III. Date of On-site Review:** December 8, 2016
Date of Exit Meeting: March 14, 2017
- IV. Program Description.** Lao Family Community Development was founded thirty six years ago and provides comprehensive and culturally sensitive, evidence based practice support and education to immigrants and refugees from South and South East Asian communities, to include low income families in West and Central Contra Costa County. Challenges within these communities include, but are not limited to, issues of isolation, depression, post-traumatic stress disorder (PTSD), domestic violence, and substance abuse. This program provides outreach and collaboration within the communities served. Services include partnering with other organizations, case management, educational workshops, peer support groups, in-home visits, and parenting classes. One program funded by MHSA Prevention and Early Intervention (PEI) is “The Health and Wellbeing” program , which supports include two full-time staff members whose offices are located within a center that offers a broad spectrum of other services. This allows for easier linkages among services provided. The specific services funded by MHSA are to improve timely access to mental health services for individuals, families and communities who are traditionally underserved. This support increases protective factors and reduces the risk factors for those at risk of developing a serious mental illness and/or recovering from a serious mental illness.

Purpose of Review. Contra Costa Mental Health is committed to evaluating the effective use of funds provided by the Mental Health Services Act. Toward this end a comprehensive program and fiscal review was conducted of the above program. The results of this review are contained herein, and will assist in a) improving the services and supports that are provided, b) more efficiently support the County’s MHSA Three Year Program and Expenditure Plan, and c) ensure

compliance with statute, regulations and policy. In the spirit of continually working toward better services we most appreciate this opportunity to collaborate together with the staff and clients participating in this program in order to review past and current efforts, and plan for the future.

V. Summary of Findings.

Topic	Met Standard	Notes
1. Deliver services according to the values of the MHSA	Met	Consumer surveys and interviews indicate program meets the values of MHSA.
2. Serve the agreed upon target population.	Met	Lao Family improves timely access to mental health services for underserved populations at risk of developing a serious mental illness and in recovery from mental health issues.
3. Provide the services for which funding was allocated.	Partially Met	Funds services consistent with the agreed upon Service Work Plan. A clearer understanding and link to mental health services is needed.
4. Meet the needs of the community and/or population.	Partially Met	Services consistent with MHSA Three Year Plan. Need to increase mental health goals and outcomes.
5. Serve the number of individuals that have been agreed upon.	Met	Consistently report meeting and exceeding target goals as established in the Service Work Plan.
6. Achieve the outcomes that have been agreed upon.	Partially Met	Current outcomes met. Language specific to mental health goals need to be added.
7. Quality Assurance	Partially Met	Increased training is needed for staff in addressing the complexity of identification and assessing mental health

		needs.
8. Ensure protection of confidentiality of protected health information.	Met	Notice of HIPAA and privacy policies was in place.
9. Staffing sufficient for the program	Met	Staffing is sufficient to the program's needs.
10. Annual independent fiscal audit performed.	Met	No audit findings were noted.
11. Fiscal resources sufficient to deliver and sustain the services	Met	Resources appear sufficient.
12. Oversight sufficient to comply with generally accepted accounting principles	Met	Experienced staff implements sound check and balance system.
13. Documentation sufficient to support invoices	Met	Uses established software program with appropriate supporting documentation protocol.
14. Documentation sufficient to support allowable expenditures	Met	Method of accounting for personnel time and operating costs appear to be supported.
15. Documentation sufficient to support expenditures invoiced in appropriate fiscal year	Met	No billings noted for previous fiscal year expenses.
16. Administrative costs sufficiently justified and appropriate to the total cost of the program	Met	Indirect charged at 10%.
17. Insurance policies sufficient to comply with contract	Met	Appropriate to the level of services offered.
18. Effective communication between contract manager and contractor	Met	Communication occurs regularly between MHSA staff and program managers.

VI. Review Results. The review covered the following areas:

- 1. Deliver services according to the values of the Mental Health Services Act** (California Code of Regulations Section 3320 – MHSA General Standards).
Does the program collaborate with the community, provide an integrated service

experience, promote wellness, recovery and resilience, be culturally competent, and be client and family driven.

Method. Consumer, family member and service provider interviews and consumer surveys.

Discussion. Eleven (11) consumers participated in a focus group. Individuals represented both the South and South East Asian communities. Length of time engaged in services varied from six (6) months to four (4) years. Participants were referred to the program either through staff outreach, referral from another organization, peer referral or through the individual's research on the internet. All indicated that the services received had served to bring stability to them and their family. Individuals spoke about the benefits of the services offered, including parenting and wellness groups, case management and linkage to other services. Most indicated that the program had been vital to their lives and had helped them cope with several issues. Many spoke of the linkages that were successful because of the assistance of staff. The varied support had help to decrease isolation, provide linkages for mental health and medical issues, increased family communication and parenting skills, and helped decrease isolation within their communities. A lot of credit was given to the two main staff members; with who it appeared trusting relationships had been established. When participants were asked what was missing, they identified the need for more resources in the community; both mental health and non-mental health. Despite these challenges all agreed that this program was among the best that they and their families had encountered.

Staff members interviewed mirrored the diversity of the participants served. The primary direct staff members, who have been with the organization from 2010 and 2011 respectively, reflected the stability offered to the participants. It became clear that they had a passion and understanding of the complexities of the challenges facing individuals and families. Staff faced many and repeated challenges in an effort to serve these consumers, and reported that they felt supported by the organization in their varied roles. It was repeatedly reported that a challenge encountered was the inability to consistently successfully link participants to traditional mental health clinics. Expressed needs included more resources in the community to address mental health support, and more training on assessing the complexity of issues facing these communities.

Based on consumer surveys, more than 95% of participants reported an increase in well-being, coping skills and network support through their connection with Lao Family.

Results. Based on the interview of staff and participants, it is believed that Lao Family is involved in collaboration and the integration of service experiences, while promoting wellness, recovery and resilience. Based on these findings, it is believed that Lao Family delivers the services in compliance with the values of MHSA

2. **Serve the agreed upon target population.** For Prevention and Early Intervention, does the program prevent the development of a serious mental illness or serious emotional disturbance, and help reduce disparities in service. Does the program serve the agreed upon target population (such as age group, underserved community).

Method. Compare the program description and/or service work plan with a random sampling of client charts or case files.

Discussion. This program provides services to South, South East Asian communities, low income families and refugees/immigrants within West and Central Contra Costa County. The program includes outreach and collaboration within the communities served, including partnering with other organizations, case management, educational workshop, peer support group, in-home visits, and parenting class. These services are intended to help reduce disparities in service.

Results. As a Prevention and Early Intervention program, Lao Family is serving the agreed upon target population and helps address disparities in service.

3. **Provide the services for which funding was allocated.** Does the program provide the number and type of services that have been agreed upon.

Method. Compare the service work plan or program service goals with regular reports and match with case file reviews and client/family member and service provider interviews.

Discussion. Lao Family works with immigrants and refugees from South and South East Asian communities, along with low income families and individuals in traditionally underserved populations. Services are intended to provide timely access and are intended to increase the usage of mental health and case management support, including support with linkage and system navigation. Interviews reveal that participants felt supported and have reported improvement in several areas of their lives, including their mental health. A review of charts indicate that participants are enrolled and terminated based on the fiscal year, and not necessarily with the goals assigned. Further review of several case files did not indicate a clear development of mental health related goals and/or outcomes.

Result. The services provided are outlined in the Service Work Plan. Consumers, staff interviews and review of charts reveal a need for clearer development of mental health related goals and outcomes, thereby aligning with the goal of the program and with the MHSA's PEI component.

4. **Meet the needs of the community and/or population.** Is the program or plan element meeting the needs of the population/community for which it was designed. Has the program been authorized by the Board of Supervisors as a result of a community program planning process. Is the program consistent with the MHSA Three Year Program and Expenditure Plan.

Method. Research the authorization and inception of the program for adherence to the Community Program Planning Process. Match the service work plan or program description with the Three Year Plan. Compare with consumer/family member and service provider interviews. Review client surveys.

Discussion. Lao Family was authorized by the Board of Supervisors and based on the Community Program Planning Process. Its goal has been to provide mental health education, services and case management support to South, South East Asian, low income families and immigrants and refugees. The overall intent under PEI has resulted in increasing protective factors for those at risk and those recovering from a serious mental illness. The strategy of offering case management, system navigation, individual support to participants and their family members is consistent with PEI' strategy of improving timely access to mental health services for traditionally underserved populations. A review of the development of mental health related goals and outcomes are indicated.

Results. The Lao Family PEI funded program has been authorized annually and receives approval as part of the three year plan sent to the Board of Supervisors. Its Service Work Plan is consistent with the current MHSA Three Year Program and Expenditure Plan. Interviews with program staff, consumers and surveys support the belief that this program meets the goals and the needs of the community. The need for increased assessment and development of mental health related goals and outcomes, and referral support remain.

5. **Serve the number of individuals that have been agreed upon.** Has the program been serving the number of individuals specified in the program description/service work plan, and how has the number served been trending the last three years.

Method. Match program description/service work plan with history of monthly reports and verify with supporting documentation, such as logs, sign-in sheets and case files.

Discussion. Lao Family is contracted to provide services to a combined total of 120 individuals per fiscal year. The semi-annual reports for the last three years show that Lao Family has consistently met or exceeded its agreed upon goal.

Results. Lao Family has consistently met its target of consumers served.

6. **Achieve the outcomes that have been agreed upon.** Is the program meeting the agreed upon outcome goals, and how has the outcomes been trending.

Method. Match outcomes reported for the last three years with outcomes projected in the program description/service work plan, and verify validity of outcome with supporting documentation, such as case files or charts. Outcome domains include, as appropriate, incidence of restriction, incidence of psychiatric crisis, meaningful activity, psychiatric symptoms, consumer satisfaction/quality of life, and cost effectiveness. Analyze the level of success by the context, as appropriate, of pre- and post-intervention, control versus experimental group, year-to-year difference, comparison with similar programs, or measurement to a generally accepted standard.

Discussion. Outcomes measures are based on Strengthen Families models. They include a pre- and post-Strengthening Family Program (SFP) assessment for parenting skills, overall family strengths and program evaluation sheets. Increased knowledge of ability to understand mental health concepts and access services, along with improved family communication were reported. Program will provide an update on attempts to export the results and provide information on the SFP pre and post assessments. Satisfaction evaluations indicated that 94% of participants surveyed were satisfied with the services provided.

Results. Interviews with consumers and surveys received indicate that this program has had a positive impact in the lives of those served. The program is encouraged to continue its efforts to use and report data to reflect the changes occurring in consumers lives as a result of their participation in this program.

7. **Quality Assurance.** How does the program assure quality of service provision.

Method. Review and report on results of participation in County's utilization review, quality management incidence reporting, and other appropriate means of quality of service review.

Discussion. Lao Family is governed by written policies, including providing trainings on privacy and HIPAA for staff members. These policies also allow both staff and consumers to report concerns/grievances. The services provided under this PEI program are -Cal driven; therefore this component is not subject to the County's utilization review process. Contra Costa County has not received any grievances toward this program. Ongoing employee training consistent with

the challenges and mental health related problems areas of this population needs further attention.

Results. The program has internal processes in place to be responsive to the needs of its staff and the community. Contra Costa Behavioral Health Services has not received any grievances regarding this program. Ongoing training specific to challenges within communities specific to mental health is recommended.

8. **Ensure protection of confidentiality of protected health information.** What protocols are in place to comply with the Health Insurance Portability and Accountability Assurance (HIPAA) Act, and how well does staff comply with the protocol.

Method. Match the HIPAA Business Associate service contract attachment with the observed implementation of the program's implementation of a protocol for safeguarding protected patient health information.

Discussion. Lao Family has written policies and provides staff training on HIPAA requirements and safeguarding of consumers' information. Program participants and parents are informed about their privacy rights and rules of confidentiality.

Results. Lao Family maintains necessary privacy policies to protect the privacy of individuals served.

9. **Staffing sufficient for the program.** Is there sufficient dedicated staff to deliver the services, evaluate the program for sufficiency of outcomes and continuous quality improvement, and provide sufficient administrative support.

Method. Match history of program response with organization chart, staff interviews and duty statements.

Discussion. Lao Family current and proposed MHSA funded budgets delineate 2 FTE and 1 PT position. There are two full time staff members and one part-time position held by the program director, who is also the Executive Director. Staffing appears sufficient.

Results. Staffing appears sufficient.

10. **Annual independent fiscal audit.** Did the organization have an annual independent fiscal audit performed and did the independent auditors issue any findings.

Method. Obtain and review audited financial statements. If applicable, discuss any findings or concerns identified by auditors with fiscal manager.

Discussion. Audited financial statements for Lao Family Community Development, Inc. and Affiliate (Lao Family) were reviewed for fiscal years ending 2014 and 15. Lao Family is a nonprofit public benefit corporation begun

in 1990 to provide assistance to refugees to adapting to life in the United States and assisting other low income populations in achieving economic self-sufficiency by providing educational and other opportunities. The organization has offices in Oakland, San Pablo and Sacramento, and derives most of its funding from contracts with the City of Oakland, Alameda County, Sacramento County, Contra Costa County, the State of California and the Federal government. These contracts have significantly increased in number and size the last two years, and current revenue is approximately \$6 million. The independent auditors did not report any material or significant weaknesses.

Results. No audit findings were noted.

- 11. Fiscal resources sufficient to deliver and sustain the services.** Does organization have diversified revenue sources, adequate cash flow, sufficient coverage of liabilities, and qualified fiscal management to sustain program or plan element.

Method. Review audited financial statements. Review Board of Directors meeting minutes. Interview fiscal manager of program.

Discussion. Lao Family has been growing steadily, with diversified resources, significant operating reserves, and a line of credit.

Results. Resources appear sufficient.

- 12. Oversight sufficient to comply with generally accepted accounting principles.** Does organization have appropriate qualified staff and internal controls to assure compliance with generally accepted accounting principles.

Method. Interview with fiscal manager of program.

Discussion. The Accounting Manager was interviewed and described the processes and staff utilized to implement generally accepted accounting principles. The Accounting Manager has been in charge of the organization's accounting department for over twenty years, and displayed a detailed understanding of sound accounting principles and practices. Supporting documentation to monthly invoicing depict appropriate time keeping documents for tracking staff time, proper allocation of operating costs, and segregation of duties.

Results. Experienced staff implements sound check and balance system.

- 13. Documentation sufficient to support invoices.** Do the organization's financial reports support monthly invoices charged to the program and ensure no duplicate billing.

Method. Reconcile financial system with monthly invoices. Interview fiscal manager of program.

Discussion. Supporting documentation for a randomly selected monthly invoice for each of the last three years were provided and analyzed. Lao Family utilizes the Quickbook software system, and keeps detailed hard copy supporting documentation to support electronic entries. The Accounting Manager tracks costs charged against budget line items, and double checks costs charged against the contract in order to stay within budget.

Results. Uses established software program with appropriate supporting documentation protocol.

14. **Documentation sufficient to support allowable expenditures.** Does organization have sufficient supporting documentation (payroll records and timecards, receipts, allocation bases/statistics) to support program personnel and operating expenditures charged to the program.

Method. Match random sample of one month of supporting documentation for each fiscal year (up to three years) for identification of personnel costs and operating expenditures invoiced to the county.

Discussion. Supporting documentation reviewed for monthly invoices appeared to support the method of allocating appropriate costs to agreed upon budget line items.

Results. Method of accounting for personnel time and operating costs appear to be supported.

15. **Documentation sufficient to support expenditures invoiced in appropriate fiscal year.** Do organization's financial system year end closing entries support expenditures invoiced in appropriate fiscal year (i.e., fiscal year in which expenditures were incurred regardless of when cash flows).

Method. Reconcile year end closing entries in financial system with invoices. Interview fiscal manager of program.

Discussion. The County Auditor's expense summaries for the last three fiscal years were reviewed. Expenses were allocated to the correct fiscal year, and close out appeared timely, as no expenditures surfaced after the County's closeout date.

Results. No billings noted for previous fiscal year expenses.

16. **Administrative costs sufficiently justified and appropriate to the total cost of the program.** Is the organization's allocation of administrative/indirect costs to the program commensurate with the benefit received by the program or plan element.

Method. Review methodology and statistics used to allocate administrative/indirect costs. Interview fiscal manager of program.

Discussion. The Accounting Manager explained that the organization does not calculate a full indirect rate for this contract, and the percentage charged enables all line items to fit within the total allowed contract amount. A review of their external financial audit suggests that their actual administrative costs may exceed 11%. It was suggested that the organization calculate their actual indirect rate and propose this amount for their upcoming contract negotiations with CCBHS.

Results. Indirect charged at 11%.

17. **Insurance policies sufficient to comply with contract.** Does the organization have insurance policies in effect that are consistent with the requirements of the contract.

Method. Review insurance policies.

Discussion The program provided general liability insurance policies that were in effect at the time of the site visit.

Results. General liability insurance policies are in place.

18. **Effective communication between contract manager and contractor.** Do both the contract manager and contractor staff communicate routinely and clearly regarding program activities, and any program or fiscal issues as they arise.

Method. Interview contract manager and contractor staff.

Discussion. There is regular communication between the MHSA PEI Program Supervisor and staff at Lao specific to issues of the program, contract compliance, and issues related to MHSA. Increased dialogue conversation has occurred recently to address new PEI regulations, including review of outcome measures.

Results. Communication is ongoing and adequate to meet the needs of the program.

Summary of Results. Lao Family Community Development provides comprehensive and culturally sensitive, evidence based practices support and education to immigrant and refugees from South and South East Asian communities, and low income families in West and Central Contra Costa County. Challenges within these communities include, but are not limited to issues of isolation, depression, post-traumatic stress disorder (PTSD), domestic violence, and substance abuse. The program provides outreach and collaboration within the communities served. Services include partnering with other organizations, case management, educational workshops, peer support groups, in-home visits,

and parenting class. MHSA support includes two full-time staff members, whose offices are located within a center that offers a broad spectrum of non mental health services. This allows for easier linkages among services provided. The specific services funded by MHSA are to improve timely access to mental health services for individuals, families and communities traditionally underserved. This support increases protective factors and reduces the risk factors for those at risk of developing or recovering from a serious mental illness.

The services provided are consistent with the services outlined in the Service Work Plan. Consumers and staff interviews indicate that services are occurring and meeting many their needs. A chart review revealed that the development and termination of goals were tied to the fiscal year and not the personal needs of the client. There also is a need for clearer development of mental health related goals and outcomes, thereby aligning with the goal of the program and with the MHSA's PEI component.

VII. Findings for Further Attention.

1. Lao Family is encouraged to develop clearer mental health related goals and outcomes, thereby aligning with the goal of the program and with the MHSA's PEI component.
2. They are further encouraged to develop clearer structures around assessments and linkages to mental health support.
3. The program is further encouraged to continue its' efforts to use and report on data to reflect the changes occurring in consumers lives, as a result of their participation in this program.
4. They are also further encouraged to increase training opportunities for staff around mental health issues specific to the populations served.

VIII. Next Review Date. December 2019

IX. Appendices.

Appendix A – Program Description/Service Work Plan

Appendix B – Service Provider Budget (Contractor)

Appendix C – Yearly External Fiscal Audit (Contractor)

Appendix D – Organization Chart

X. Working Documents that Support Findings.

Consumer Listing

Consumer, Family Member Surveys

Consumer, Family Member, Provider Interviews

County MHSA Monthly Financial Report

Progress Reports, Outcomes

Monthly Invoices with Supporting Documentation (Contractor)

Indirect Cost Allocation Methodology/Plan (Contractor)

Board of Directors' Meeting Minutes (Contractor)

Insurance Policies (Contractor)

MHSA Three Year Plan and Update(s)

SERVICE WORK PLAN

Agency: Lao Family Community Development, Inc.
Name of Program: CCC Health and Well Being for Asian Families
Fiscal Year: July 1, 2016 – June 30, 2017

Number: 74-405

I. Scope of Services

Lao Family Community Development, Inc. (LFCD) will provide a comprehensive and culturally sensitive Prevention Program that combines an integrated service system approach for serving underserved CCC South and Southeast Asian adults and families. The Program activities designed and implemented will include: 1) comprehensive individual case management, 2) evidenced based educational workshops using the Strengthening Families Curriculum; and 3) peer support groups. Our promotion and strategies used reflect non-discriminatory and non-stigmatizing values. We will provide outreach, education, and support to a diverse underserved population to facilitate increased development of problem solving skills, increase protective factors to ensure families' emotional well-being, stability, and resilience. We will provide timely access, referral, and linkage to increase clients' access to mental health treatment and health care providers in the community based, public, and private system. The staff will provide a client centered, family focused, strength based case management and planning process. Included activities are: home visits, brief counseling, parenting classes, advocacy and referral to other in house direct services such as employment services, financial education, housing services, safety net services, obtainment of health insurance such as Medical/Medicare/Affordable Care Act programs etc., disability services, etc. in order to address the clients' needs and to prevent greater risk of severe mental health. These services will be provided in clients' homes, other community based settings, and the offices of LFCD in San Pablo.

II. Types of Mental Health Services/Other Service-Related Activities

Our main activity proposed are PEI services using the Strengthening Families curriculum. Our strategies that reflect non-discriminatory and non-stigmatizing values include: in language cultural sensitive individualized case management as part of the prevention and intervention process-and continuum of care model for individual-families, a comprehensive individualized goal plan which incorporates other family members of client to participate, outcomes and goals are focused on increasing and building strengths, protective factors, and wellness among the client's family and community members and developing support groups and linkages. Service will be timely and provided for 12 months or less and during the evenings and weekends too. This fills a gap currently in the public and community system.

III. Program Facilities/Hours of Operation/Staffing

A. Program Facilities Location

1865 Rumrill Blvd., Suite B
San Pablo, CA 94806

B. Contact Person, Phone Number, and Email

Kathy Chao Rothberg, CCC Health & Well- Being Program Director
Phone: (510) 533-8850, Fax: (510) 533-2676, Email: krothberg@lfcd.org

C. Program Hours of Operation

Lao Family Community Development will provide services between the hours of 9:00am-5:00pm, closed for lunch 12:00-1:00pm, Monday to Friday. Clients who cannot make these hours will be accommodated during evening hours with arrangements with program staff. Peer support groups are during the evenings and or weekends.

D. Program Staffing (including staffing pattern)

The project's staffing plan will consist of two FT case managers and one PT program director who is also the agency's Executive Director.

Initials: jun
County / Contractor

SERVICE WORK PLAN

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IV. Volume of Services to be Provided

The program will serve a total of 120 unduplicated individuals per program year. Of the 120, approximately 10% minimum will be individuals from either East/Central CC County.

V. Billing Procedure

Contractor shall submit a Demand for Payment (Form: D15.19) for services rendered to Contra Costa Mental Health. Contractor shall attach to the billing a Monthly Contract Service/Expenditure Summary (Form: MHP029) with actual expenditure information for the billing period.

Demands for payment should be submitted by mail to:

Michelle Rodriguez-Ziemer, LCSW
Mental Health Services Act Program Supervisor
Prevention and Early Intervention at Contra Costa County Health Services
1340 Arnold Drive, Suite 200
Martinez, CA 94553
Telephone: (925) 957-7548, Email: Michelle.Rodriguez-Ziemer@hsd.cccounty.us

VI. Outcome Statements

- A. Strengthen the community members by building on their strengths, wellness, and connectedness in the community.
 - 1. Increase participation via outreach and assist new clients to develop individualized goals.
 - 2. Increase membership attendance by coordinating community gatherings for clients, staff, and ethnic community group leaders to attend.
 - 3. Increase awareness and the ability to better understand Mental Health concepts by educating clients about Mental Health and its system in the Contra Costa County.
- B. Improve and maintain intra-family communications among clients and client's family members.
 - 1. Increase participation by incorporating and encouraging client's entire family to develop a goal and plan/timeline to meet goal.
 - 2. Increase participation by creating a neutral and comfortable environment for clients to share their emotions and concerns as a community.
- C. Reduce stigma by encouraging and supporting South & SE Asians to learn about mental health and to increase their ability to navigate/access/link to the County's Mental Health System.
 - 1. Increase awareness and importance of being mentally healthy and resilient.
 - 2. Increase awareness and understanding about Mental Health Care and its system through interactive activities and informal discussions.
 - 3. Reduce stigma by working with each client to build an educational foundation of mental health.

VII. Measures of Success

- A. 120 unduplicated clients (10 per month), 10% or 12 minimum of which will reside in East or Central Contra Costa County that the case managers enroll through outreach will be provided comprehensive

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SERVICE WORK PLAN

Agency: Lao Family Community Development, Inc.
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and integrated services and will be assisted with developing individualized goals within the fiscal year, 2016 – 2017.

- B. 40 members will attend each community gathering coordinated by staff and ethnic community group leaders within the fiscal year, 2016– 2017.
- C. 80% of 120 participants engaged in the monthly Strengthening Families Curriculum Workshop will report increased awareness and have the ability to better understand Mental Health concepts and its system in the Contra Costa County by the end of the fiscal year, June 30, 2017.
- D. 80% of 120 participants' entire family participates in developing a goal and a plan to accomplish the goal within the fiscal year, 2016-2017.
- E. 80% of 120 clients report feeling comfortable and trusting of case manager relationship within the fiscal year, 2016-2017.
- F. 80% of 120 clients that participate in Strengthening Families Curriculum Workshop report increased understanding of the importance of being mentally healthy within the fiscal year, 2016-2017
- G. 80% of 120 clients will report increased knowledge of how to access mental health services if needed in Contra Costa County within the fiscal year, 2016-2017.
- H. 80% of 120 clients that receive education about stigma will report a reduction in feelings of stigma around seeking mental health services within the fiscal year, 2016-2017.

VIII. Measurement/Evaluation Tools

- A. Tracking log for number of clients.
- B. Sign in sheet for number of attendees at community gatherings and workshops.
- C. Pre and Post Strengthening Families Workshops survey on knowledge of mental health concepts and services available in Contra Costa County
- D. Developed goals/plans/assessments/treatments, intake package, and case notes will be in each participant's secured files.
- E. Performance evaluation of case manager by another staff in the clients' native language.
- F. Post Strengthening Families survey on importance of mental health and knowledge of available services in Contra Costa County.
- G. Native language survey on people's feelings about stigma of mental illness.

IX. Reports Required

Contractor is asked to submit a Demographics and Outcomes Measure Report to document the program's plan/do/check/act quality process and to track statistical information (i.e. age, gender, ethnicity, language, and client residence) of the target population(s) actually served, as defined by the Contractor and approved by the County during contract award and negotiation process. Demographic Reports are due on 1/15/2017 and 7/15/2017. Annual Outcomes Measure Report is due on 7/15/2017.

Submit all evaluation reports via email to Michelle at: Michelle.Rodriguez-Ziemer@hdsd.cccounty.us

X. Other

Promotional materials for the program should identify the funding source: "Funded by the Mental Health Services Act in partnership with Prevention and Early Intervention at Contra Costa County Health Services". Contractor must attend the Regional Roundtable meetings sponsored by Contra Costa Health Services.

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County / Contractor

BUDGET OF ESTIMATED PROGRAM EXPENDITURES

Number Budget

Fiscal Year 2016 – 2017 Lao Family Community Development 74-405

A. GROSS OPERATIONAL BUDGET

Health and
Wellbeing

1. Cost Reimbursement Categories

a. Personnel Salaries and Benefits	\$124,662
b. Operational Costs (Direct)	33,650
c. Indirect Costs	<u>16,712</u>

2. Total Gross Allowable Program Costs **\$175,024**

B. LESS PROJECTED NON-COUNTY PROGRAM REVENUES

(To be collected and provided by Contractor)

C. NET ALLOWABLE TOTAL COSTS **\$175,024**

TOTAL CONTRACT PAYMENT LIMIT : \$ 175,024

D. CHANGES IN COST CATEGORY AMOUNTS

Subject to the Total Payment Limit, and subject to State guidelines, each cost category Subtotal Amount set forth above:

1. May vary within each program by up to 15% without approval by County; *and*
2. May be changed in excess of 15% in any fiscal year period provided, however, that Contractor has obtained written authorization prior to April 30th that fiscal year period under this Contract from the Department's Mental Health Division Director before implementing any such budget changes.

E. PROGRAM BUDGET CHANGES

Subject to the Contract Payment Limit and subject to State guidelines, Contractor may make changes in the total amounts set forth above for the Total Gross Allowable Program Cost and the Total Projected Non-County Program Revenue, provided, however, that Contractor has obtained written authorization prior to April 30th of each fiscal year period under this Contract, from the Department's Mental Health Director, or designee, in accordance with Paragraph G, below, before implementing any such budget changes.

F. CONTRACTOR BUDGET

Contractor will submit to County, for informational purposes upon request, its total Corporation budget including: all program budgets, all revenue sources and projected revenue amounts, all cost allocations, and line item breakdown of budget categories to include salary levels listed by job classification as well as detailing of operational and administrative expenses by cost center and listing numbers of staff positions by job classification.

G. BUDGET REPORT

No later than April 30th of each fiscal year period under this Contract, Contractor shall deliver a written Budget Report to the Department's Mental Health Director, or designee stating whether or not the budgeted amounts set forth in this Budget of Estimated Program Expenditures for the Total Gross Allowable Program Cost and the Total Projected Non-County Program Revenue for the respective fiscal year period hereunder accurately reflect the actual cost for the Service Program. If any of these program budget amounts needs to be changed, Contractor shall include in its Budget Report a complete copy of the revised Budget of Estimated Program Expenditures, an explanation of the program budget and revenue changes, and a request for prior written authorization to implement the changes in accordance with Paragraph E, above, subject to Special Conditions Paragraph 2 (Cost Report).

Initials: _____
Contractor County Dept.



LAO FAMILY COMMUNITY DEVELOPMENT, INC.

Building healthy communities by helping families and individuals achieve self-sufficiency

www.lfcd.org

August 6, 2016

Chaosarn S. Chao
President / C.E.O.

Kathy C. Rothberg
Executive Director

Oakland Main Office
2325 East 12th Street
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Michelle Rodriguez-Ziemer, LCSW
Mental Health Services Act Program Supervisor
Prevention and Early Intervention
Contra Costa County Health Services
1340 Arnold Drive, Suite 200
Martinez, CA 94553

Re: Lao Family Community Development, Inc. 2015 Audit

Dear Ms. Ziemer:

Enclosed please find a copy of Lao Family Community Development, Inc.'s Audited Financial Statements for the year ending December 31, 2015.

Contract Number	Contract Period	Amount
74-405-4	7/14-6/15	\$169,926
74-405-5	7/15-6/16	\$169,926

If there are any questions, please contact me or Ms. Khanmalee Rattanasith, Accounting Manager at (510) 533-8850, Fax (510) 533-2676 or email at krattanasith@lfcd.org

Thank you for your support.

Sincerely,

Kathy M. Chao Rothberg
Executive Director
krothberg@lfcd.org

File: 2015 Audit Cover Letter

Services Provided: **Employment:** EASTBAY Works Affiliate One-Stop Business & Career Center • On the Job Training • CalWORKs Employment • Refugee Employment • **Housing and Financial Education:** Multilingual Homeownership & Foreclosure Intervention Center • Rental Housing Assistance • Financial Education & Counseling • **Economic and Asset Development:** Individual Development Savings Account (IDA) • Small Business Assistance • Community Center and Commercial Revitalization Development • Affordable Housing Development • VITA Tax/EITC Service • **Family Support Services and Social Adjustment:** CCC Hand to Hand Collaborative • Lead Paint Awareness Education • Refugee Healthy Marriage Program • Adult ESL/Vocational ESL • Asian American Special Crime Victim Assistance • Citizenship Support Services • Information and Referral • **Youth:** WIA Youth Summer and Year-Round Services • **Seniors:** Elder Support Services

A Non-Profit 501 (c) (3) Organization

A United Way Agency



LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS,

SUPPLEMENTAL INFORMATION AND

AUDITORS' REPORT

DECEMBER 31, 2015 AND 2014

<p>Lao Family Community Development, Inc. 1551 23rd Avenue Oakland, CA 94606 (510) 533-8850</p>
--

**LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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KELLER & ASSOCIATES, LLP

4015 Lynwood Court

Concord, CA 94519

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Independent Auditors' Report

To the Board of Directors
Lao Family Community Development, Inc.
1551 23rd Avenue
Oakland, California 94606

We have audited the accompanying consolidated statements of financial position of Lao Family Community Development, Inc., a California nonprofit public benefit corporation (the "Organization"), as well as its affiliate San Antonio Neighborhood Resource Center, LLC (the "Affiliate") as of December 31, 2015 and 2014, and the related consolidated statements of activities, functional expenditures, changes in net assets (deficit) and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lao Family Community Development, Inc. and its Affiliate as of December 31, 2015 and 2014, and the results of its activities 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 a report dated July 22, 2016 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 should be read in conjunction with this report in considering the results of our audit.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying information included on pages 28-50 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Also, the accompanying schedules of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Concord, California
July 22, 2016

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
<u>Current assets</u>		
Cash and cash equivalents (Note 16)	\$ 652,189	\$ 370,040
Government, foundation and contract grants receivables (Note 6)	1,046,030	757,677
Prepays and other deposits	8,407	-
Total current assets	<u>1,706,626</u>	<u>1,127,717</u>
<u>Property and equipment</u> (Note 3)		
Land	1,053,867	718,867
Buildings	3,213,979	3,213,979
Building improvements	301,083	301,083
Furniture and equipment	365,643	331,593
	<u>4,934,572</u>	<u>4,565,522</u>
Less: accumulated depreciation	<u>(1,177,720)</u>	<u>(1,075,936)</u>
Net property and equipment	<u>3,756,852</u>	<u>3,489,586</u>
<u>Other assets</u>		
Construction in progress	1,066,382	45,727
Restricted cash - IDA participant match account	22,349	112,193
Restricted cash - replacement reserve account (Note 5)	15,049	15,038
Loan fees (Note 4)	6,922	12,477
Total other assets	<u>1,110,702</u>	<u>185,435</u>
TOTAL ASSETS	\$ <u>6,574,180</u>	\$ <u>4,802,738</u>

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

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2015 AND 2014

LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
<u>Current liabilities</u>		
Accounts payable	\$ 382,675	\$ 76,436
Accrued vacation (Note 10)	99,404	86,762
Accrued interest payable (Note 7)	2,751	2,788
Current portion of notes payable (Note 7)	2,084,188	2,149,822
Due to Refugee Forum	30,776	-
Deferred income	206,214	130,740
Total current liabilities	<u>2,806,008</u>	<u>2,446,548</u>
<u>Long-term liabilities</u>		
Line of credit payable	128,953	-
Notes payable (Note 7)	<u>150,000</u>	<u>150,000</u>
Total long-term liabilities	<u>278,953</u>	<u>150,000</u>
Total liabilities	<u>3,084,961</u>	<u>2,596,548</u>
<u>Net assets</u>		
Unrestricted	3,489,219	2,194,310
Temporarily restricted (Note 17)	<u>-</u>	<u>11,880</u>
Total net assets	<u>3,489,219</u>	<u>2,206,190</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>6,574,180</u>	\$ <u>4,802,738</u>

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

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015		2014	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Revenue, gain, and other support				
Government grants and contracts (Note 8)	\$ 5,985,881	\$ -	\$ 5,985,881	\$ -
General and other public assistance:				
Private foundations and others (Note 9)	66,887	120	67,007	-
Donations	25,731	-	25,731	-
Other income:				
Rent income	65,985	-	65,985	-
Interest income	23	-	23	-
Miscellaneous income	21,069	-	21,069	-
Partnership management fees	15,000	-	15,000	-
In-kind income (Note 20)	3,732	-	3,732	-
	<u>6,184,308</u>	<u>120</u>	<u>6,184,428</u>	<u>-</u>
Support and revenue released from restrictions	<u>12,000</u>	<u>(12,000)</u>	<u>-</u>	<u>(4,041)</u>
Total revenue, gain and other support	<u>6,196,308</u>	<u>(11,880)</u>	<u>6,184,428</u>	<u>(4,041)</u>
			<u>3,216,289</u>	<u>3,212,248</u>
Expenditures				
Program expenses	4,867,090	-	4,867,090	-
Management and general	34,309	-	34,309	-
	<u>4,901,399</u>	<u>-</u>	<u>4,901,399</u>	<u>-</u>
Total expenditures			<u>3,073,174</u>	<u>3,073,174</u>
Change in net assets	1,294,909	(11,880)	143,115	(4,041)
Net assets at beginning of year	2,194,310	11,880	2,159,867	15,921
Prior period adjustment - San Antonio Neighborhood Resource Center, LLC	-	-	(108,672)	-
	<u>\$ 3,489,219</u>	<u>\$ -</u>	<u>\$ 2,194,310</u>	<u>\$ 11,880</u>
Net assets at end of year				<u>\$ 2,206,190</u>

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

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENDITURES
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015 Total Programs	2014 Total Programs	2015 Management and General	2014 Management and General	2015 Grand Total	2014 Grand Total
Salaries and wages	\$ 2,054,240	\$ 1,513,007	\$ -	\$ -	\$ 2,054,240	\$ 1,513,007
Payroll taxes	199,186	152,275	52	484	199,238	152,759
Employee benefits	354,925	263,010	4	4,031	354,929	267,041
Subcontracts	480,947	140,584	-	-	480,947	140,584
Rent	278,786	165,716	-	-	226,076	135,696
IDA matching fund	125,950	36,198	-	-	125,950	36,198
Travel	32,443	26,194	-	186	32,443	26,380
Utilities	48,937	38,933	-	-	48,937	38,933
Advertisement expense	375	1,200	-	-	375	1,200
Automobile expense	383	1,397	-	95	383	1,492
Bank service charges	1,566	1,568	-	-	1,566	1,568
Client transportation	29,895	19,350	-	-	29,895	19,350
Consultants	123,962	36,776	-	-	123,962	36,776
Depreciation expense	87,877	87,877	13,907	18,750	101,784	106,627
Amortization expense	5,555	6,521	-	-	5,555	6,521
Donation	200	650	-	-	200	650
Incentive	205	305	-	-	205	305
Insurance	36,687	33,213	375	-	37,062	33,213
Interest Expense	134,982	129,357	10,650	-	145,632	129,357
Janitorial	11,640	8,640	-	-	11,640	8,640
Finance charge	884	592	-	-	884	592
Maintenance/repairs	18,223	5,714	-	-	18,223	5,714
Membership fees	594	1,789	-	-	594	1,789
Miscellaneous expense	6,913	15,625	12	-	6,925	15,625
Office supplies	131,416	76,830	-	1,036	131,416	77,866
On Job Training (OJT)	562,492	162,727	-	-	562,492	162,727
Postage	3,860	3,572	-	-	3,860	3,572
Printing	27,781	20,071	159	-	27,940	20,071
Property tax	57,525	81,764	-	-	57,525	81,764
Professional fees	41,582	9,672	9,150	4,562	50,732	14,234
Special events and activities	4,980	1,451	-	-	4,980	1,451
Staff training	12,343	5,106	-	-	12,343	5,106
Telephone	38,734	26,000	-	366	38,734	26,366
Shared cost expense	179,502	202,190	-	-	-	-
In-kind expense	3,732	-	-	-	3,732	-
Total expenses	<u>\$ 5,099,302</u>	<u>\$ 3,275,874</u>	<u>\$ 34,309</u>	<u>\$ 29,510</u>	<u>\$ 4,901,399</u>	<u>\$ 3,073,174</u>

* Please note the above information is provided in a summarized format for further detail see pages 43 and 44

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

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 1,283,029	\$ 139,074
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	101,784	106,627
Amortization	5,555	6,521
Prior period adjustment - San Antonio Neighborhood Resource Center, LLC	-	(108,672)
(Increase) decrease in government, foundation and contract grants receivables	(288,353)	(235,256)
Decrease in other receivables	-	241,264
Increase in prepaids and deposits	(8,407)	-
Increase (decrease) in accounts payable	306,239	(5,269)
Increase in accrued vacation	12,642	13,348
Decrease in accrued interest payable	(37)	(153)
Increase in due to Refugee Forum	30,776	-
Increase in deferred income	75,474	130,740
Net cash provided by operating activities	<u>1,518,702</u>	<u>288,224</u>
<u>Cash flows from investing activities</u>		
Construction in progress	(1,020,655)	(45,727)
Acquisition of land	(335,000)	-
Withdrawals from (deposits to) the individual development account, net	89,844	(36,198)
Deposits to the replacement reserve account, net	(11)	(8)
Acquisitions of fixed assets	(34,050)	(9,319)
Net cash used in investing activities	<u>(1,299,872)</u>	<u>(91,252)</u>
<u>Cash flows from financing activities</u>		
Proceeds from line of credit advances	128,953	-
Payments of notes payable	(65,634)	(59,556)
Net cash provided by (used in) financing activities	<u>63,319</u>	<u>(59,556)</u>
Net increase in cash and cash equivalents	282,149	137,416
Cash and cash equivalents at beginning of year	370,040	232,624
Cash and cash equivalents at end of year	<u>\$ 652,189</u>	<u>\$ 370,040</u>

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

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 1 – Organization and Nature of Activities

Lao Family Community Development, Inc. (the “Organization”) was incorporated on April 16, 1990 as a nonprofit public benefit corporation under the law of the State of California.

The Organization has offices in Oakland, San Pablo and Sacramento. It provides assistance to refugees in adapting to life in the United States and assisting other low-income populations in achieving economic self-sufficiency by providing educational and other opportunities.

The primary sources of funding are from contracts with City of Oakland, Alameda County, Contra Costa County, Sacramento County, the State of California and the Federal government.

San Antonio Neighborhood Resource Center LLC, (the “Affiliate”) was formed on September 3, 2008 as a limited liability company under the law of the State of California. The Affiliate is owned entirely by its sole member the Organization, which owns 100% of the beneficial interest in the business of the Affiliate. The Affiliate is managed by its sole member. The Organization had funded a capital contribution of \$300,000 to the Affiliate during 2008.

The Affiliate is organized and operated exclusively to further the following specific charitable purposes of its sole member:

1. To raise the economic, educational and social levels of underprivileged residents of the Laotian community and other underprivileged groups;
2. To expand the opportunities of such residents and groups to own and operate locally-owned business enterprises in economically depressed areas;
3. To provide financial support and training to such residents and groups necessary for the successful operation of business enterprises; and
4. To acquire, develop, and operate certain improved real property located in Oakland, California as a nonprofit organizations and small business community resource center.

The Affiliate acquired commercial real property located at 2325 East 12th Street, Oakland, California, for a purchase price of \$2,525,000, which closed escrow on September 8, 2008. This property is a single two-story building consisting of approximately 30,000 square feet (the “San Antonio Neighborhood Resource Center Property”). Operating expenses of \$228,914 and \$201,020 were incurred by the Affiliate in 2015 and 2014, respectively (see Pages 43-44 for an itemized breakdown). The Organization through the Affiliate, and or the San Antonio Neighborhood Resource Center Property, will generate tenant rental income, property management fees, development service fees, as well as private and public funding.

Management will utilize a New Markets Tax Credit structure to assist in the planned rehabilitation of the San Antonio Neighborhood Resource Center Property.

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 2 - Summary of Significant Accounting Policies

A summary of the consolidated financial statements' significant accounting policies consistently applied in their preparation follows:

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and San Antonio Neighborhood Resource Center LLC, a California single member limited liability company solely owned and managed by the Organization, as its affiliate (collectively they are referred to as "Lao Family Community Development, Inc. and its Affiliate"). All material intercompany balances and transactions have been eliminated from the consolidated financial statements.

Method of Accounting

The financial statements of Lao Family Community Development, Inc. and its Affiliate have been prepared on the accrual method of accounting, which reflects revenues and expenses in the accounts in the period in which they are considered to have been earned and incurred respectively.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Sub-topic 958-205, *"Not-for-Profit Entities - Presentation of Financial Statements"*. FASB ASC Sub-topic 958-205 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories based on the existence or absence of donor-imposed restrictions.

Lao Family Community Development, Inc. and its Affiliate report their respective information regarding their financial position and activities according to three classes of net assets, as applicable: permanently restricted, temporarily restricted and unrestricted based upon the existence or absence of donor-imposed restrictions. Temporarily restricted net assets are released from restrictions and classified as unrestricted net assets when a stipulated time restriction ends or purpose of restriction is accomplished.

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

Receivables from Affiliate

Amounts are receivable from the Affiliate for operational advances, construction advances and/or development and other fees. Such amounts are aggregated as disbursed pursuant to the Development and Construction Cost Advance Agreement which represent the cumulative advances made to the Affiliate by the Organization. In addition, the Organization is to receive simple interest at a rate of 8% per annum on the outstanding balance of the cumulative advances provided to the Affiliate. As of December 31, 2015 and 2014, the accrued interest was \$27,503 and \$9,043, respectively.

San Antonio Neighborhood Resource Center Property Cost/Construction Cost Reimbursement

Project Cost Reimbursement and Development Expenses

Lao Family Community Development, Inc. and its Affiliate will continue to incur costs during the development phase of the San Antonio Neighborhood Resource Center Property. These costs are recorded as assets which generally are recoverable from the rehabilitation project either from loan proceeds, equity investor contributions, or from residual receipts generated by the property itself.

Accounting for Internally Generated Costs Relating to Real Estate Property Acquisition and Development

Lao Family Community Development, Inc. and its Affiliate adopted the provisions of Statement of Financial Accounting Standards No. 67, "*Accounting for Costs and Initial Rental Operations of Real Estate Projects*", now contained in FASB ASC Topic 970, "*Real Estate – General*", pertaining to its acquisition and development of the San Antonio Neighborhood Resource Center Property project. Internally generated costs that are identifiable to this specific project are then allocated to this project on a specific identification basis.

Cash and Cash Equivalents

For purposes of the statements of cash flows Lao Family Community Development, Inc. and its Affiliate, each entity considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash is defined as cash in demand deposit accounts as well as cash on hand. Not included as cash are funds restricted as to their use, regardless of liquidity, such as security deposits and restricted reserves.

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

Property, Furniture, Fixtures and Equipment

Land, buildings, building improvements, furniture, fixtures and equipment are stated at cost of acquisition, or fair valued if donated. The Organization and its Affiliate capitalizes expenditures or improvements that materially increase asset lives and charge ordinary repairs and maintenance to operations as incurred. When assets are sold or otherwise disposed of, the costs and related allowances/reserves are removed from the respective accounts, and any resulting gain or loss is included in operations.

Depreciation expense is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. The estimated service life of the assets for depreciation purposes may be different than their actual economic useful lives. Construction in progress, if any, is not to be depreciated until the completion of the related construction. Depreciation is computed using the following applicable estimated useful lives:

	<u>Method</u>	<u>Estimated Life</u>
Buildings	Straight-line	40 years
Building improvements	Straight-line	40 years
Furniture, fixtures and equipment	Straight-line	5-7 years
Vehicles	Straight-line	5 years

Depreciation aggregated \$101,784 and \$106,627 for the years ended December 31, 2015 and 2014, respectively.

Purchases of \$1,000 and above are capitalized over their useful lives as stated above.

The Organization and its Affiliate are subject to the provisions of former Statement of Financial Accounting Standards No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets"*, now contained in FASB ASC Sub-topic 360-10, *"Property, Plant and Equipment - Impairment or Disposal of Long-Lived Assets"*, which requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. No impairment losses were recognized in 2015 or 2014.

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

Loan Fees

Loan fees consist of loan organization, commitment and closing costs, which are stated at cost and amortized using the straight-line method over the respective terms of 2, 5 and 15 years representing the respective terms of the related loans.

Amortization aggregated \$5,555 and \$6,521 for the years ended December 31, 2015 and 2014, respectively.

Grant and Contract Revenue Recognition

Revenue from grants and contracts is recognized to the extent of expenses incurred applicable to the grant or contract.

Deferred Income

Unexpended conditional grant awards are reported as deferred revenue until they are spent for the purpose of the grant. The Organization had deferred revenue in the amount of \$206,214 and \$130,740 as of December 31, 2015 and 2014, respectively.

Estimates

The Organization's and its Affiliate's management used estimates and assumptions in preparing the respective financial statements. These 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 differ from those estimates.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California. In addition, contributions to the Organization qualify for charitable contribution deduction treatment by donors.

The Affiliate is treated as a disregarded entity for income tax purposes, and as such is reported as a division of the Organization on its annual information tax returns. The Affiliate is subject to the annual California LLC franchise tax based on its gross receipts and files a portion of the California Form 568 accordingly.

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

No provision for the Federal and California Franchise taxes has been recognized in the accompanying consolidated financial statements.

In-kind Revenue

The Organization records in-kind support including contributed assets and professional services. Contributed professional services are recognized if the services received (a) create or enhance a non-financial asset or (b) require specialized skills, provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying consolidated financial statements as in-kind support are offset by like amounts included in expense, or as an increase to fixed assets as necessary. For the years ended December 31, 2015 and 2014, the Organization recorded in-kind income of zero and zero, respectively.

Subsequent Events

Management has evaluated subsequent events through July 22, 2016, the date on which the financial statements were available to be issued, and determined that all of the subsequent events requiring disclosure are properly stated below in Footnote 24.

Note 3 – Land, Buildings, Building Improvements, Furniture and Equipment

Land, buildings, building improvements, furniture and equipment consists of the following:

	2015	2014
Land	\$ 1,053,867	\$ 718,867
Building	3,213,979	3,213,979
Building improvements	301,083	301,083
Furniture and equipment	365,643	331,593
	<u>4,934,572</u>	<u>4,565,522</u>
Less: Accumulated depreciation	(1,177,720)	(1,075,936)
Total	<u>\$ 3,756,852</u>	<u>\$ 3,489,586</u>

Depreciation aggregated \$101,784 and \$106,627 for the years ended December 31, 2015 and 2014, respectively.

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 4 – Loan Fees

Loan fees consist of the following:

	2015	2014
Origination fees – One California Bank	\$ 57,145	\$ 57,145
Commitment fees – Northern California Community Loan Fund	10,050	10,050
Closing costs – Northern California Community Loan Fund	10,650	10,650
	77,845	77,845
Less: Accumulated Amortization	(70,923)	(65,368)
Total	\$ 6,922	\$ 12,477

Amortization aggregated \$5,555 and \$6,521 for the years ended December 31, 2015 and 2014, respectively.

Note 5 - Restricted Cash – Replacement Reserve Account

Pursuant to the modification agreement with Northern California Community Loan Fund as to the second mortgage on the San Antonio Neighborhood Resource Center Property, a replacement reserve account is to be established to ensure the property will receive appropriate maintenance, replacements and repairs. The replacement reserve account was funded with an initial deposit of \$3,750.00, which was fully funded as of December 31, 2010; the initial deposit represents two quarterly required minimum deposits of \$1,875.00 each. Six months from the effective date of the modification a required quarterly minimum deposit of \$1,875.00 will remain in effect until the loan is repaid in full. During 2015 and 2014 quarterly deposits of zero were funded, respectively, and are reported as such in the accompanying consolidated statements of financial position. Any withdrawals in excess of \$500 are subject to written approval being obtained from Northern California Community Loan Fund in its capacity as a lender. As of December 31, 2015 and 2014, the replacement reserve account was \$15,049 and \$15,038, respectively.

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 6 – Government, Foundation and Contract Grants Receivables

Government, foundation and contract grants receivables consist of the following:

	<u>2015</u>	<u>2014</u>
<u>Federal</u>		
Federal DHHS/ACF/ORR/IDA	\$ -	\$ 21,387
Office of Community Services (Com.Eco.Dev.)	-	4,148
<u>State of California</u>		
California Governor's Office of Emergency Services	31,671	19,579
California State Parks' Grants and Local Svcs	-	83,044
California Department of Rehabilitation	20,300	18,000
<u>Alameda County</u>		
Career and Employment Center/CEC	47,425	73,316
CalWORKs Employment Services/WC/Region 1	101,848	-
CalWORKs Employment Services/WC/Region 2	97,066	-
Employment Services/VESL	79,265	70,045
Employment/Social Adjustment	3,165	16,894
Refugee Forum	17,083	26,377
Senior Program	902	601
Subsidized Wage Employment Program	-	103,023
TA Discretionary	2,350	3,115
Work Experience	51,854	76,596
<u>Contra Costa County</u>		
CCC CalWORKs Employment Services	109,955	27,104
CCC Department of Conservation and Development	39,421	-
CCC MHSA Prevention and Early Intervention Svcs	25,209	22,495
<u>Sacramento County</u>		
Sacramento DHA ESE	105,941	-
Sacramento ESE2	13,714	-
Sacramento ES VESL	45,380	30,946
Sacramento OJT CalWORKs	6,389	20,679
Sacramento OJT WIA Adult	6,180	33,870
<u>City of Oakland</u>		
City of Oakland/Community & Economic Dev.		
Agency (OJT)	10,940	51,826
City of Oakland Youth Year Round & Summer Youth C2C - OHA and Others	221,136	49,600
<u>Other</u>		
Other receivables	8,836	5,032
Total	\$ <u>1,046,030</u>	\$ <u>757,677</u>

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 7 – Notes Payable

Lao Family Community Development, Inc.

Notes payable as they relate to the Organization are for \$78,750 and \$71,250 payable to the County of Contra Costa and may accrue simple interest at the rate of three percent (3%) per annum; this interest accrual is waived entirely, if the Community Development Block Grant (CDBG) conditions are satisfied within the required time periods. The last of the applicable milestones are expected to be completed in the next few years, as a result, there is no interest accrual at 3% per annum, as the conditions have been met for the accrual of interest to be waived in its entirety. The notes are made pursuant to a CDBG Acquisition Loan Agreement and are secured by a Deed of Trust and Security Agreement, as to the properties located at 1865 and 1869 Rumrill Boulevard, San Pablo, California, respectively. Full repayment of the Notes, are to be made by December 23, 2017 or earlier if the secured property is sold.

San Antonio Neighborhood Resource Center, LLC

As part of the purchase of the San Antonio Neighborhood Resource Center Property the Affiliate had entered into the two credit facility obligations (collectively the "Credit Facility Obligations") as detailed below. The Credit Facility Obligations are subject to payment guarantees from Lao Family Community Development, Inc., covering 100% of the Affiliate's/Borrower's obligations under the terms of the respective loans. In the fall of 2010 each of the Credit Facility Obligations were modified into more tradition type amortizing loan commitments.

The first position credit facility obligation was converted on October 29, 2010 to a promissory note, and is recorded in the form of a note payable to Beneficial State Bank (formerly OneCalifornia Bank, FSB) in the amount of \$1,872,500, secured by a first deed of trust on the San Antonio Neighborhood Resource Center Property. The terms of the loan were 59 monthly payments of principal and interest in the amount of \$12,457.29 each, with the remaining principal due at maturity, which was October 29, 2015. The interest rate on the loan effective from January 1, 2009 through June 2, 2009 was equal to 6.625% per annum through June 2, 2009, this represented the Prime Rate as quoted in the Wall Street Journal, Western Edition (the "Prime Rate") as of September 3, 2008 plus 1.625%, which was fixed at the time of the initial funding for 9 months. Subsequent to the initial 9 month period the loan was to be re-priced at one of two options for the duration of the term: 1) at the Prime Rate as of June 3, 2009 plus 1.625% fixed; or 2) at the Prime Rate as of June 3, 2009 plus 1.50% floating. Both re-pricing options had a 6.0% per annum floor, which became the effective loan interest rate from June 3, 2009 through October 30, 2010.

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 7 – Notes Payable (Continued)

San Antonio Neighborhood Resource Center, LLC (Continued)

The modified variable interest rate as to the now converted note is subject to change from time to time based on changes in the U.S. Prime Rate, as quoted in the Wall Street Journal, Western Edition (the “Prime Rate”), with changes no more frequently than daily. As of October 29, 2010, the conversion date to the promissory note, the Prime Rate was 3.250% per annum. The variable interest rate on the unpaid balance of this promissory note will be calculated using a rate of 3.000 percentage points over the Prime Rate, rounded up to the nearest 0.125 percent, adjusted if necessary for any minimum or maximum rate limitations, resulting in an initial variable interest rate of 6.250% per annum (the minimum rate). The variable interest rate on this promissory note has a minimum rate of 6.250% per annum and a maximum rate allowed under applicable law establishing maximum rates. As of December 17, 2015, the variable interest was increased to 6.500% per annum based on an increase in the Prime Rate on the same dates. This promissory note is subject to discretionary principal reduction payments to effectively reduce the outstanding principal balance each calendar year in addition to the applicable principal and interest payments, based on a 25 year amortization schedule. As of December 31, 2015 and 2014, the outstanding principal balance was \$1,691,150 and \$1,732,013 and accrued interest payable was zero and zero, respectively.

The subordinate position credit facility obligation was in the form of a note payable to Northern California Community Loan Fund in the amount of \$502,500, the terms of the loan were monthly payments of interest only in arrears, with all unpaid principal and accrued interest due upon the close of construction financing, or at the loan’s maturity, which was September 3, 2010. The subordinate position credit facility obligation was modified as of October 1, 2010. Both the subordinate position credit facility obligation and the now modified loan agreement are secured by a second deed of trust on the San Antonio Neighborhood Resource Center Property, as well as an assignment of rents, security agreement and fixture filing. The interest rate on the modified loan is fixed at 7.75% per annum through the modified maturity date of December 31, 2016. The terms of the modified loan are 60 monthly payments of principal and interest in the amount of \$4,729.91 each, with the remaining principal amount of \$375,403.44 due at maturity, which is September 3, 2015. As of December 31, 2015 and 2014, the outstanding principal balance was \$393,038 and \$417,809 and accrued interest payable was \$2,751 and \$2,788, respectively.

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 7 – Notes Payable (Continued)

Future principal payments on notes payable are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 2,084,188
2017	150,000
2018	-
2019	-
2020	-
Thereafter	-
	<u>\$ 2,234,188</u>

Note 8 – Government Grants and Contracts

Revenue from government grants and contracts is as follows:

	<u>2015</u>	<u>2014</u>
<u>Federal</u>		
Federal DHHS/ACF/ORR/IDA	\$ 13,962	\$ 159,664
Office of Community Services – ACF (OCS)	681,852	-
<u>State</u>		
CalOES Unserved/underserved Victim		
Advocacy and Outreach Program	128,389	123,649
California Dept. of State Parks and Recreation	375,000	12,994
Department of Rehabilitation	78,401	50,500
<u>Alameda County</u>		
Career and Employment Center/CEC	857,987	266,074
Subsidized Wage Employment Program		
(SWEP)	167,073	222,113
CalWORKs Employment Services/WC	499,629	507,718
CalWORKs Employment Services/WC/Region 1	101,848	-
CalWORKs Employment Services/WC/Region 2	97,066	-
Employment Services/VESL	253,162	131,999
Employment/Social Adjustment	58,106	56,251
Refugee Forum	247,627	147,720
Senior Program	3,608	2,552
TA Discretionary	21,878	18,797
<u>Contra Costa County</u>		
CalWORKs Employment Services	248,518	109,446
CCC Department of Conservation and Development	39,421	-
CCC MHSA Prevention and Early Intervention	\$ 173,648	\$ 157,247

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 8 – Government Grants and Contracts (Continued)

	2015	2014
<u>Sacramento County</u>		
Sacramento DHA ESE	\$ 600,875	\$ -
Sacramento ESE2	87,097	-
Sacramento SETA OJT WIA CalWORKs	244,615	155,844
Sacramento SETA OJT WIA Adult	174,159	277,640
Sacramento SETA VESL	117,310	98,421
<u>City of Oakland</u>		
City of Oakland/Community & Economic Dev. Agency (OJT)	134,208	340,222
City of Oakland/Community & Economic Dev. Agency (Youth Year Round and Summer Youth)	542,128	158,731
<u>Other</u>		
Cover California	986	2,668
Other Grants	37,328	5,089
Less: capital acquisitions from governmental agencies (see Note 18)	-	-
Total	\$ 5,985,881	\$ 3,005,339

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 9 – Foundation and Other Grants

Revenue from foundation and other grants is as follows:

	2015	2014
Bank of America	\$ 120	\$ -
East Bay Community Foundation (WIA Youth Program)	-	21,700
Other organizations	-	15,300
United Way of the Bay Area	66,887	68,995
Total	<u>\$ 67,007</u>	<u>\$ 105,995</u>

Note 10 – Accrued Vacation

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. The liability is recognized in the fund to which the liability relates. The value of accumulated vacation at December 31, 2015 and 2014 was \$99,404 and \$86,762, respectively.

Note 11 – Pension Plan and Group Life Insurance

Effective on January 1, 1989, all employees with more than one year of services are eligible to participate in a Lao Family Community Development, Inc. sponsored pension plan (the “Pension Plan”). The Pension Plan represents a defined contribution pension plan, which under contract Mutual of America receives the plan contributions, maintains participants’ individual accounts, offers the investment options and pays benefits to participants and their beneficiaries. The Organization contributed 5% of the qualifying employees’ annual salary amounts. For the years ended December 31, 2015 and 2014, the Organization funded \$74,014 and \$60,378, respectively, to its pension plan.

Due to the nature of the Employee’s Pension Plan being funded as a pay-as-you-go type plan, Management determined there would be no overall impact to net position as a result of implementing GASB 68 effective for the year ended December 31, 2015, as well as any future periods, unless the pension plan were to change as to its funding requirements.

In addition to the pension benefits described above, the Organization provides group life insurance coverage for eligible classes of employees. The amount of group life insurance for active participants is one times regular compensation up to a maximum of \$50,000. This benefit is reduced by 35% for covered employees ages 65 – 69 and by an additional 25% for covered employees ages 70 and over. There is no post-retirement coverage. The group life insurance policy is currently with Mutual of America Life Insurance Company.

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 12 – State CalEMA/AASVA

The breakdown for the state CalEMA/AASVA expenses is as follows:

Grant #UV13 04 1427 Period 10/01/13 - 09/30/14

<u>Expenditure 01/01/14 - 09/30/14</u>	<u>CalOES Cost</u>	<u>Agency In-kind Match</u>	<u>Total</u>
Personal services	\$ 80,035	\$ -	\$ 80,035
Operating expenses	10,600	-	10,600
Equipment	-	-	-
Total	<u>\$ 90,635</u>	<u>\$ -</u>	<u>\$ 90,635</u>

Grant #UV14 05 1427 Period 10/01/14 - 09/30/15

<u>Expenditure 10/01/14 - 12/30/14</u>	<u>CalOES Cost</u>	<u>Agency In-kind Match</u>	<u>Total</u>
Personal services	\$ 26,573	\$ -	\$ 26,573
Operating expenses	14,412	-	14,412
Equipment	-	-	-
Total	<u>\$ 40,985</u>	<u>\$ -</u>	<u>\$ 40,985</u>

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 12 – State CalOES/Unserved Victim Advocacy and Outreach Program

(Continued)

Grant #UV14 05 1427 Period 10/01/14 - 03/31/16

<u>Expenditure 01/01/15 - 12/31/15</u>	<u>CalOES Cost</u>	<u>Agency In-kind Match</u>	<u>Total</u>
Personal services	\$ 110,893	\$ 10,420	\$ 121,313
Operating expenses	23,424	1,183	24,607
Equipment	-	-	-
Total	<u>\$ 134,317</u>	<u>\$ 11,603</u>	<u>\$ 145,920</u>

Note 13 – Related Entity

Lao Park Housing Corporation was a joint venture, operating as a California nonprofit public benefit corporation between the Organization and Oakland Community Housing, Inc. It was established on September 30, 1993 to pursue the joint development of a 32-unit townhouse and apartment style affordable housing development located in San Pablo, California ("Rumrill Place"). In accordance with the agreement, the joint venture shall, if not sooner be terminated on January 1, 2049 unless otherwise extended by mutual written agreement of both ventures. During 2008 Oakland Community Housing, Inc. continued to have significant financial and managerial difficulties, these incapacities ultimately led to a need to remove their ownership in Lao Park Housing Corporation during 2008. The Organization presently owns 100% of Lao Park Housing Corporation, and therefore, its benefits as the General Partner in Lao Park Associates dba Rumrill Place. The Organization did receive a partial payment from the related entity during the year. Furthermore, the Organization did receive payments directly from Rumrill Place during the year related to services performed to successfully complete a significant debt and ownership restructuring as to the Rumrill Place property. Lao Park Housing Corporation will continue to operate as a qualified California nonprofit public benefit corporation.

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 14 – Related Party Transactions

Property Management, Consulting and Developer Fees

In accordance with certain operating and property management agreements, Lao Family Community Development, Inc. is entitled to receive fees for property management, consulting, and development services rendered on behalf of San Antonio Neighborhood Resource Center LLC in the future.

Collection of these contingent fees is dependent on the cash flow generated from the operations of the Affiliate, as well as meeting certain construction benchmarks as to the consulting and development fees. Based on the unknown performance of the Affiliate as of December 31, 2015 and 2014, management's conclusion was to treat these future fees as contingent in nature. As a result no amount was reported as earned in the accompanying consolidated financial statements.

As unrelated tenants lease office space within the San Antonio Neighborhood Resource Center Property the Organization is to receive a property management fee based on gross rents received. As of December 31, 2015 and 2014, the only tenant was the Organization.

The San Antonio Neighborhood Resource Center LLC entity was formed primarily to facilitate and enable the development of the San Antonio Neighborhood Resource Center, which has been subsequently renamed to CARE Community Center Project as referred to in more detail in Note 22 below.

Rental Payments between the Organization and the Affiliate

Pursuant to a commercial rental agreement between the Organization as the tenant and the Affiliate as the owner, the tenant has paid the owner monthly rental payments, representing the tenant's rental rate per month. During 2015 and 2014 rental amounts due from the tenant were a total of \$232,210 and \$232,210. As of December 31, 2015 and 2014, the monthly rent was approximately \$19,351 and \$19,351, respectively. For purposes of consolidating the financial statements, the rental expense to the Organization and the corresponding rental income to the Affiliate have been eliminated.

Advances and Corresponding Interest Charged

Pursuant to the Development and Construction Cost Advance Agreement, the Organization is to receive simple interest at a rate of 8% per annum on the outstanding balance of the cumulative advances provided to the Affiliate. As of December 31, 2015 and 2014, the accrued interest was \$27,503 and \$9,043, respectively. For purposes of consolidating the financial statements, the Organization's receivable from Affiliate and related interest receivable and the corresponding payables by the Affiliate have been eliminated. During 2015 and 2014, interest charges of zero and zero were paid, as well as zero and zero of the principal amount of the cumulatively advanced funds was repaid by the Affiliate to the Organization, respectively.

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 14 – Related Party Transactions (Continued)

Investment in Affiliate

To assist the Affiliate in closing on the San Antonio Neighborhood Resource Center Property the Organization provided an equity contribution to the Affiliate in the amount of \$300,000. For purposes of consolidating the financial statements, the Organization's investment in Affiliate and the corresponding equity attributable to the Affiliate have been eliminated.

Note 15 – Contingencies

Grants contained within the various contracts awarded to the Organization are subject to the funding Agencies' criteria and regulations under which expenditures may be charged against and are subject to be audited under such regulations and criteria. Occasionally, such audit may determine that certain costs incurred against the grants may not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to the reductions of future funding amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period at this time. In addition, budgets are always approved by the related funders' in advance, if necessary revisions or modifications are to be made, Management works directly with the specific funder's as to meeting their specifications.

Note 16 – Concentrations of Credit Risk Arising From Cash Deposit In Excess of Insured Limits

The Organization maintains its cash balances in three financial institutions located in Northern California, as well as a designated minimal account for its donations. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2015 and 2014, the Organization's uninsured cash balances before reconciling items total were zero as to each year, respectively.

Note 17 – Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2015 were comprised of the following:

	Beginning balance	Awarded During the year	Releases from Restrictions	End of the year
Bank of America	\$ 11,880	\$ 120	\$ (12,000)	\$ -
Total	\$ 11,880	\$ 120	\$ (12,000)	\$ -

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 17 – Temporarily Restricted Net Assets (Continued)

Temporarily restricted net assets as of December 31, 2014 were comprised of the following:

	Beginning balance	Awarded During the year	Releases from Restrictions	End of the year
Bank of America	\$ 15,921	\$ -	\$ (4,041)	\$ 11,880
Total	\$ 15,921	\$ -	\$ (4,041)	\$ 11,880

Note 18 – Capital Acquisition

Capital acquisition consists of equipment purchased through funds received from non-profit and governmental agencies. Such purchases were charged to expenses under the correspondent funding sources. Consistent with the Organization's capitalization policy, all such equipment purchased, exceeding the threshold limit was capitalized resulting in a total capital addition of \$1,389,705 and \$45,727 for the years ended December 31, 2015 and 2014, respectively.

Note 19 – Operating Leases

The Organization leases its current office spaces, under standard industrial/commercial single-tenant lease agreements expiring as indicated below. As of December 31, 2015 the monthly rent was \$33,214. Rent expense under the applicable agreements was \$458,286 and \$397,926 for the years ended December 31, 2015 and 2014, respectively.

The Organization has entered into a non-cancelable operating lease for five office copiers. Following is a schedule of minimum future lease payments under such lease having remaining terms in excess of five years as of December 9, 2014, for each of the next three years and in the aggregate:

Year Ending:	
2016	\$ 417,795
2017	409,555
2018	358,330
2019	360,569
2020	-
	<u>\$ 1,546,249</u>

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 20 – In-kind Income

In-kind contributions for the years ended December 31, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Office equipment	\$ -	\$ -
Donated services	11,603	-
	<u>\$ 11,603</u>	<u>\$ -</u>

Note 21 Line of Credit (Wells Fargo Bank, N.A.)

During 2015 the Organization took an advance of \$130,000 from its line of credit with Wells Fargo Bank, N.A., these funds were utilized to overcome the timing as to the receipt of grant funds during 2015. The line of credit is subject interest which accrues daily at the prime rate plus 1.75%, effective as of December 17, 2015, the prime rate was increased to 3.5% per annum. Interest paid during 2015 and 2014, was \$3,737 and zero, respectively. The line of credit is subject to annual renewal. If the account is not renewed, the outstanding balance is to be repaid over a period of forty-eight months. As of December 31, 2015 and 2014, the balance on the line of credit was \$128,953 and zero, respectively. Management anticipates repaying the line of credit in full in late 2016.

Note 22 – Department of Health and Human Services Administration for Children and Families Financial Assistance Award Grant

Effective as of September 30, 2008 the Department of Health and Human Services Administration for Children and Families through its Office of Community Services (OCS) for the Community Economic Development (CED) Program Operational Grants approved grant funding in the amount of \$686,000. The provisions of the grant specify that \$503,000 is to be spent on the facilities and construction as to the commercial real property located at 2325 East 12th Street, Oakland, California (the “San Antonio Neighborhood Resource Center Property”). The remaining \$183,000 is to be used to fund other soft costs associated with the San Antonio Neighborhood Resource Center Property. The grant funds were originally available until September 29, 2013, and have been subsequently extended until September 29, 2015. Management drew down the remaining \$686,000 of grant funds in full by September 29, 2015, as indicated on page 33 in the OCS column.

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

Note 23 – State of California Department of Parks and Recreation Grant

On March 26, 2012, the Organization was awarded \$3,700,000 in grant funds from the California State Parks' Office of Grants and Local Services (OGALS) to be utilized for its CARE Community Center Project. The overall CARE Community Center Project is expected to cost roughly \$14,000,000. Predevelopment activities of the Project began in 2011. The CARE Community Center Project will create recreation features and major support amenities as follows: a new recreation and performing arts center including bathrooms, elevator and ramps for ADA accessibility, dance studio, classrooms, multi-purpose room, senior center-lounge, youth lounge, gallery, and site improvements including a new parking lot, property fencing, overhead lighting for parking lot, community garden, youth outdoor landscaped area, patio, public art and a basketball area.

The acquisition of the parcel necessary to move forward on the CARE Community Center Project was acquired in early 2015, representing a total \$340,836 of the grant funds expended. This transaction allowed for the CARE Community Center Project to meet its most restrictive condition under the terms and requirements of the California State Parks' Office of Grants and Local Services (OGALS) grant.

Note 24 – Subsequent Events

The Board is continuing their evaluation and consideration of the new market tax credit participants, and anticipates the complex ownership structure and leasing arrangements will be completed in late 2016. On April 3, 2015, CARE Community Center, Inc. an unrelated non-profit corporation was established to act a key component to facilitate the new market tax credit transaction. The Board realizes the significance, and urgency, in accomplishing the financing to allow the CARE Community Center Project to move forward, as much of the necessary construction elements are already in place, thus, presently being shovel-ready.

The construction activities will clearly and directly create jobs, in addition, the impact of such a grand building and recreation area will act to revitalize a community in dire need of such a facility. The creation of high quality commercial space will also give rise to an opportunity to enhance the services presently provided by the Organization, as well as numerous additional services to be provided by the Organization as a result of the increased pace to operate. The Organization will benefit enormously from a master-lease agreement involving multiple tenants, as well as increased opportunities to serve the public as well as those most in need, in anticipation of these activities many strategic implementations and systems are being fine tuned during 2016.

During 2016, based on the accomplishment of high performance as to employment and job placement contracts related benchmarks, the Organization will recognize a substantial increase in the amount it receives as grants as to these activities and programs.

SUPPLEMENTARY INFORMATION

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2015
(with comparative totals for the year ended December 31, 2014)

	Employment Services Programs										
	Alameda Ala. CEC PO 12068	Alameda Ala. CEC PO 13402	Alameda Ala. SWEP PO 12084	Alameda Ala. CalWORKS PO 12486	Alameda Ala. SA/ES PO 12489	Alameda ES/VESL	Alameda Ala. TAD PO 12529	Alameda Ala. TAD PO 13556	Alameda Refu. Forum PO 12530		
Salaries and wages	\$ 112,184	\$ 121,724	\$ 65,860	\$ 292,524	\$ 2,085	\$ 144,058	\$ 5,588	\$ 874	\$ 18,814		
Payroll taxes	11,129	9,563	5,735	26,374	198	13,085	547	67	1,677		
Employee benefits	21,833	26,242	11,762	63,129	731	27,030	829	147	3,708		
Subcontract	222,061	141,109	-	-	-	-	-	-	69,668		
Rent	68,389	5,588	8,073	73,469	1,027	48,569	2,065	425	9,753		
IDA matching fund	-	-	-	-	-	-	-	-	-		
Travel	477	514	856	2,105	374	1,749	8	-	7		
Computer technology	-	-	-	-	-	-	-	-	-		
Utilities	4,791	6,851	-	-	-	-	-	-	-		
Advertisement expense	-	-	-	-	-	-	-	-	-		
Automobile expense	-	-	-	-	-	-	-	-	-		
Bank service charges	-	-	-	-	-	-	-	-	-		
Client transportation	-	-	-	-	-	-	900	-	18,975		
Consultants	-	-	-	-	-	-	-	-	44,250		
Contracts	-	-	-	-	-	-	-	-	-		
Depreciation expense	-	-	-	-	-	-	-	-	-		
Amortization expense	-	-	-	-	-	-	-	-	-		
Donation	-	-	-	-	-	-	-	-	-		
Incentive	-	-	-	-	-	-	-	-	-		
Insurance	-	-	-	-	-	-	-	-	-		
Interest Expense	-	-	-	-	-	-	-	-	-		
Janitorial	2,880	2,400	-	-	-	-	-	-	-		
Finance charge	-	-	-	-	-	-	-	-	-		
Maintenance/repairs	-	-	-	-	-	-	-	-	-		
Membership fees	-	-	-	-	-	-	-	-	-		
Miscellaneous expense	-	-	-	-	-	-	-	-	-		
Office supplies	27,832	3,379	3,897	15,754	75	4,396	-	-	443		
On Job Training (OJT)	-	-	-	-	-	-	-	-	-		
Postage	-	-	6	-	-	-	-	-	-		
Printing	164	349	33	131	-	33	-	-	-		
Property tax	-	-	-	-	-	-	-	-	-		
Professional fees	-	-	-	-	-	-	-	-	-		
Special events and activities	-	-	-	-	-	-	-	-	-		
Staff training	5,664	652	325	1,220	-	652	-	-	-		
Telephone	4,539	4,059	-	-	-	-	-	-	-		
Shared cost expense	8,654	14,423	4,494	24,227	231	14,663	551	137	959		
In-kind expense	-	-	-	-	-	-	-	-	-		
Total expenses	\$ 490,597	\$ 336,853	\$ 101,041	\$ 498,933	\$ 4,721	\$ 254,235	\$ 10,488	\$ 1,650	\$ 168,254		
Capitalized expenditures	-	-	-	-	-	-	-	-	-		

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

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENDITURES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015
(with comparative totals for the year ended December 31, 2014)

	Employment Services Programs (Continued)										
	Alameda	Alameda			Alameda	City of		Sacramento		Sacramento	Sacramento
	Refu Forum PO 13546	CCC CalWORKs	WEN/CS R-1 PO 13901	WEN/CS R-2 PO 13900	CCC ESE	OJT	OJT Adult	OJT CalWORKs	SETA ESE2		
\$	6,134 \$	59,010 \$	32,178 \$	23,307 \$	85,228 \$	47,144 \$	138,446 \$	- \$	-	58,413	
Salaries and wages	418	5,490	2,576	1,783	8,166	4,135	13,358	-	-	4,439	
Payroll taxes	2,185	13,225	9,208	7,532	11,634	8,291	17,261	-	-	6,985	
Employee benefits	31,809	-	-	-	-	-	-	-	-	-	
Subcontract	3,560	7,922	11,679	21,117	12,414	7,586	-	-	15,532	-	
Rent	-	-	-	-	-	-	-	-	-	-	
IDA matching fund	330	618	278	170	1,045	359	-	5,098	-	-	
Travel	-	-	-	-	-	-	-	-	-	-	
Computer technology	-	-	-	-	-	-	-	-	-	-	
Utilities	-	-	-	-	-	-	-	-	-	-	
Advertisement expense	-	-	-	-	300	-	-	-	-	-	
Automobile expense	-	-	-	-	-	-	-	-	-	-	
Bank service charges	-	-	-	-	-	-	-	-	-	-	
Client transportation	1,050	-	-	-	-	-	-	-	-	-	
Consultants	17,328	-	-	-	-	-	-	-	-	-	
Contracts	-	-	-	-	-	-	-	-	-	-	
Depreciation expense	-	-	-	-	-	-	-	-	-	-	
Amortization expense	-	-	-	-	-	-	-	-	-	-	
Donation	-	-	-	-	-	-	-	-	-	-	
Incentive	-	-	-	-	-	-	-	-	-	-	
Insurance	-	-	-	-	-	-	-	-	-	-	
Interest Expense	-	-	-	-	-	-	-	-	-	-	
Janitorial	-	-	-	-	-	-	-	-	-	-	
Finance charge	-	-	-	-	-	-	-	-	-	-	
Maintenance/repairs	-	-	-	-	-	-	-	-	-	-	
Membership fees	-	-	-	-	125	-	-	263	98	-	
Miscellaneous expense	-	-	-	-	-	-	-	-	-	-	
Office supplies	-	2,209	179	112	1,225	1,222	-	1,408	-	-	
On Job Training (OJT)	-	-	-	-	27,922	10,266	-	190,351	-	14,649	
Postage	-	51	-	-	42	-	-	375	-	-	
Printing	-	33	55	-	262	33	-	98	-	-	
Property tax	-	-	-	-	-	-	-	-	-	-	
Professional fees	-	-	-	-	-	-	-	-	-	-	
Special events and activities	-	-	-	-	325	-	-	-	-	-	
Staff training	-	40	774	287	524	652	-	-	-	-	
Telephone	-	-	-	-	-	-	-	-	-	-	
Shared cost expense	848	4,456	5,441	3,222	11,854	4,657	-	18,435	-	-	
In-kind expense	-	-	-	-	-	-	-	-	-	-	
Total expenses	\$ 63,662	\$ 93,054	\$ 62,368	\$ 57,530	\$ 161,066	\$ 84,345	\$ 169,065	\$ 231,658	\$ 84,486		
Capitalized expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		

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

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2015
(with comparative totals for the year ended December 31, 2014)

	Employment Services Programs				
	Sacramento SETA ES/VESL	SPARK POINT	Dept. of Human Assist ESE	2015 Employment Service Programs	2014 Employment Service Programs
Salaries and wages	\$ 79,086	\$ 36,725	\$ 161,297	\$ 1,490,679	\$ 921,130
Payroll taxes	7,665	3,104	14,023	133,532	83,261
Employee benefits	10,492	8,938	26,953	278,115	176,548
Subcontract	-	-	-	464,647	116,284
Rent	8,667	5,135	28,408	339,378	265,239
IDA matching fund	-	-	-	-	-
Travel	2,723	241	5,317	22,269	10,145
Computer technology	-	-	-	-	-
Utilities	-	-	3,698	15,340	8,600
Advertisement expense	-	-	-	300	1,000
Automobile expense	-	-	-	-	-
Bank service charges	-	-	-	-	-
Client transportation	2,630	-	-	23,555	11,510
Consultants	-	-	-	61,578	15,750
Contracts	-	-	-	-	-
Depreciation expense	-	-	-	-	-
Amortization expense	-	-	-	-	-
Donation	-	-	-	-	-
Incentive	-	-	-	-	-
Insurance	-	-	-	-	-
Interest Expense	-	-	-	-	-
Janitorial	-	-	-	5,280	2,880
Finance charge	-	-	-	-	-
Maintenance/repairs	-	-	-	263	196
Membership fees	-	-	-	223	373
Miscellaneous expense	-	-	-	-	-
Office supplies	376	37	5,841	68,385	22,044
On Job Training (OJT)	-	-	319,304	562,492	162,691
Postage	-	-	514	988	424
Printing	131	-	468	1,790	694
Property tax	-	-	-	-	-
Professional fees	-	-	-	-	-
Special events and activities	-	-	-	325	-
Staff training	612	-	-	11,402	920
Telephone	-	-	7,271	15,869	2,698
Shared cost expense	7,056	3,578	17,662	145,548	140,514
In-kind expense	-	-	-	-	-
Total expenses	\$ 119,438	\$ 57,758	\$ 590,756	\$ 3,641,958	\$ 1,942,901
Capitalized expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of the financial statements

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENDITURES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015
(with comparative totals for the year ended December 31, 2014)

	Alameda Senior Project	Cal OES Underserved/Underserved	Family Support Programs			Vita Tax Services		
			CCC MHSA	Department of Rehabilitation	2015 Family Support Program	2014 Family Support Program	United Way of the Bay Area Vita Tax	2015 Vita Tax Program
Salaries and wages	704	\$ 86,655	\$ 106,130	\$ 10,497	\$ 203,986	\$ 202,361	\$ 4,674	\$ 4,674
Payroll taxes	73	7,719	9,152	832	17,776	18,347	551	551
Employee benefits	542	16,519	25,118	1,962	44,141	38,654	971	971
Subcontract	-	-	-	-	-	-	-	-
Rent	275	10,748	19,356	1,143	31,522	41,801	2,869	2,869
IDA matching fund	-	-	-	-	-	-	-	-
Travel	-	1,473	1,446	12	2,931	4,351	-	-
Computer technology	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-
Advertisement expense	-	-	-	-	-	-	-	-
Automobile expense	-	-	-	-	-	-	-	-
Bank service charges	-	-	-	-	-	-	-	-
Client transportation	-	-	-	-	-	-	-	-
Consultants	-	-	-	-	-	-	10,166	10,166
Contracts	-	-	-	-	-	-	-	9,828
Depreciation expense	-	-	-	-	-	-	-	-
Amortization expense	-	-	-	-	-	-	-	-
Donation	-	-	-	-	-	-	-	-
Incentive	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	-	-
Janitorial	-	-	-	-	-	-	-	-
Finance charge	-	-	-	-	-	-	-	-
Maintenance/repairs	-	262	-	-	262	-	-	-
Membership fees	-	-	-	-	-	-	-	-
Miscellaneous expense	13	-	-	-	13	-	-	-
Office supplies	-	2,268	3,703	-	5,971	5,441	-	-
On Job Training (OJT)	-	-	-	-	-	-	-	-
Postage	-	51	22	-	73	16	-	-
Printing	-	33	33	-	66	131	-	-
Property tax	-	-	-	-	-	-	-	-
Professional fees	-	-	-	-	-	-	-	-
Special events and activities	-	-	-	-	-	-	-	-
Staff training	-	90	-	-	90	2,338	-	-
Telephone	-	-	-	-	-	-	-	-
Shared cost expense	83	8,499	10,174	453	19,209	29,167	269	269
In-kind expense	-	3,732	-	-	3,732	-	-	-
Total expenses	\$ 1,690	\$ 138,049	\$ 175,134	\$ 14,899	\$ 329,772	\$ 342,607	\$ 19,500	\$ 18,857
Capitalized expenditures	-	-	-	-	-	-	-	-

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

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENDITURES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015
(with comparative totals for the year ended December 31, 2014)

	Youth Services Programs									
	City of Oakland FY 13-14 Year Round	City of Oakland FY 14-15 Year Round	City of Oakland FY 15-16 Year Round	City of Oakland WIA FY 15-16 C2C Summer	City of Oakland OHA C2C Summer	City of Oakland Non-OHA C2C Summer	City of Oakland Misc. C2C Summer	2015 Youth Services Program	2014 Youth Services Program	
\$	32,621	\$ 47,313	\$ 27,955	\$ 38,443	\$ 95,872	\$ 35,020	\$ 33,861	\$ 311,085	\$ 314,989	
Salaries and wages										
Payroll taxes	3,824	9,658	2,139	3,380	15,300	4,724	2,752	41,777	43,954	
Employee benefits	4,514	3,027	6,178	4,826	-	-	5,528	24,073	33,746	
Subcontract	-	-	-	-	16,300	-	-	16,300	24,300	
Rent	3,684	3,045	5,022	5,904	-	-	6,449	24,104	34,605	
IDA matching fund	-	-	-	-	-	-	-	-	-	
Travel	28	336	51	-	-	-	237	652	1,672	
Computer technology	-	-	-	-	-	-	-	-	-	
Utilities	-	-	-	-	-	-	-	-	-	
Advertisement expense	-	-	-	-	-	-	-	-	200	
Automobile expense	-	-	-	148	-	-	-	148	-	
Bank service charges	-	-	-	-	-	-	-	-	-	
Client transportation	225	4,735	1,380	-	-	-	-	6,340	7,840	
Consultants	-	-	-	-	-	-	-	-	-	
Contracts	-	-	-	-	-	-	-	-	-	
Depreciation expense	-	-	-	-	-	-	-	-	-	
Amortization expense	-	-	-	-	-	-	-	-	-	
Donation	-	-	-	-	-	-	-	-	-	
Incentive	20	135	50	-	-	-	-	205	305	
Insurance	-	-	-	-	-	-	-	-	-	
Interest Expense	-	-	-	-	-	-	-	-	-	
Janitorial	-	-	-	-	-	-	-	-	-	
Finance charge	-	-	-	-	-	-	-	-	-	
Maintenance/repairs	-	-	-	-	-	-	-	-	-	
Membership fees	-	-	-	-	-	-	-	-	-	
Miscellaneous expense	-	-	-	-	-	-	-	-	-	
Office supplies	100	132	1,171	741	-	-	1,993	4,137	4,708	
On Job Training (OJT)	-	-	-	-	-	-	-	-	-	
Postage	-	-	-	-	-	-	-	-	18	
Printing	-	65	-	-	-	-	-	65	250	
Property tax	-	-	-	-	-	-	-	-	-	
Professional fees	-	-	-	-	-	-	-	-	-	
Special events and activities	-	1,389	-	-	-	-	1,916	3,305	-	
Staff training	-	-	526	-	-	-	-	526	1,478	
Telephone	-	-	-	-	-	-	-	-	-	
Shared cost expense	1,904	934	4,361	2,965	-	-	1,700	11,864	24,139	
In-kind expense	-	-	-	-	-	-	-	-	-	
Total expenses	\$ 46,920	\$ 70,769	\$ 48,833	\$ 56,407	\$ 127,472	\$ 39,744	\$ 54,436	\$ 444,581	\$ 492,204	
Capitalized expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

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

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENDITURES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015
(with comparative totals for the year ended December 31, 2014)

	2325 OCS	2325 Tax Credit	Community Development/Real Estate Investments							Rumrill Blvd S.P.	Rumrill Apts. Lao Park	CCC CDBG	Parking Lot
			California State Parks	1300 / 1964 Folsom Ave./ Rumrill Blvd S.P.	1551 23rd Ave. Oakland	1964 and 1865							
Salaries and wages	\$ -	\$ -	16,936	\$ -	\$ -	4,541	\$ -						
Payroll taxes	-	-	1,613	-	-	382	-						
Employee benefits	-	-	2,439	-	-	601	-						
Subcontract	-	-	-	-	-	-	-						
Rent	-	-	2,386	-	-	851	-						
IDA matching fund	-	-	-	-	-	-	-						
Travel	-	33	-	-	-	2,633	-						
Computer technology	-	-	-	-	-	-	-						
Utilities	-	-	967	-	70	6,189	-						
Advertisement expense	-	-	-	-	-	-	-						
Automobile expense	-	-	-	-	-	-	-						
Bank service charges	-	-	-	-	-	-	-						
Client transportation	-	-	-	-	-	-	-						
Consultants	-	20,000	-	-	-	-	-						
Contracts	-	-	-	-	-	-	-						
Depreciation expense	-	60,587	-	7,850	5,823	13,617	-						
Amortization expense	-	5,555	-	-	-	-	-						
Donation	-	-	-	-	-	-	-						
Incentive	-	-	-	-	-	-	-						
Insurance	-	-	3,179	-	-	-	-						
Interest Expense	-	130,000	-	-	-	-	-						
Janitorial	-	-	-	-	-	-	-						
Finance charge	-	-	-	-	-	-	-						
Maintenance/repairs	-	-	-	-	-	1,472	-						
Membership fees	-	-	-	-	-	165	-						
Miscellaneous expense	-	-	-	-	-	-	-						
Office supplies	-	-	20	-	-	8,196	-						
On Job Training (OJT)	-	-	-	-	-	-	-						
Postage	-	66	-	-	-	-	-						
Printing	-	33	-	-	-	-	-						
Property tax	-	-	-	-	1,317	14,307	-						
Professional fees	-	30,150	3,230	-	-	-	-						
Special events and activities	-	-	-	-	-	-	-						
Staff training	-	-	-	-	-	-	-						
Telephone	-	-	-	-	-	2,354	-						
Shared cost expense	-	-	1,212	-	-	94	-						
In-kind expense	-	-	-	-	-	-	-						
Total expenses	\$ -	\$ 246,424	\$ 31,982	\$ 7,850	\$ 7,210	\$ 55,402	\$ -						
Capitalized expenditures	\$ 686,000	\$ -	\$ 340,836	\$ -	\$ -	\$ -	\$ -					\$ 40,000	\$ 265,095

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

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENDITURES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015
(with comparative totals for the year ended December 31, 2014)

	(Continued)		Capacity Building/General Support							2014	
	2015	2014	Comm. Dev.	Comm. Dev.	Bank of	36th Ann.	Care of	OPIC	Donation	Capacity Bldg / General Support	Capacity Bldg / General Support
	Real Estate Inv.	Real Estate Inv.	Real Estate Inv.	Real Estate Inv.	America	Fundraising	Refugee Forum	Share Office			
Salaries and wages	\$ 21,477	\$ 23,365	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,260	\$ 5,260	\$ 15,454
Payroll taxes	1,995	2,006	-	-	-	-	-	-	2,061	2,061	1,361
Employee benefits	3,040	4,601	-	-	-	-	-	-	1,388	1,388	4,270
Subcontract	-	-	-	-	-	-	-	-	-	-	-
Rent	3,237	19,810	-	-	-	500	-	21,743	32,762	55,005	595
IDA matching fund	-	-	-	-	-	-	-	-	-	-	-
Travel	2,666	5,488	-	-	-	-	-	-	3,789	3,789	4,366
Computer technology	-	-	-	-	-	-	-	-	-	-	-
Utilities	7,226	9,973	-	-	-	-	-	3,020	-	3,020	-
Advertisement expense	-	-	-	-	-	-	-	-	-	-	-
Automobile expense	-	960	-	-	-	-	-	-	-	-	437
Bank service charges	-	-	-	-	-	-	35	-	1,531	1,566	1,568
Client transportation	-	-	-	-	-	-	-	-	-	-	-
Consultants	20,000	2,434	-	-	12,000	-	1,019	-	17,199	30,218	8,764
Contracts	-	-	-	-	-	-	-	-	-	-	-
Depreciation expense	87,877	87,877	-	-	-	-	-	-	-	-	-
Amortization expense	5,555	6,521	-	-	-	-	-	-	-	-	-
Donation	-	-	-	-	-	-	-	-	200	200	650
Incentive	-	-	-	-	-	-	-	-	-	-	-
Insurance	3,179	-	-	-	-	-	-	-	-	-	-
Interest Expense	130,000	129,350	-	-	-	-	-	-	4,982	4,982	7
Janitorial	-	720	-	-	-	-	-	1,320	-	1,320	-
Finance charge	-	7	-	-	-	-	-	-	884	884	585
Maintenance/repairs	1,472	3,555	-	-	-	-	-	-	10,074	10,074	1,288
Membership fees	165	495	-	-	-	-	-	-	206	206	171
Miscellaneous expense	-	-	-	-	-	10,166	-	60	6,840	6,900	15,625
Office supplies	8,216	5,344	-	-	-	-	-	26	18,676	28,868	10,458
On Job Training (OJT)	-	-	-	-	-	-	-	-	-	-	36
Postage	66	12	-	-	-	-	-	-	191	191	59
Printing	33	-	-	-	-	-	275	-	1,827	2,102	533
Property tax	15,624	17,767	-	-	-	-	-	-	-	-	-
Professional fees	33,380	223	-	-	-	-	350	-	1,202	1,202	2,369
Special events and activities	-	-	-	-	-	-	-	-	1,000	1,350	1,451
Staff training	-	370	-	-	-	-	-	-	135	135	-
Telephone	2,354	2,525	-	-	-	-	-	-	-	-	-
Shared cost expense	1,306	1,955	-	-	-	-	-	2,458	-	2,458	-
In-kind expense	-	-	-	-	-	-	-	-	182	182	2,907
Total expenses	\$ 348,868	\$ 325,358	\$ 12,000	\$ 10,666	\$ 1,679	\$ 28,627	\$ 110,389	\$ -	\$ -	\$ 163,361	\$ 72,954
Capitalized expenditures	\$ 1,331,931	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENDITURES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015
(with comparative totals for the year ended December 31, 2014)

	Individual Development Account			
	2015		2014	
	Refugee	Individual	Individual	Individual
	Dev. Acct.	Dev. Acct.	Dev. Acct.	Dev. Acct.
Salaries and wages	\$ 17,079	\$ 17,079	\$ 29,699	
Payroll taxes	1,494	1,494	2,798	
Employee benefits	3,197	3,197	4,238	
Subcontract	-	-	-	
Rent	2,171	2,171	4,337	
IDA matching fund	125,950	125,950	36,198	
Travel	136	136	172	
Computer technology	-	-	-	
Utilities	-	-	-	
Advertisement expense	75	75	-	
Automobile expense	-	-	-	
Bank service charges	-	-	-	
Client transportation	-	-	-	
Consultants	-	-	-	
Contracts	-	-	-	
Depreciation expense	-	-	-	
Amortization expense	-	-	-	
Donation	-	-	-	
Incentive	-	-	-	
Insurance	-	-	-	
Interest Expense	-	-	-	
Janitorial	-	-	-	
Finance charge	-	-	-	
Maintenance/repairs	-	-	-	
Membership fees	-	-	-	
Miscellaneous expense	-	-	-	
Office supplies	-	-	43	
On Job Training (OJT)	-	-	-	
Postage	-	-	-	
Printing	33	33	-	
Property tax	-	-	-	
Professional fees	-	-	-	
Special events and activities	-	-	-	
Staff training	-	-	-	
Telephone	-	-	-	
Shared cost expense	1,124	1,124	3,508	
In-kind expense	-	-	-	
Total expenses	\$ 151,259	\$ 151,259	\$ 80,993	
Capitalized expenditures	-	-	-	

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

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENDITURES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015
(with comparative totals for the year ended December 31, 2014)

	2015	2015 Shared	2015	2014	2014 Shared	2015	2014	2015	2014
	Total	Cost Expense	Total Adjusted	Total Adjusted	Cost Expense	Management and General	Management and General	Grand Total	Grand Total
	Programs	(Eliminations)	Programs	Programs	(Eliminations)				
Salaries and wages	\$ 2,054,240	\$ -	\$ 2,054,240	\$ 1,513,007	\$ -	\$ -	\$ -	\$ 2,054,240	\$ 1,513,007
Payroll taxes	199,186	-	199,186	152,275	-	52	484	199,238	152,759
Employee benefits	354,925	-	354,925	263,010	-	4	4,031	354,929	267,041
Subcontracts	480,947	-	480,947	140,584	-	-	-	480,947	140,584
Rent *	458,286	(232,210)	226,076	165,716	(232,210)	-	-	226,076	135,696
IDA matching fund	125,950	-	125,950	36,198	-	-	-	125,950	36,198
Travel	32,443	-	32,443	26,194	-	-	186	32,443	26,380
Utilities	25,586	23,351	48,937	38,933	20,360	-	-	48,937	38,933
Advertisement expense	375	-	375	1,200	-	-	-	375	1,200
Automobile expense	148	235	383	1,397	-	-	95	383	1,492
Bank service charges	1,566	-	1,566	1,568	-	-	-	1,566	1,568
Client transportation	29,895	-	29,895	19,350	-	-	-	29,895	19,350
Consultants	121,962	2,000	123,962	36,776	-	-	-	123,962	36,776
Depreciation expense	87,877	-	87,877	87,877	-	13,907	18,750	101,784	106,627
Amortization expense	5,555	-	5,555	6,521	-	-	-	5,555	6,521
Donation	200	-	200	650	-	-	-	200	650
Incentive	205	-	205	305	-	-	-	205	305
Insurance	3,179	33,508	36,687	33,213	-	375	-	37,062	33,213
Interest Expense	134,982	-	134,982	129,357	33,213	10,650	-	145,632	129,357
Janitorial	6,600	5,040	11,640	8,640	-	-	-	11,640	8,640
Finance charge	884	-	884	592	5,040	-	-	884	592
Maintenance/repairs	12,071	6,152	18,223	5,714	675	-	-	18,223	5,714
Membership fees	594	-	594	1,789	750	-	-	594	1,789
Miscellaneous expense	6,913	-	6,913	15,625	-	12	-	6,925	15,625
Office supplies	115,577	15,839	131,416	76,830	28,792	-	1,036	131,416	77,866
On Job Training (OJT)	562,492	-	562,492	162,727	-	-	-	562,492	162,727
Postage	1,318	2,542	3,860	3,572	3,043	-	-	3,860	3,572
Printing	4,089	23,692	27,781	20,071	18,463	159	-	27,940	20,071
Property tax	15,624	41,901	57,525	81,764	63,997	-	-	57,525	81,764
Professional fees	34,582	7,000	41,582	9,672	7,080	9,150	4,562	50,732	14,234
Special events and activities	4,980	-	4,980	1,451	-	-	-	4,980	1,451
Staff training	12,153	190	12,343	5,106	-	-	-	12,343	5,106
Telephone	20,681	18,053	38,734	26,000	20,777	-	366	38,734	26,366
Shared cost expense	179,502	(179,502)	-	202,190	(202,190)	-	-	-	-
In-kind expense	-	-	-	-	-	-	-	3,732	-
Total expenses	\$ 5,095,567	\$ (232,210)	\$ 4,863,358	\$ 3,275,874	\$ (232,210)	\$ 34,309	\$ 29,510	\$ 4,901,399	\$ 3,073,174
Capitalized expenditures	\$ 1,331,931	\$ 23,724	\$ 1,355,655	\$ -	\$ -	\$ -	\$ -	\$ 1,355,655	\$ -

* Rent above reflects a necessary elimination entry related to the consolidation of Lao Family Community Development, Inc. and its Affiliate

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

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
STATEMENT OF FINANCIAL POSITION BY FUND
DECEMBER 31, 2015

ASSETS

	Lao Family Community Development Inc.	San Antonio Neighborhood Resource Center, LLC	Total	Eliminations Debit/(Credit)	2015 Adjusted Total
<u>Current assets</u>					
Cash and cash equivalents	\$ 572,494	\$ 79,695	\$ 652,189	\$ -	\$ 652,189
Government, foundation and contract grants receivables	1,046,030	-	1,046,030	-	1,046,030
Prepays and other deposits	8,407	-	8,407	-	8,407
Total current assets	<u>1,626,931</u>	<u>79,695</u>	<u>1,706,626</u>	<u>-</u>	<u>1,706,626</u>
<u>Property and equipment</u>					
Land	689,787	364,080	1,053,867	-	1,053,867
Building	1,041,944	2,172,035	3,213,979	-	3,213,979
Building improvements	49,629	251,454	301,083	-	301,083
Furniture and equipment	365,643	-	365,643	-	365,643
Less: accumulated depreciation	<u>2,147,003</u>	<u>2,787,569</u>	<u>4,934,572</u>	<u>-</u>	<u>4,934,572</u>
Net property and equipment	<u>(737,082)</u>	<u>(440,638)</u>	<u>(1,177,720)</u>	<u>-</u>	<u>(1,177,720)</u>
	<u>1,409,921</u>	<u>2,346,931</u>	<u>3,756,852</u>	<u>-</u>	<u>3,756,852</u>
<u>Other assets</u>					
Due from affiliate	249,214	-	249,214	(249,214)	-
Construction in progress	1,066,382	-	1,066,382	-	1,066,382
Investment in affiliate	300,000	-	300,000	(300,000)	-
IDA participant match account	22,349	-	22,349	-	22,349
Replacement reserve account	-	15,049	15,049	-	15,049
Loan fees	-	6,922	6,922	-	6,922
Total other assets	<u>1,637,945</u>	<u>21,971</u>	<u>1,659,916</u>	<u>(549,214)</u>	<u>1,110,702</u>
TOTAL ASSETS	<u>\$ 4,674,797</u>	<u>\$ 2,448,597</u>	<u>\$ 7,123,394</u>	<u>\$ (549,214)</u>	<u>\$ 6,574,180</u>

See auditors' report

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
STATEMENT OF FINANCIAL POSITION BY FUND
DECEMBER 31, 2014

ASSETS

	Lao Family Community Development Inc.	San Antonio Neighborhood Resource Center, LLC	Total	Eliminations Debit/(Credit)	2014 Adjusted Total
Current assets					
Cash and cash equivalents	\$ 301,840	\$ 68,200	\$ 370,040	\$ -	\$ 370,040
Government, foundation and contract grants receivables	757,677	-	757,677	-	757,677
Other receivables	-	-	-	-	-
Total current assets	1,059,517	68,200	1,127,717	-	1,127,717
Property and equipment					
Land	354,787	364,080	718,867	-	718,867
Building	1,041,944	2,172,035	3,213,979	-	3,213,979
Building improvements	49,629	251,454	301,083	-	301,083
Furniture and equipment	331,593	-	331,593	-	331,593
Less: accumulated depreciation	1,777,953	2,787,569	4,565,522	-	4,565,522
	(695,885)	(380,051)	(1,075,936)	-	(1,075,936)
Net property and equipment	1,082,068	2,407,518	3,489,586	-	3,489,586
Other assets					
Due from affiliate	230,754	-	230,754	(230,754)	-
Construction in progress	45,727	-	45,727	-	45,727
Investment in affiliate	300,000	-	300,000	(300,000)	-
IDA participant match account	112,193	-	112,193	-	112,193
Replacement reserve account	-	15,038	15,038	-	15,038
Loan fees	-	12,477	12,477	-	12,477
Total other assets	688,674	27,515	716,189	(530,754)	185,435
TOTAL ASSETS	\$ 2,830,259	\$ 2,503,233	\$ 5,333,492	\$ (530,754)	\$ 4,802,738

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LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
STATEMENT OF FINANCIAL POSITION BY FUND (CONTINUED)
DECEMBER 31, 2015

LIABILITIES AND NET ASSETS

	Lao Family Community Development Inc.	San Antonio Neighborhood Resource Center, LLC	Total	Eliminations Debit/(Credit)	2015 Adjusted Total
<u>Current liabilities</u>					
Accounts payable	\$ 415,400	\$ 16,511	\$ 431,911	-	\$ 431,911
Accrued vacation	99,404	-	99,404	-	99,404
Accrued interest payable	-	2,751	2,751	-	2,751
Current portion of notes payable	-	2,084,188	2,084,188	-	2,084,188
Deferred income	206,214	-	206,214	-	206,214
Total current liabilities	721,018	2,103,450	2,824,468	-	2,824,468
<u>Long-term liabilities</u>					
Due to Lao Family Community Development, Inc.	-	249,214	249,214	(249,214)	-
Line of credit payable	128,953	-	128,953	-	128,953
Notes payable	150,000	-	150,000	-	150,000
Total long-term liabilities	278,953	249,214	528,167	(249,214)	278,953
Total liabilities	999,971	2,352,664	3,352,635	(249,214)	3,103,421
<u>Net assets</u>					
Unrestricted	3,674,826	95,933	3,770,759	(300,000)	3,470,759
Temporarily restricted	-	-	-	-	-
Prior period adjustment	-	-	-	-	-
Total net assets	3,674,826	95,933	3,770,759	(300,000)	3,470,759
TOTAL LIABILITIES AND NET ASSETS	\$ 4,674,797	\$ 2,448,597	\$ 7,123,394	\$ (549,214)	\$ 6,574,180

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LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
STATEMENT OF FINANCIAL POSITION BY FUND (CONTINUED)
DECEMBER 31, 2014

LIABILITIES AND NET ASSETS

	Lao Family Community Development Inc.	San Antonio Neighborhood Resource Center, LLC	Total	Eliminations Debit/(Credit)	2014 Adjusted Total
<u>Current liabilities</u>					
Accounts payable	\$ 67,653	\$ 8,783	\$ 76,436	\$ -	\$ 76,436
Accrued vacation	86,762	-	86,762	-	86,762
Accrued interest payable	-	2,788	2,788	-	2,788
Current portion of notes payable	-	64,495	64,495	-	64,495
Deferred income	130,740	-	130,740	-	130,740
Total current liabilities	285,155	76,066	361,221	-	361,221
<u>Long-term liabilities</u>					
Due to Lao Family Community Development, Inc.	-	230,754	230,754	(230,754)	-
Notes payable	150,000	2,085,327	2,235,327	-	2,235,327
Total long-term liabilities	150,000	2,316,081	2,466,081	(230,754)	2,235,327
Total liabilities	435,155	2,392,147	2,827,302	(230,754)	2,596,548
<u>Net assets</u>					
Unrestricted	2,383,224	219,758	2,602,982	(300,000)	2,302,982
Temporarily restricted	11,880	-	11,880	-	11,880
Prior period adjustment	-	(108,672)	(108,672)	-	(108,672)
Total net assets	2,395,104	111,086	2,506,190	(300,000)	2,206,190
TOTAL LIABILITIES AND NET ASSETS	\$ 2,830,259	\$ 2,503,233	\$ 5,333,492	\$ (530,754)	\$ 4,802,738

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LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
STATEMENT OF ACTIVITIES BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Lao Family Community Development Inc.	San Antonio Neighborhood Resource Center, LLC	Total	Eliminations Debit/(Credit)	2015 Adjusted Total
<u>Revenue, gain and other support</u>					
Government grants and contracts	\$ 5,985,881	\$ -	\$ 5,985,881	\$ -	\$ 5,985,881
General and other public assistance:					
Private foundations and others	67,007	-	67,007	-	67,007
Donations	25,731	-	25,731	-	25,731
Other income:					
Rent income	65,985	232,210	298,195	232,210	65,985
Interest income	18,473	10	18,483	18,460	23
Miscellaneous income	21,069	-	21,069	-	21,069
Partnership management fees	15,000	-	15,000	-	15,000
In-kind income	3,732	-	3,732	-	3,732
Total revenue, gain and other support	6,202,878	232,220	6,435,098	250,670	6,184,428
<u>Expenditures</u>					
Program expenses	4,888,846	228,914	5,117,760	(250,670)	4,867,090
Management and general	34,309	-	34,309	-	34,309
Total expenditures	4,923,155	228,914	5,152,069	(250,670)	4,901,399
<u>Change in net assets</u>	\$ 1,279,723	\$ 3,306	\$ 1,283,029	\$ -	\$ 1,283,029

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LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
STATEMENT OF ACTIVITIES BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Lao Family Community Development Inc.	San Antonio Neighborhood Resource Center, LLC	Total	Eliminations Debit/(Credit)	2014 Adjusted Total
<u>Revenue, gain and other support</u>					
Government grants and contracts	\$ 3,005,339	\$ -	\$ 3,005,339	\$ -	\$ 3,005,339
General and other public assistance:					
Private foundations and others	105,995	-	105,995	-	105,995
Donations	15,538	-	15,538	-	15,538
Other income:					
Rent income	67,921	232,210	300,131	232,210	67,921
Interest income	9,407	4	9,411	9,043	368
Miscellaneous income	2,087	-	2,087	-	2,087
Partnership management fees	15,000	-	15,000	-	15,000
Total revenue, gain and other support	3,221,287	232,214	3,453,501	241,253	3,212,248
<u>Expenditures</u>					
Program expenses	2,981,633	210,063	3,191,696	(241,253)	2,950,443
Management and general	122,731	-	122,731	-	122,731
Total expenditures	3,104,364	210,063	3,314,427	(241,253)	3,073,174
<u>Change in net assets</u>	\$ 116,923	\$ 22,151	\$ 139,074	\$ -	\$ 139,074

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LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
STATEMENT OF FUNCTIONAL EXPENDITURES BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Lao Family Community Development Inc.	San Antonio Neighborhood Resource Center, LLC	Total	Eliminations Debit/(Credit)	2015 Adjusted Total
Salaries and wages	\$ 2,054,240	-	\$ 2,054,240	-	\$ 2,054,240
Payroll taxes	199,238	-	199,238	-	199,238
Employee benefits	354,929	-	354,929	-	354,929
Subcontract	480,947	-	480,947	-	480,947
Rent	458,286	-	458,286	(232,210)	226,076
IDA matching fund	125,950	-	125,950	-	125,950
Travel	32,443	-	32,443	-	32,443
Utilities	48,937	-	48,937	-	48,937
Advertisement expense	375	-	375	-	375
Automobile expense	383	-	383	-	383
Bank service charges	1,566	-	1,566	-	1,566
Client transportation	29,895	-	29,895	-	29,895
Consultants	123,962	-	123,962	-	123,962
Depreciation expense	41,197	60,587	101,784	-	101,784
Amortization expense	-	5,555	5,555	-	5,555
Donation	200	-	200	-	200
Incentive	205	-	205	-	205
Insurance	37,062	-	37,062	-	37,062
Interest Expense	4,982	159,110	164,092	(18,460)	145,632
Janitorial	11,640	-	11,640	-	11,640
Finance charge	884	-	884	-	884
Maintenance/repairs	18,223	-	18,223	-	18,223
Membership fees	594	-	594	-	594
Miscellaneous expense	6,913	12	6,925	-	6,925
Office supplies	131,416	-	131,416	-	131,416
On Job Training (OJT)	562,492	-	562,492	-	562,492
Postage	3,860	-	3,860	-	3,860
Printing	27,940	-	27,940	-	27,940
Property tax	57,525	-	57,525	-	57,525
Professional fees	47,082	3,650	50,732	-	50,732
Special events and activities	4,980	-	4,980	-	4,980
Staff training	12,343	-	12,343	-	12,343
Telephone	38,734	-	38,734	-	38,734
In-kind expense	3,732	-	3,732	-	3,732
Total expenses	\$ 4,923,155	\$ 228,914	\$ 5,152,069	\$ (250,670)	\$ 4,901,399

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LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
STATEMENT OF FUNCTIONAL EXPENDITURES BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Lao Family Community Development Inc.	San Antonio Neighborhood Resource Center, LLC	Total	Eliminations	2014 Adjusted Total
	\$	\$	\$	Debit/(Credit)	\$
Salaries and wages	1,513,007	-	1,513,007	-	1,513,007
Payroll taxes	152,759	-	152,759	-	152,759
Employee benefits	267,041	-	267,041	-	267,041
Rent	367,906	-	367,906	(232,210)	135,696
IDA matching fund	36,198	-	36,198	-	36,198
Travel	24,446	1,934	26,380	-	26,380
Utilities	38,933	-	38,933	-	38,933
Advertisement expense	1,200	-	1,200	-	1,200
Automobile expense	1,492	-	1,492	-	1,492
Bank service charges	1,568	-	1,568	-	1,568
Client transportation	19,350	-	19,350	-	19,350
Consultants	36,342	434	36,776	-	36,776
Depreciation expense	46,040	60,587	106,627	-	106,627
Amortization expense	-	6,521	6,521	-	6,521
Donation	650	-	650	-	650
Incentive	305	-	305	-	305
Insurance	33,213	-	33,213	-	33,213
Interest Expense	9,050	129,350	138,400	(9,043)	129,357
Janitorial	8,640	-	8,640	-	8,640
Finance charge	592	-	592	-	592
Maintenance/repairs	4,437	1,277	5,714	-	5,714
Membership fees	1,294	495	1,789	-	1,789
Office supplies	77,814	52	77,866	-	77,866
On Job Training (OJT)	162,727	-	162,727	-	162,727
Postage	3,572	-	3,572	-	3,572
Printing	20,071	-	20,071	-	20,071
Property tax	81,764	-	81,764	-	81,764
Professional fees	14,234	-	14,234	-	14,234
Special events and activities	1,451	-	1,451	-	1,451
Staff training	5,106	-	5,106	-	5,106
Telephone	25,996	370	26,366	-	26,366
In-kind expense	-	-	-	-	-
Total expenses	\$ 2,957,198	\$ 201,020	\$ 3,158,218	\$ (241,253)	\$ 2,916,965

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LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
STATEMENT OF CASH FLOWS BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Lao Family Community Development Inc.	San Antonio Neighborhood Resource Center, LLC	Total	Eliminations Debit/(Credit)	2015 Adjusted Total
<u>Cash flows from operating activities</u>					
Change in net assets	\$ 1,279,723	\$ 3,306	\$ 1,283,029	\$ -	\$ 1,283,029
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	41,197	60,587	101,784	-	101,784
Amortization	-	5,555	5,555	-	5,555
Increase in government, foundation and contract grants and interest receivables	(288,353)	-	(288,353)	(18,460)	(306,813)
Increase in prepaids and deposits	(8,407)	-	(8,407)	-	(8,407)
Increase in accounts payable	298,510	7,729	306,239	-	306,239
Decrease in accrued vacation	12,642	-	12,642	-	12,642
Decrease in accrued interest payable	-	(37)	(37)	18,460	18,423
Increase in due to Refugee Forum	30,776	-	30,776	-	30,776
Increase in deferred income	75,474	-	75,474	-	75,474
Net cash provided by operating activities	<u>1,441,562</u>	<u>77,140</u>	<u>1,518,702</u>	<u>-</u>	<u>1,518,702</u>
<u>Cash flows from investing activities</u>					
Acquisition of land	(335,000)	-	(335,000)	-	(335,000)
Construction in progress	(1,020,655)	-	(1,020,655)	-	(1,020,655)
Acquisition of fixed assets	(34,050)	-	(34,050)	-	(34,050)
Withdrawals from the individual development account, net	89,844	-	89,844	-	89,844
Deposits to the replacement reserve account, net	-	(11)	(11)	-	(11)
Net cash used in investing activities	<u>(1,299,861)</u>	<u>(11)</u>	<u>(1,299,872)</u>	<u>-</u>	<u>(1,299,872)</u>
<u>Cash flows from financing activities</u>					
Payments on notes payable	-	(65,634)	(65,634)	-	(65,634)
Proceeds from line of credit advances	128,953	-	128,953	-	128,953
Net cash provided by (used in) financing activities	<u>128,953</u>	<u>(65,634)</u>	<u>63,319</u>	<u>-</u>	<u>63,319</u>
Net increase (decrease) in cash and cash equivalents	270,654	11,495	282,149	-	282,149
Cash and cash equivalents at beginning of year	<u>301,840</u>	<u>68,200</u>	<u>370,040</u>	<u>-</u>	<u>370,040</u>
Cash and cash equivalents at end of year	<u>\$ 572,494</u>	<u>\$ 79,695</u>	<u>\$ 652,189</u>	<u>\$ -</u>	<u>\$ 652,189</u>

See auditors' report

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
STATEMENT OF CASH FLOWS BY FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Lao Family Community Development Inc.	San Antonio Neighborhood Resource Center, LLC	Total	Eliminations Debit/(Credit)	2014 Adjusted Total
<u>Cash flows from operating activities</u>					
Change in net assets	\$ 116,923	\$ 22,151	\$ 139,074	\$ -	\$ 139,074
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Depreciation	46,040	60,587	106,627	-	106,627
Amortization	-	6,521	6,521	-	6,521
Prior period adjustment - San Antonio Neighborhood Resource Center, LLC	-	(108,672)	(108,672)	-	(108,672)
Increase in government, foundation and contract grants and interest receivables	(235,256)	-	(235,256)	(9,043)	(244,299)
Decrease in other receivables	241,264	-	241,264	-	241,264
Decrease in prepaids and deposits	-	-	-	-	-
Decrease in accounts payable	6,647	(11,916)	(5,269)	-	(5,269)
Decrease in accrued vacation	13,348	-	13,348	-	13,348
Decrease in accrued interest payable	-	(153)	(153)	9,043	8,890
Increase in deferred income	130,740	-	130,740	-	130,740
Net cash provided by (used in) operating activities	319,706	(31,482)	288,224	-	288,224
<u>Cash flows from investing activities</u>					
Purchase of new building	(45,727)	-	(45,727)	-	(45,727)
Furniture and equipment	(9,319)	-	(9,319)	-	(9,319)
Deposits to the individual development account, net	(36,198)	-	(36,198)	-	(36,198)
Deposits to the replacement reserve account, net	-	(8)	(8)	-	(8)
Net cash used in investing activities	(91,244)	(8)	(91,252)	-	(91,252)
<u>Cash flows from financing activities</u>					
Payments on notes payable	-	(59,556)	(59,556)	-	(59,556)
Repayments to Lao Family Community Development, Inc. advance	-	117,715	-	-	-
Advances received from San Antonio Neighborhood Resource Center	(117,715)	-	-	-	-
Net cash (used in) provided by financing activities	(117,715)	58,159	(59,556)	-	(59,556)
Net increase (decrease) in cash and cash equivalents	110,747	26,669	137,416	-	137,416
Cash and cash equivalents at beginning of year	191,093	41,531	232,624	-	232,624
Cash and cash equivalents at end of year	\$ 301,840	\$ 68,200	\$ 370,040	\$ -	\$ 370,040

See auditors' report

**LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
STATEMENT OF EXPENDITURES FOR COUNTY OF ALAMEDA GRANTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	1	2	3	4	5	6	7	8	9
Master Contract Number:	900142	900142	900142	900142	900142	900142	900142	900142	900142
Procurement Contract Number:	10943	10944	9599	10939	10940	10940	10511	10511	10275
Board PO Number:	PO#12486	PO#12489	PO#12529	PO 13556	PO#12550	PO 13546	PO#12068	PO 13402	PO#12084
Others:									
Period of Funding:	07/14-10/15	10/14-09/15	10/14-09/15	10/15-09/16	10/14-09/15	10/14-09/16	07/14-06/15	07/14-06/15	07/14-06/15
Contract Services:	CalWorks WE/CS	Employment Social Adjustment	TA/Discretionary	TA/Discretionary	TA/Refugee Forum	TA/Refugee Forum	Career and Employment Center (CEC)	Career and Employment Center (CEC)	Subsidized Wages ES Program (SWEPP)
Contract Amount:	\$ 835,485	\$ 75,000	\$ 20,638	\$ 27,379	\$ 286,976	\$ 286,976	\$ 963,052	\$ 799,668	\$ 337,444
Salaries and wages	\$ 292,524	\$ 2,085	\$ 5,588	\$ 874	\$ 18,814	\$ 6,134	\$ 112,184	\$ 121,724	\$ 65,860
Payroll taxes	26,374	198	547	67	1,677	418	11,129	9,563	5,755
Employee benefits	63,129	731	829	147	3,708	2,185	21,833	26,242	11,762
Subcontract	-	-	-	-	69,668	31,809	222,061	141,109	-
Rent	73,469	1,027	2,065	425	9,753	3,560	68,389	5,588	8,073
IDA matching fund	-	-	-	-	-	-	-	-	-
Travel	2,105	374	8	-	7	330	477	514	856
Computer technology	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	4,791	6,851	-
Advertisement expense	-	-	-	-	-	-	-	-	-
Automobile expense	-	-	-	-	-	-	-	-	-
Bank service charges	-	-	-	-	-	-	-	-	-
Client transportation	-	-	-	-	-	-	-	-	-
Consultants	-	-	900	-	18,975	1,050	-	-	-
Contracts	-	-	-	-	44,250	17,328	-	-	-
Depreciation expense	-	-	-	-	-	-	-	-	-
Amortization expense	-	-	-	-	-	-	-	-	-
Donation	-	-	-	-	-	-	-	-	-
Incentive	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	2,880	2,400	-
Janitorial	-	-	-	-	-	-	-	-	-
Finance charge	-	-	-	-	-	-	-	-	-
Maintenance/repairs	-	-	-	-	-	-	-	-	-
Materials and supplies	-	-	-	-	-	-	-	-	-
Membership fees	-	-	-	-	-	-	-	-	-
Miscellaneous expense	-	-	-	-	-	-	-	-	-
Office supplies	15,754	75	-	-	443	-	27,832	3,379	3,897
On Job Training (OJT)	-	-	-	-	-	-	-	-	-
Postage	-	-	-	-	-	-	-	-	-
Printing	131	-	-	-	-	-	164	349	6
Property tax	-	-	-	-	-	-	-	-	33
Professional fees	-	-	-	-	-	-	-	-	-
Special events and activities	-	-	-	-	-	-	-	-	-
Staff training	1,220	-	-	-	-	-	5,664	652	325
Telephone	-	-	-	-	-	-	4,539	4,059	-
Wage stipend for WIA youth	-	-	-	-	-	-	-	-	-
Shared cost expense	24,227	231	551	137	959	848	8,654	14,423	4,494
In-kind expense	-	-	-	-	-	-	-	-	-
Total expenses	\$ 498,933	\$ 4,721	\$ 10,488	\$ 1,650	\$ 168,254	\$ 63,662	\$ 490,597	\$ 336,853	\$ 101,041
Capitalized expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
STATEMENT OF EXPENDITURES FOR COUNTY OF ALAMEDA GRANTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015**

	10	11	12	13	
	IRC	WEN/CS R-1	WEN/CS R-2	BAIARS	
Master Contract Number					
Procurement Contract Number:					
Board PO Number					
Others					
Period of Funding					
Contract Services:					
	Sub-contract	PO 13901	PO 13900	Sub-Contract	
	07/14-05/16	11/15-6/16	11/15-6/16	10/14-09/16	
	Employment	CalWork	CalWork	Older	
	Service VESL	Region 1	Region 2	Refugee	
				Services	
Contract Amount:	\$ 270,980	\$ 584,459	\$ 628,459	\$ 3,608	Total
Salaries and wages	\$ 144,058	\$ 32,178	\$ 23,307	\$ 704	\$ 826,034
Payroll taxes	13,085	2,576	1,783	73	73,225
Employee benefits	27,030	9,208	7,532	542	174,878
Subcontract	-	-	-	-	464,647
Rent	48,569	11,679	21,117	275	253,989
IDA matching fund	-	-	-	-	-
Travel	1,749	278	170	-	6,868
Computer technology	-	-	-	-	-
Utilities	-	-	-	-	11,642
Advertisement expense	-	-	-	-	-
Automobile expense	-	-	-	-	-
Bank service charges	-	-	-	-	-
Client transportation	-	-	-	-	20,925
Consultants	-	-	-	-	61,578
Contracts	-	-	-	-	-
Depreciation expense	-	-	-	-	-
Amortization expense	-	-	-	-	-
Donation	-	-	-	-	-
Incentive	-	-	-	-	-
Insurance	-	-	-	-	-
Interest Expense	-	-	-	-	5,280
Janitorial	-	-	-	-	-
Finance charge	-	-	-	-	-
Maintenance/repairs	-	-	-	-	-
Materials and supplies	-	-	-	-	-
Membership fees	-	-	-	-	-
Miscellaneous expense	-	-	-	13	13
Office supplies	4,396	179	112	-	56,067
On Job Training (OJT)	-	-	-	-	-
Postage	-	-	-	-	6
Printing	33	55	-	-	765
Property tax	-	-	-	-	-
Professional fees	-	-	-	-	-
Special events and activities	652	774	287	-	9,574
Staff training	-	-	-	-	8,598
Telephone	-	-	-	-	-
Wage stipend for WIA youth	-	-	-	-	-
Shared cost expense	14,663	5,441	3,222	83	77,933
In-kind expense	-	-	-	-	-
Total expenses	\$ 254,235	\$ 62,368	\$ 57,530	\$ 1,690	\$ 2,052,022
Capitalized expenditures	-	-	-	-	-

**LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
STATEMENT OF EXPENDITURES FOR COUNTY OF ALAMEDA GRANTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	1	2	3	4	5	6	7	8	9
	900142	900142	900142	900142	900142	900142	900142	900142	900142
Master Contract Number:	8939	10943	9748	10944	9599	10939	10940	10940	10511
Procurement Contract Number:	PO#11542	PO#12486	PO#11816	PO#12489	PO#11795	PO#12529	Sub-Contract	PO#12530	PO#12068
Board PO Number:							From USCC		
Others:							10/13-09/14		
Period of Funding:	07/13-06/14	07/14-06/15	10/13-09/14	10/14-09/15	10/13-09/14	10/14-09/15		10/14-09/15	07/14-06/15
Contract Services:	CalWorks	CalWorks	Employment	Employment	TA/Discretionary	TA/Discretionary	TA Refugee	TA Refugee	Employment
	WE/CS	WE/CS	Social Adjustment	Social Adjustment			Forum	Forum	Center (CEC)
Contract Amount:	\$ 551,474	\$ 551,474	\$ 60,000	\$ 60,000	\$ 20,638	\$ 20,638	\$ 53,821	\$ 286,976	\$ 963,052
Advertisement Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,000	\$ -
Consultants	-	-	-	-	-	-	-	15,750	-
Client Transportation	-	-	-	-	35	-	5,905	1,200	-
Donation	-	-	-	-	-	-	-	-	-
Employee Benefits and Payroll Taxes	54,763	37,762	11,414	4,361	5,787	242	5,411	2,131	21,020
IDA Matching Fund	-	-	-	-	-	-	-	-	-
Incentive	-	-	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-	-	-
Janitorial	-	-	-	-	-	-	-	-	2,880
Finance Charge	-	-	-	-	-	-	-	-	-
Maintenance/Repairs	-	-	-	-	-	-	-	-	196
Membership fees	343	-	30	-	-	-	-	-	-
Miscellaneous Expense	-	-	-	-	-	-	-	-	-
Office Supplies	5,579	2,081	1,153	18	450	-	754	-	8,989
Postage	-	-	-	-	-	-	-	-	-
Printing	65	170	33	-	33	-	-	-	98
Property Tax	-	-	-	-	-	-	-	-	-
Professional Fees/Audit Fees	-	-	-	-	-	-	-	-	-
Rent	37,871	39,005	4,877	2,026	3,629	713	11,376	2,984	70,584
Salaries and Wages	174,015	124,695	20,414	4,375	7,640	355	36,693	8,289	74,413
Special Events and Activities	-	-	-	-	-	-	-	-	-
Staff Training	224	50	-	-	-	-	-	-	25
Subcontract	-	-	-	-	-	-	-	44,209	72,075
Telephone	-	-	-	-	-	-	-	-	2,698
Travel	1,240	710	924	53	117	121	118	27	317
Utilities	-	-	-	-	-	-	-	-	8,600
Computer Technology	-	-	-	-	-	-	-	-	-
Shared Cost Expense	23,861	20,096	3,760	2,258	4,260	221	3,116	2,196	11,648
Total Expenses	\$ 297,961	\$ 224,569	\$ 42,605	\$ 13,091	\$ 21,951	\$ 1,652	\$ 63,373	\$ 77,786	\$ 273,543
Capitalized expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
STATEMENT OF EXPENDITURES FOR COUNTY OF ALAMEDA GRANTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

	10	11	12	13	14	
Master Contract Number:	900142	IRC	IRC	BAIARS	BAIARS	
Procurement Contract Number:	10275					
Board PO Number:	PO#12084					
Others:						
Period of Funding:	07/14-06/15	Sub-Contract 07/13-06/14	Sub-Contract 07/14-06/15	Sub-Contract 10/13-09/14	Sub-Contract 10/14-09/15	
Contract Services:	Subsidized Wages ES Program (SWEPS)	Employment Service VESL	Employment Service VESL	Older Refugee Services	Older Refugee Services	
Contract Amount:	\$ 337,444	\$ 156,825	\$ 156,825	\$ 2,196	\$ -	Total
Advertisement Expense	\$ -	\$ -	\$ -	\$ -	\$ -	1,000
Consultants	-	-	-	-	-	15,750
Client Transportation	-	-	-	-	-	7,140
Donation	-	-	-	-	-	-
Employee Benefits and Payroll Taxes	10,013	14,054	9,072	420	165	176,615
IDA Matching Fund	-	-	-	-	-	-
Incentive	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Janitorial	-	-	-	-	-	2,880
Finance Charge	-	-	-	-	-	-
Maintenance/Repairs	-	-	-	-	-	196
Membership fees	-	-	-	-	-	373
Miscellaneous Expense	-	-	-	-	-	-
Office Supplies	629	-	991	-	-	20,644
Postage	-	-	-	-	-	-
Printing	33	-	-	-	-	432
Property Tax	-	-	-	-	-	-
Professional Fees/Audit Fees	-	-	-	-	-	-
Rent	11,371	12,716	18,932	201	98	216,383
Salaries and Wages	37,681	41,586	34,292	1,022	176	565,646
Special Events and Activities	-	-	-	-	-	-
Staff Training	25	169	-	-	-	493
Subcontract	-	-	-	-	-	116,284
Telephone	-	-	-	-	-	2,698
Travel	278	354	196	157	64	4,676
Utilities	-	-	-	-	-	8,600
Computer Technology	-	-	-	-	-	-
Shared Cost Expense	5,550	5,554	6,560	75	54	89,209
Total Expenses	\$ 65,580	\$ 74,433	\$ 70,043	\$ 1,875	\$ 557	\$ 1,229,019
Capitalized expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
SCHEDULES OF EXPENDITURES OF FEDERAL, COUNTY, STATE AND OTHER AWARDS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Period	2015 Program Expenditures	2014 Program Expenditures
Pass-Through Program From:					
<u>County of Contra Costa:</u>					
Community Development Block Grants (See Note 1)	14.218	21-1990 & 1991		\$ 150,000	\$ 150,000
Total Department of Housing and Urban Development				\$ 150,000	\$ 150,000
<u>U.S. Dept. of Health & Human Services:</u>					
Individual Development Account	93.576	90ZI0053	10/13-09/16	\$ 151,258	\$ 80,993
Office of Community Services (Community Economic Dev.)	93.667		10/08-06/15	686,000	-
Pass-Through Program From:					
<u>County of Alameda:</u>					
Employment of Community Services					
Alameda County Social Services Agency (CEC)	93.576		07/14-06/15 07/15-06/16	490,597 336,853	273,543 -
Alameda County Social Services Agency (SWEP)	93.576		7/14-10/15	101,041	65,580
Alameda County Social Services Agency (ES/SA)	93.576		10/13-09/14 10/14-12/15	- 4,721	42,605 13,091
Alameda County Social Services Agency (TAD)	93.576		10/13-09/14 10/14-09/15 10/15-09/16	- 10,488 1,650	21,952 1,652
Alameda County Social Services Agency (ES/VESL Sub-Contract IRC)	93.576		07/13-06/14 07/14-05/16	- 254,235	64,015 80,461
Alameda County Social Services Agency (CALWORKS Work Experience/Community Services)	93.558		07/13-06/14 07/14-12/15	- 498,933	294,712 227,818
Alameda County Social Services Agency (CALWORKS Work Experience/Community Services- Region 1)	93.558		11/15-6/16	62,368	-
Alameda County Social Services Agency (CALWORKS Work Experience/Community Services- Region 2)	93.558		11/15-6/16	57,530	-
Alameda County Social Services Agency (TA) ES East Bay Refugee Forum	93.558		10/14-09/15 10/15-09/16	168,254 63,662	141,158 -
Alameda County Social Services Agency (Senior)	93.558		10/13-9/14 10/14-9/15 10/15-9/16	- 1,203 487	1,875 - 557
Total Department of Health and Human Services:				\$ 2,889,280	\$ 1,310,012
				Continued	Continued

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
SCHEDULES OF EXPENDITURES OF FEDERAL, COUNTY, STATE AND OTHER AWARDS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Period</u>	<u>2015 Program Expenditures</u>	<u>2014 Program Expenditures</u>
<u>U.S. Department of Justice:</u>					
Pass-Through Program From:					
<u>State of California:</u>					
California Governor's Office of Emergency Services (Cal OES)	16.575	UV13141427	10/13-09/14	\$ -	\$ 92,341
Unserved/Underserved Victim Advocacy and Outreach Program		UV14151427	10/14-03/16	134,317	39,279
				<u>\$ 134,317</u>	<u>\$ 131,620</u>
Total Department of Justice					
<u>U.S. Department of Labor</u>					
Pass-Through Program From:					
<u>City of Oakland:</u>					
Community & Economic Development Agency (Youth Year Round)	17.259		07/13-06/15	\$ 46,919	\$ -
			07/14-06/16	70,770	226,473
			07/15-06/17	48,832	-
Community & Economic Development Agency (C2C - WIA FY 2015-16)	17.259		06/15-09/15	56,407	-
Community & Economic Development Agency (C2C - OHA)	17.259		06/15-09/15	127,472	-
Community & Economic Development Agency (C2C - None OHA)	17.259		06/15-09/15	39,744	-
Community & Economic Development Agency (C2C - Miscellaneous)	17.259		06/15-09/15	54,435	-
Community & Economic Development Agency (WIA-OHA)	17.259		05/14-09/14	-	70,000
Community & Economic Development Agency (OJT)	17.258		07/14-06/16	84,345	20,516
Sacramento Employment and Training Agency (OJT)	17.260		07/13-06/14	-	249,633
(OJT WIA Adult, OJT WIA CalWORKs, CalWORKs ESE)			07/14 -06/15	250,796	212,292
			07/15-06/16	234,417	-
Sacramento Employment and Training Agency (VESL-RESS)	17.260		10/13-09/14	-	64,381
SETA (VESL-RESS & TAD)			10/14-09/15	90,661	39,102
			10/15-09/16	28,777	-
Expanded Subsidized Employment (DHA-ESE)	17.260		02/15-06/15	181,931	-
			07/15-06/16	408,825	-
Total Department of Labor:				<u>\$ 1,724,331</u>	<u>\$ 882,397</u>
TOTAL FEDERAL AWARDS				<u>\$ 4,897,928</u>	<u>\$ 2,474,029</u>
<u>COUNTY AWARDS:</u>					
Contra Costa County/Social Service Department (CCC CalWorks)		21-513-16	07/13-06/14	\$ -	\$ 99,157
		21-513-17	07/14-06/15	88,796	15,799
		21-513-18	07/15-06/17	165,323	-
CCC Department of Conservation & Development	14.218		08/14-06/16	40,000	-
Contra Costa Health Services		74-405	07/13-06/14	-	89,981
			07/14-06/15	97,844	74,881
			07/15-06/16	77,289	-
Total County Awards:				<u>\$ 469,252</u>	<u>\$ 279,818</u>
TOTAL FEDERAL AND COUNTY AWARDS				<u>\$ 5,367,180</u>	<u>\$ 2,753,847</u>
				Continued	Continued

LAO FAMILY COMMUNITY DEVELOPMENT, INC. AND AFFILIATE
SCHEDULES OF EXPENDITURES OF FEDERAL, COUNTY, STATE AND OTHER AWARDS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Period</u>	<u>2015 Program Expenditures</u>	<u>2014 Program Expenditures</u>
<u>STATE AWARDS:</u>				
California State Parks' Office of Grants and Local Services (OGALS)		06/11-12/17	\$ 297,751	\$ 19,272
Total State Awards:			<u>\$ 297,751</u>	<u>\$ 19,272</u>
<u>OTHER AWARDS:</u>				
Bank of America			\$ 12,000	\$ 4,041
Community & Economic Development Agency Oakland Housing Authority (OHA)			-	158,731
Department of rehabilitation (Great East Bay District)			14,899	43,693
East Bay Community Foundation			-	21,700
Other Grants			-	15,300
United Way of the Bay Area - Spark Point			-	15,435
United Way of the Bay Area - Vita Tax			19,500	18,857
Total Other Awards:			<u>\$ 46,399</u>	<u>\$ 277,757</u>
GRAND TOTAL			<u>\$ 5,711,330</u>	<u>\$ 3,050,876</u>
			Concluded	Concluded

Note 1 - Outstanding Loan Balance \$150,000

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lao Family Community Development, Inc. under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lao Family Community Development, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of Lao Family Community Development, Inc.

Note 3 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustment or credits made in the normal course of business to amounts reported as expenditures in prior years. Lao Family Community Development, Inc. has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance, where it was mandated by the grant contract. Lao Family Community Development, Inc. has not elected to use the 10-percent de minimis indirect cost rate, as to any federal grants awarded, whereby the indirect cost rate was not required to be 10%.

Note 4 - Prior Year's Expenditures

The accompanying schedule of expenditure of federal awards includes \$3,569,070 in expenditures from prior years for which continuing compliance is required.

**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
Lao Family Community Development, Inc.
Oakland, California

We have audited, in accordance with the 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, the accompanying consolidated statements of financial position of Lao Family Community Development, Inc., a California nonprofit public benefit corporation (the "Organization") as of December 31, 2015, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 22, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

**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 (CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lao Family Community Development Inc.'s consolidated 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Concord, California
July 22, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Board of Directors
Lao Family Community Development, Inc.
Oakland, California

Report on Compliance for Each Major Federal Program

We have audited Lao Family Community Development, Inc.'s (a California Nonprofit Public Benefit Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lao family Community Development Inc.'s major federal programs for the year ended December 31, 2015. Lao Family Community Development, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lao Family Community Development Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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 Lao Family Community Development, 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 on compliance for each major federal program. However, our audit does not provide a legal determination on Lao Family Community Development, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Lao Family Community Development, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE (CONTINUED)**

Internal Control Over Compliance

Management of Lao Family Community Development, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Lao Family Community Development, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Lao Family Community Development, 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 a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Concord, California
July 22, 2016

**LAO FAMILY COMMUNITY DEVELOPMENT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Reporting conditions identified that are not considered to be material weakness(es)? None

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weakness(es)? None

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.558, 93.778	Alameda County Social Services Agency (Career and Employment Center (CEC))
93.558, 93.778	Alameda County Social Services Agency (CalWORKs Work Experience/Community Services Program Region 2)
93.558	Contra Costa County CalWORKs Limited English Proficient (LEP/ESL)
93.778	County of Sacramento Department of Human Assistance Expanded Subsidized Employment (ESE)

Dollar threshold used to distinguish between type A and type B programs \$750,000
Auditee qualified as low-risk auditee? Yes

LAO FAMILY COMMUNITY DEVELOPMENT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2015

Section II – Financial Statement Findings

We found no reportable conditions, material weaknesses or instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs 200.518 through 200.520 of *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

There were no audit findings required to be reported by the Uniform Guidance.

**LAO FAMILY COMMUNITY DEVELOPMENT, INC.
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Reporting conditions identified that are not considered to be material weakness(es)? None

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weakness(es)? None

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
17.259	Community & Economic Development Agency (Youth Year Round)
93.558	Alameda County Social Services Agency (CALWORKS Work Experience/Community Services)
16.575	California Governor’s Office of Emergency Services (Cal OES) Unserved/Underserved Victim Advocacy and Outreach Program
17.260	Sacramento Employment and Training Agency (OJT) (OJT WIA Adult, OJT WIA CalWORKs)

Dollar threshold used to distinguish between type A and type B programs \$300,000
Auditee qualified as low-risk auditee? Yes

LAO FAMILY COMMUNITY DEVELOPMENT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2014

Section II – Financial Statement Findings

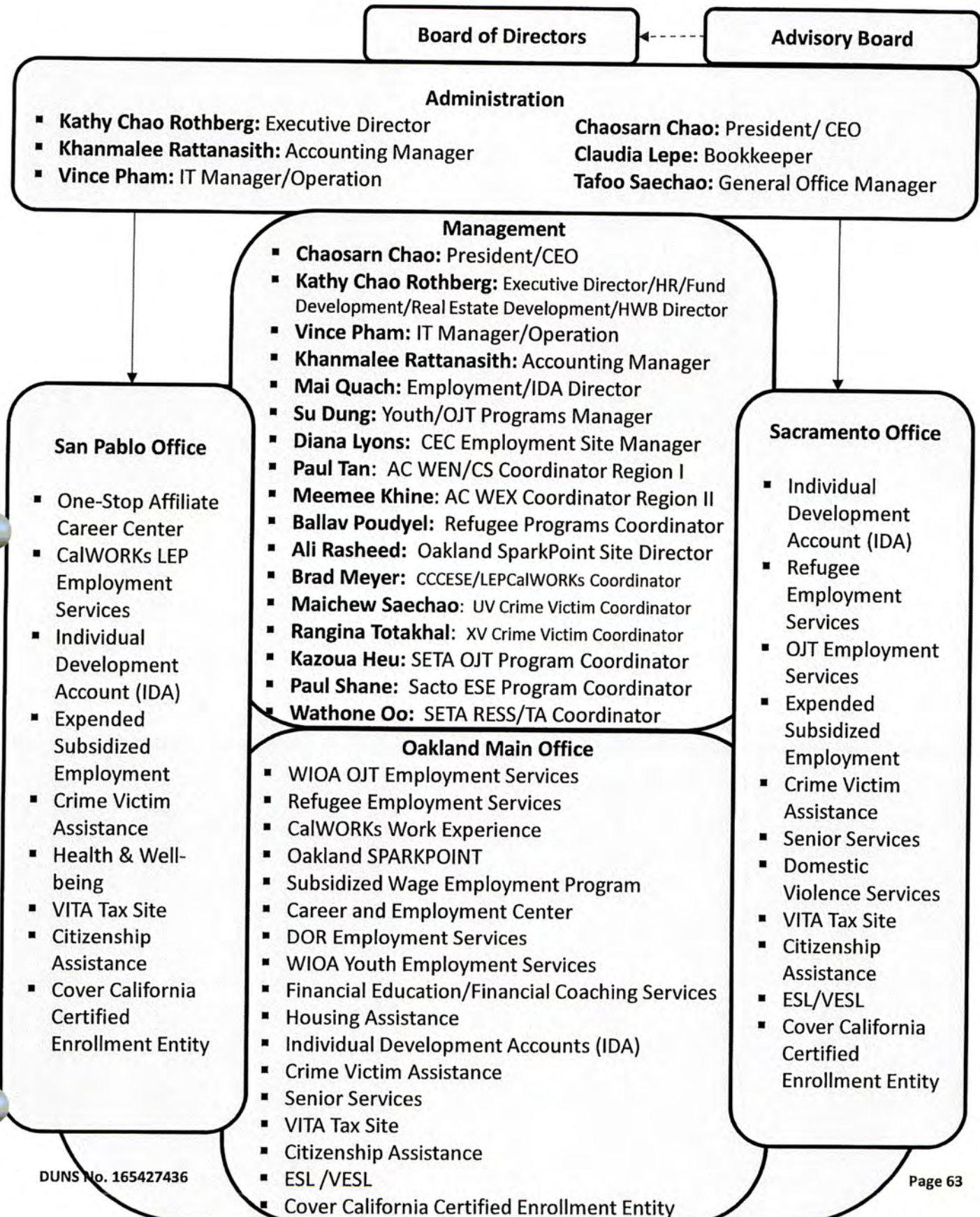
We found no reportable conditions, material weaknesses or instances of noncompliance related to the financial statements that are required to be reported in accordance with paragraphs .518 through .520 of *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

There were no audit findings required to be reported by OMB Circular A-133, Section .510(a).

Lao Family Community Development, Inc.

Organizational Chart (2016)



Mental Health Services Act (MHSA)

Program and Fiscal Review

- I. Name of Program:** Martinez Unified School District – New Leaf Program
614 F Street, Martinez, CA 94553
- II. Review Team:** Michelle Rodriguez-Ziemer, Warren Hayes, Stephanie Chenard
- III. Date of On-site Review:** March 23, 2016
Date of Exit Meeting: September 7, 2016

Program Description. The New Leaf Program is a collaboration between Martinez Unified School District (MUSD) and The New Leaf Collaborative (NLC), to provide services to at-risk students in 9th through 12th grade, and who attend Vicente Martinez High School and Briones School of Independent Studies. This non-traditional educational institute supports increasing numbers of students who are not successful in main stream classes/education, and who may have an increased risk for serious mental health and substance abuse issues. This program provides access and linkage to needed services, offers learning and support to increase protective factors and to decrease risk factors associated with developing a serious mental illness.

Services include experiential learning, leadership opportunities and mental health counseling for all involved. Students engage in hands-on workshops, place-based learning projects, career preparation and internships where collaborations occur between students, school staff, parents and community partners.

This program was initially offered to a few select students, who attended the alternative Briones Independent Studies Program. There were two teachers and two cohorts of students. Because of the success shown among students who were participating, it was discussed and plans implemented to expand the program to all of Vicente students. Now every student has the opportunity to participate in one or several activities offered through the collaboration of NLC and MUSD. Part of the program is the access to a licensed or licensed tracked mental health clinician for individual, group counseling and/or referral for other services.

IV. Purpose of Review. Contra Costa Behavioral Health Services (CCBHS) is committed to evaluating the effective use of funds provided by the Mental Health Services Act. Toward this end a comprehensive program and fiscal review was conducted of the above program. The results of this review are contained herein, and will assist in a) improving the services and supports that are provided; b) more efficiently support the County's MHSA Three Year Program and Expenditure Plan, and c) ensure compliance with statute, regulations and policy. In the spirit of continually working toward better services we most appreciate this opportunity to collaborate together with the staff and clients participating in this program in order to review past and current efforts, and plan for the future.

V. Summary of Findings.

Topic	Met Standard	Notes
1. Deliver services according to the values of the MHSA	Met	Consumer surveys and interviews indicate program meets the values of MHSA.
2. Serve the agreed upon target population.	Met	The program serves consumers at risk of developing a serious mental illness, and also provides access and linkage and prevention services.
3. Provide the services for which funding was allocated.	Met	Funds services consistent with the agreed upon Service Work Plan.
4. Meet the needs of the community and/or population.	Met	Program undergoing design change in delivery of service by increasing access to all students at the Vicente campus.
5. Serve the number of individuals that have been agreed upon.	Met	Consistently report exceeding target goal.
6. Achieve the outcomes that have been agreed upon.	Met	A change in leadership has led to changes within the program. Outcomes are in the process of being review.
7. Quality Assurance	Met	Standards and procedures are in place to address and respond to quality

		assurance standards
8. Ensure protection of confidentiality of protected health information.	Met	Notice of HIPAA and Privacy Policies were in place.
9. Staffing sufficient for the program	Partially Met	Staffing has change/ decreased as program has changed to address changing goals.
10. Annual independent fiscal audit	Met	Audit findings for MUSD provided.
11. Fiscal resources sufficient to deliver and sustain the services	Met	Resources appear sufficient.
12. Oversight sufficient to comply with generally accepted accounting principles	Met	Experienced staff implements sound check and balance system.
13. Documentation sufficient to support invoices	Met	Uses established software program with appropriate supporting documentation protocol.
14. Documentation sufficient to support allowable expenditures	Met	The school district provides significant in-kind contributions to fully fund program.
15. Documentation sufficient to support expenditures invoiced in appropriate fiscal year	Met	Billings appropriate for fiscal year expenses.
16. Administrative costs sufficiently justified and appropriate to the total cost of the program	Met	Indirect charged at 5.45%.
17. Insurance policies sufficient to comply with contract	Met	Insurance policies present for both Martinez Unified School District and the New Leaf Collaborative.
18. Effective communication between contract manager and contractor	Met	Communication occurs regularly between MHSA staff and program managers.

VI. Review Results. The review covered the following areas:

1. Deliver services according to the values of the Mental Health Services Act (California Code of Regulations Section 3320 – MHSA General Standards).

Does the program/plan element collaborate with the community, provide an integrated service experience, promote wellness, recovery and resilience, be culturally competent, and be client and family driven.

Method. Consumer, family member and service provider interviews and consumer surveys.

Discussion. Twelve transition age youth participated in a focus group. Level of participation in NLC varied from participation in none to one activity to participation in NLC activities for several years, such as hiking, leadership activities and the community science club. More than 90% indicated that the program had a positive impact on the students at the school. The new program that focused on integration and offer more services to all students was met with mixed reviews. Several of the students who had been in the program for more than two years were reporting that the change was not positive. Some students reported that the feeling of “like a family environment” was lost. Others felt that it was a good thing, as there were less “cliques”. Some felt that the change brought new opportunities to the traditional education experience, and this blend of NLC and traditional classes was positive. It was repeatedly stated that the prior teacher was the “spirit” of the New Leaf Program, and once she left, the program changed. Students reported that adjusting to this change has been challenging.

In addition to interviewing program participants, 25 consumer surveys were received. Among the written comments, more than 90% viewed the program as having a positive impact on their lives. A few spoke to wanting more activities and student voices in decision making. More than 90% of the responses agreed or strongly agreed that the program operated according to the values of MHSA, and 95% agreed that the program was helpful to them in improving their health and wellness, living a self-directed life, and reaching their full potential.

Staff interviewed included employees from both MUSD and NLC. Involvement ranged from full-time teacher to internship coordinator to support staff at one of the many activities. The staff interviewed reflected the struggles that are a part of the development of the new program design. Most agreed that the concept and new activities becoming available because of The New Leaf Program was positive. Some spoke to the change increasing access for NLC students to participate in “traditional learning opportunities in class”, and saw the prior design as negatively impacting student’s ability to graduate and transition successfully

into jobs due to limited traditional learning opportunities. Others held up the model as an example of a program that positively impacted student's overall well-being, including opportunities for leadership, participation in decision making and access and linking to needed mental health and other supports. More apparent was the struggle with implementation of the program to reach all of the students at the school, with the accompanying impact on staff and students. Teachers identified the need to be better prepared to address the emotional and mental health issues and trauma presented by students. More staff involvement in planning and implementation of the new program model was suggested.

Results. The New Leaf Program appears to incorporate required MHSA values in their programming. It is recommended that MUSD and NLC continue to engage all staff and teachers in participating in the evolution of its program design. For example, teachers have expressed interest in trainings, such as Mental Health First Aid and Trauma Informed Care, in order to better support student and teacher daily interactions. Since the initial visit to this program, changes have incurred, including the hiring of a full-time clinician and tasking that individual with providing trainings to staff.

2. **Serve the agreed upon target population.** For Prevention and Early Intervention, does the program prevent the development of a serious mental illness or serious emotional disturbance, and help reduce disparities in service. Does the program serve the agreed upon target population (such as age group, underserved community).

Method. Compare the program description and/or service work plan with a random sampling of client charts or case files.

Discussion. The agreed upon target population is at-risk youths at Vicente Martinez High School and Briones School of Independent Study, both of which are alternative learning environments to the traditional high school experience. Many students attend Vicente continuation school because of difficulties experienced at regular high schools in the MUSD, such as attendance, behaviors and/or school performance. The numbers served have increase since the inception of the program. Currently the program is undergoing changes to ensure that the services once available to a selected group within the school are now available to all students at the school, should they wish to participate in New Leaf Collaborative programming.

Results. The New Leaf Collaborative is serving the agreed upon target population

3. **Provide the services for which funding was allocated.** Does the program provide the number and type of services that have been agreed upon?

Method. Compare the service work plan or program service goals with regular reports and match with case file reviews and client/family member and service provider interviews.

Discussion. The program description is consistent with the agreed upon Service Work Plan. Client and staff interviewed report that the programs and staff activities are consistent with the goals of both MHSA and the New Leaf Collaborative. Services were offered in an effort to support the achievement of a high school diploma, college and career readiness and overall mental health well-being.

Results. The program provides the services for which funding was allocated. Current changes are under review to ensure that they continue to be aligned with the Service Work Plan and MHSA values.

4. **Meet the needs of the community and/or population.** Is the program or plan element meeting the needs of the population/community for which it was designed. Has the program been authorized by the Board of Supervisors as a result of a community program planning process. Is the program or plan element consistent with the MHSA Three Year Program and Expenditure Plan?

Method. Research the authorization and inception of the program for adherence to the Community Program Planning Process. Match the service work plan or program description with the Three Year Plan. Compare with consumer/family member and service provider interviews. Review client surveys.

Discussion. In fiscal year 2014/ 2015, the goals and outreach of the program changed to expand The New Leaf Program to the entire student population. This change has had its successes and challenges. Reports by both students and staff are reflective of this growing process, to include adjusting to the new design. Many agreed that making services available to all rather than to a select few have been good. Some students spoke to a loss of feeling a close connection to other students that happened as part of the smaller group cohort. Others spoke to the reward of participation in an activity that they once were not allowed to share in.

A challenge has been the ability to hire and retain a licensed Mental Health Clinician. A recent work around has been the collaboration between MUSD and John F. Kennedy University's Graduate School of Professional Psychology (JFK) with the use of three mental health interns, with clinical supervision provided by JFK. As noted earlier, a full-time clinician has been hired.

The program has been vetted through the plan update process, with positions and contract amount authorized by the Board of Supervisors. Interviews and surveys indicate that existing staff are performing duties consistent with what was authorized.

Results. The plan implemented meets the needs of the served population. Changes and directional shift made to this MHSA model of services, due to new leadership are under review. The program currently has a relationship with JFK for provision of interns for mental health counseling and a full-time clinician has been hired.

5. **Serve the number of individuals that have been agreed upon.** Has the program been serving the number of individuals specified in the program description/service work plan, and how has the number served been trending the last three years.

Method. Match program description/service work plan with history of monthly reports and verify with supporting documentation, such as logs, sign-in sheets and case files.

Discussion. The target goal of numbers served has increased over the years, from 46 to 80 to 100 students. Most recent numbers indicate that over 120 students received some type of NLC service. The move toward extending the program to all students at the Vicente campus will further increase the numbers served.

Results. The program serves the number of individuals that have been agreed upon.

6. **Achieve the outcomes that have been agreed upon.** Is the program meeting the agreed upon outcome goals, and how has the outcomes been trending.

Method. Match outcomes reported for the last three years with outcomes projected in the program description/service work plan, and verify validity of outcome with supporting documentation, such as case files or charts. Outcome domains include, as appropriate, incidence of restriction, incidence of psychiatric crisis, meaningful activity, psychiatric symptoms, consumer satisfaction/quality of life, and cost effectiveness. Analyze the level of success by the context, as appropriate, of pre- and post-intervention, control versus experimental group, year-to-year difference, comparison with similar programs, or measurement to a generally accepted standard.

Discussion. The Development Assets Profile (DAP) has been identified as a tool administered to all students at enrollment and again at the 90 day mark. The DAP focusses on understanding the strengths and supports that a young person has in their lives. Initial results in FY 15/16, indicate that more than half of the

students tested as “challenged or vulnerable” regarding strengths and supports. Post-test revealed decreases in the percentage of students in the lowest risk level. Indicating that students were reporting an increase in support, readiness to learn and overall protective indicators.

Results. Interviews with students and surveys reflect that this program has had a positive impact in the lives of the students it serves. The program is encouraged to continue its efforts to use data to reflect the changes occurring in their students’ lives as a result of their participation in the New Leaf Collaboration model. The program is encouraged to adapt to the new PEI reporting requirements and to continue to utilize outcome measures that speak to the impact their program has on students.

7. **Quality Assurance.** How does the program/plan element assure quality of service provision?

Method. Review and report on results of participation in County’s utilization review, quality management incidence reporting, and other appropriate means of quality of service review.

Discussion. The current program is governed by the written policies of both MUSD and NLC. These policies allow both staff and students to report concerns/grievances. As this program does not bill Medi-Cal it is not subject to the County’s utilization review process. Contra Costa Behavioral Health Services has not received any grievances regarding this program.

Results. The program has internal processes in place to be responsive to student needs.

8. **Ensure protection of confidentiality of protected health information.** What protocols are in place to comply with the Health Insurance Portability and Accountability Assurance (HIPAA) Act, and how well does staff comply with the protocol.

Method. Match the HIPAA Business Associate service contract attachment with the observed implementation of the program’s implementation of a protocol for safeguarding protected patient health information.

Discussion. MUSD and NLC have written policies and provided staff training on HIPAA requirements and safeguarding of students’ information. Program participants and parents are informed about their privacy rights and rules of confidentiality.

Results. MUSD and NLC maintain necessary privacy policies to protect the privacy of individuals served.

9. **Staffing sufficient for the program.** Is there sufficient dedicated staff to deliver the services, evaluate the program for sufficiency of outcomes and continuous quality improvement, and provide sufficient administrative support?

Method. Match history of program response with organization chart, staff interviews and duty statements.

Discussion. The New Leaf Program initial model has changed and so has staffing. What started with two teachers and two cohorts of students has now expanded to include other staff members, including other teachers within the Vicente campus. Currently three mental health clinical Interns support the program and a licensed clinician has been hired. Since the start of the school year, there has been a change in the model of services provided through the New Leaf collaboration. This new model is under review.

Results. Staffing has been significantly decreased compared to model in the Service Work Plan. The changes are currently under review.

10. **Annual independent fiscal audit.** Did the organization have an annual independent fiscal audit performed and did the independent auditors issue any findings.

Method. Obtain and review audited financial statements. If applicable, discuss any findings or concerns identified by auditors with fiscal manager.

Discussion. Although MUSD contracts with CCBHS, the New Leaf Program is a non-profit 501(C)(3) that has an MOU with MUSD, and utilizes MUSD's accounting structure for processing funds to pay for staff and expenses that are not part of the school district payroll.

Results. Annual independent fiscal audits for Martinez Unified School District (MUSD) the last three years were provided and reviewed. Findings were noted in the auditor's report, but were minor in nature and immaterial to the New Leaf program.

11. **Fiscal resources sufficient to deliver and sustain the services.** Does organization have diversified revenue sources, adequate cash flow, sufficient coverage of liabilities, and qualified fiscal management to sustain program or plan element.

Method. Review audited financial statements and Board of Directors meeting minutes. Interview fiscal manager of program or plan element.

Discussion. This program receives significant in-kind resource support from the school district, and utilizes contract and grant income to cover the costs needed for New Leaf contract and grant deliverables. The New Leaf Program benefits the entire Vicente Continuation High School student body, and appears to

continue receiving the support of the Vicente principal, as well as the school district.

Results. Fiscal resources are sufficient to deliver and sustain services.

12. **Oversight sufficient to comply with generally accepted accounting principles.** Does organization have appropriate qualified staff and internal controls to assure compliance with generally accepted accounting principles?

Method. Interview with fiscal manager.

Discussion. The fiscal manager and senior staff are qualified accountants who have extensive experience working in this environment. While the New Leaf non-profit status is new, all staff recognized the value of such a structure for maximum flexibility of program design, as well as simplicity of fiscal processing.

Results. The New Leaf fiscal manager and MUSD senior accountant staff was interviewed. Sufficient oversight exists to enable compliance with generally accepted accounting principles

13. **Documentation sufficient to support invoices.** Do the organization's financial reports support monthly invoices charged to the program and ensure no duplicate billing.

Method. Reconcile financial system with monthly invoices. Interview fiscal manager of program.

Discussion. MUSD utilizes the Munis payroll system, and provided documents supporting their invoices. Receipts and monthly timekeeping documentation is processed by the New Leaf Financial Manager, who prepares feeder information to MUSD accounting staff, who in turn prepares and submits the monthly invoice to CCBHS.

Results. MUSD's fiscal reporting system, to include monthly invoices and supporting documentation was reviewed. The methodology and financial documentation appears sufficient to support the invoices, with no duplicate billing.

14. **Documentation sufficient to support allowable expenditures.** Does organization have sufficient supporting documentation (payroll records and timecards, receipts, allocation bases/statistics) to support program personnel and operating expenditures charged to the program.

Method. Match random sample of one month of supporting documentation for each fiscal year (up to three years) for identification of personnel costs and operating expenditures invoiced to the county.

Discussion. MUSD has had a cost based contract with the county for several years, and has been billing for actual allowable costs incurred and paid. MUSD

staff interviewed recognized that this program is a shared cost between Education and CCBHS, as needed prevention interventions have become part of the school's response to their at-risk transition age youth.

Results. Method of allocation of percentage of personnel time and operating costs appear to be supported. It appears that MUSD supports the full cost of the program by in-kind contributions, such as occupancy costs.

- 15. Documentation sufficient to support expenditures invoiced in appropriate fiscal year.** Do organization's financial system year end closing entries support expenditures invoiced in appropriate fiscal year (i.e., fiscal year in which expenditures were incurred regardless of when cash flows).

Method. Reconcile year end closing entries in financial system with invoices. Interview fiscal manager of program.

Discussion. A review of the county's MHSA monthly financial reports indicated no billing by this agency for expenses incurred and paid in a previous fiscal year.

Results. Documentation appears sufficient to support expenditures invoiced in the appropriate fiscal year.

- 16. Administrative costs sufficiently justified and appropriate to the total cost of the program.** Is the organization's allocation of administrative/indirect costs to the program commensurate with the benefit received by the program.

Method. Review methodology and statistics used to allocate administrative/indirect costs. Interview fiscal manager of program.

Discussion. This line item also reflects that this program is a shared cost between Education and CCBHS, as needed prevention interventions have become part of the school's response to their at-risk transition age youth.

Results. MUSD budgets and bills CCBHS at 5.45% Indirect Costs; well below industry standard.

- 17. Insurance policies sufficient to comply with contract.** Does the organization have insurance policies in effect that are consistent with the requirements of the contract.

Method. Review insurance policies.

Discussion. The program provided general liability insurance policies that were in effect at time of site visit.

Results. The program complies with contract insurance requirements.

18. **Effective communication between contract manager and contractor.** Do both the contract manager and contractor staff communicate routinely and clearly regarding program activities, and any program or fiscal issues as they arise.

Method. Interview contract manager and contractor staff.

Discussion. Effective verbal and written communication occurs regularly between staff of NLC and CCBHS.

Results. Current level of communication is sufficient for effective administration of the contract relationship between CCBHS and MUSD/NLC.

VII. Summary of Results.

The New Leaf Program is located within MUSD at Vicente Continuation High School and the Briones Independent Study program. Its goal is to identify and reach out to at-risk students within the school setting, and to provide prevention services. Studies and self-report surveys of student indicate that a high percentage of students are impacted by traumas that impact their ability to be successful and thrive within the traditional high school environment. Mental health supports and hands on learning opportunities are provided to address risk factors that compromise a student's abilities to successfully navigate high school. Surveys and interviews speak to the success of this program within the school setting. Students with access to alternative ways of processing and learning and mental health supports are finding success. The growth of the program has brought about challenges, and there is engaged and active dialogue among the key players involved on how to provide access to the entire student body to these prevention services.

VIII. Findings for Further Attention.

- It is recommended that MUSD and NLC continue to engage all staff and teachers in participating in the evolution of its program design. For example, teachers have expressed interest in trainings, such as Mental Health First Aid and Trauma Informed Care, in order to better support student and teacher daily interactions.
- The program currently has a relationship with JFK for provision of interns for mental health counseling. Since the initial visit, they have hired a full-time licensed Clinician.
- The program is currently undergoing change in the model of services offered. A review of this model is occurring to ensure that MHSA values and the Service Work Plan are honored.

- The program is encouraged to adapt to the new PEI reporting requirements by utilizing outcome measures that speak to the impact their program has on students.

IX. Next Review Date. March 2019

X. Appendices.

Appendix A – Program Description/Service Work Plan

Appendix B – Service Provider Budget

Appendix C – Yearly External Fiscal Audit

Appendix D – Organization Chart

XI. Working Documents that Support Findings.

Consumer Listing

Consumer, Family Member Surveys

Consumer, Family Member, Provider Interviews

County MHSA Monthly Financial Report

Progress Reports, Outcomes

Monthly Invoices with Supporting Documentation Indirect Cost Allocation

Methodology/Plan

Board of Directors' Meeting Minutes

Insurance Policies

MHSA Three Year Plan and Update(s)

SERVICE WORK PLAN

Agency: Martinez Unified School District
Name of Project: New Leaf Collaborative
Project A. Youth Development — New Leaf
Fiscal Year: July 1, 2015 — June 30, 2016

Number: 74-373

Project A: Youth Development - New Leaf Collaborative

I. Scope of Services

During the term of this contract, the New Leaf Collaborative (Youth Development) through Martinez Unified School District (MUSD) as fiscal agent will continue to assist Contra Costa Mental Health in implementing the Mental Health Services Act (MHSA), Prevention and Early Intervention Program to provide Outreach and Engagement to Support At-Risk Youth. The New Leaf Collaborative will provide experiential learning services and leadership opportunities for students and teachers that promote social, emotional and behavioral health, career exposure and character development through participation in New Leaf sponsored activities and/or participation in the New Leaf Leadership Academy. Key activities will include: hands-on workshops, place-based service-learning projects, career preparation, and internships where students, school staff, parents and community partners collaborate on projects that serve human and environmental health. These activities will be available for high school adolescent youths of all cultural backgrounds during the school day at Vicente Martinez High School and open to students enrolled in Briones School of Independent Study. Students will have the option of participating in a variety of distinctive activities throughout each semester or by enrolling in the New Leaf Leadership Academy classes. Students who are enrolled for more than 50% of their school day within New Leaf courses will be considered New Leaf Leadership Academy students. For these students, activities will be integrated within individualized success and achievement plan (ISAP) that addresses career/leadership goals, holistic health goals and academic skill goals. They will also receive direct mentoring from a New Leaf teacher.

Projects will support achievement of a high school diploma, college and career readiness, democratic participation, mindfulness education, development of ecological literacy, and overall student mental health. Some of the results of participation in the activities or Academy will be: A high school diploma, transferable career skills and certification, acceptance into a college or post-high school training program, strong leadership skills, development of the assets necessary for holistic, sustainable living, and access to mental health services for those students with identified mental health needs. This is accomplished through independently contracted services provided to students, as well as in-class experiences provided by trained teachers, and services provided by internship coordinators who provide support for obtaining paid, as well as intern opportunities. Students will have access to a licensed mental health clinician for individual and group counseling, and referral for further services if needed.

The Contractor's program shall be carried out as set forth in the Work Plan for this Contract, which is incorporated herein by reference, a copy of which is on file in the office of the County's Mental Health Director and a copy of which the County has furnished to the Contractor. Individuals receiving Contractor's services pursuant to this Agreement are hereinafter referred to as "Clients". These clients are also Clients of the County's Mental Health Division and other County-approved referral agencies.

SERVICE WORK PLAN

Agency: Martinez Unified School District
Name of Project: New Leaf Collaborative
Project A. Youth Development — New Leaf
Fiscal Year: July 1, 2015 — June 30, 2016

Number: 74-373

II. Types of Mental Health Services/Other Service-Related Activities

During the term of this contract, Martinez Unified School District, as the fiscal agent for the New Leaf Collaborative, will assist Contra Costa Mental Health in implementing the Mental Health Services Act (MHSA), by providing Prevention and Early Intervention services with its New Leaf Youth Development program.

III Program Facilities/Hours of Operation /Staffing

A. Program Facilities

Martinez Unified School District Office
Location: 921 Susana Street
Martinez, CA 94553

Vicente Martinez High School
New Leaf Leadership Academy
614 F Street
Martinez, CA 94553

B. Contact Persons, Phone Number, and Email

MUSD District Office
Andi Stubbs, Chief Business Official
(925) 335-5925
astubbs@martinez.k12.ca.us

Vicente Martinez High School
Carol Adamas, Principal
(925) 228-9232 ext 292
cadams@martinez.k12.ca.us

New Leaf Leadership Academy Development Coordinator
Rona Zollinger, Teacher
(925) 228-9232 ext 287

C. Program Hours of Operation

Martinez Unified School District will provide services between the hours of 8 am and 3 pm, Monday through Friday.

D. Program Staffing (including staffing pattern)

Contractor will employ a minimum of 1.40 FTE to provide direct services.

IV. Volume of Services to be Provided

SERVICE WORK PLAN

Agency: Martinez Unified School District
Name of Project: New Leaf Collaborative
Project A. Youth Development — New Leaf
Fiscal Year: July 1, 2015 — June 30, 2016

Number: 74-373

Contractor will provide prevention and early interventions services to 80 to 100 high school adolescent youths at Vicente Martinez High School/Briones School of Independent Study in Martinez of all cultural backgrounds. Contractor shall attach to the billing a Monthly Contract Service /Expenditure Summary (Form: MHP029) with the total number services provided for the month and the additional unduplicated (for the year) number of clients served during the month.

V. Billing Procedure

Contractor shall submit a Demand for Payment (Form: D15.19) for services rendered to the Contra Costa Mental Health. Contractor shall attach to the billing a Monthly Contract Service/Expenditure Summary (Form: MHP 029) with actual expenditure information for the billing period. Demands for payment should be submitted by mail to:

Gerold Loenicker, PEI Program Supervisor
Contra Costa Mental Health 1340 Arnold Drive, Suite 200
Martinez, CA 94553
Telephone: (925) 957-5118
Fax: (925) 957-5156

VI. Outcome Statements

Engagement Focus:

1. Increased engagement of Vicente/Briones students in mental health promoting New Leaf activities.

Short Term Focus:

2. Increased mental health resiliency among Vicente/Briones students.

Intermediate Focus:

3. Students enrolled in New Leaf Leadership Academy will:
 - a. Develop an increased ability to overcome social, familial, emotional, psychiatric, and academic challenges and hence work toward academic-, vocational-, relational-, and other life goals.

VII. Outcome Measures of Success

Engagement Focus:

1. At least 70% of non-academy students will participate in one New Leaf sponsored activity per semester.

Short Term Focus:

2. At least 70% of students participating in internships will report an increase of 5 points on their DAP score.
3. At least 70% of students participating in less than 50% of New Leaf Academy classes will report an increase of 5 points on their DAP score.

Intermediate Focus:

3. At least 70% of the the New Leaf Leadership Academy students:

SERVICE WORK PLAN

Agency: Martinez Unified School District
Name of Project: New Leaf Collaborative
Project A. Youth Development — New Leaf
Fiscal Year: July 1, 2015 — June 30, 2016

Number: 74-373

- a. will achieve 2 out of 3 Individual Success and Achieve Plan (ISAP) goals by the end of the school year (must be enrolled for at least 1 semester)
 - b. identified to have had discipline issues will reduce the number of discipline entries into Aeries by 50% in comparison to the previous school year as measured at the end of the school year.
 - c. identified to have attendance issues will improve their attendance rate by 20%.
 - d. will earn 100% of the expected grade level credits as measured at the end of the school year.
 - e. that need to pass the California High School Exit Exam (CAHSEE) scores will improve their scores by 5% as measured by end of the school year.
 - f. will report an increase of 5 points on their DAP score
4. 100% students self-identified as needing mental health services will be successfully linked to adequate mental health treatment.

VIII. Measurement/Evaluation Tools

- A. Developmental Asset Profile (online assessment instrument from the Search Institute)
- B. Individual Success and Achievement Plan (developed by teacher, internship coordinator and mental health counselor)
- C. Data Director (data analysis software)
- D. AERIES (school database)
- E. EXCEL and google spreadsheets
- F. Stages of Leadership Character Traits Evaluation Forms
- G. Student Work Samples

Reports Required

Contractor is asked to complete and submit a Semi Annual Reports (MHP030: 7-29-09), fifteen days after each half year has ended, to document the program's plan/do/check/act quality process and track statistical information (i.e. age, gender, ethnicity, language, and client residence) of the target population(s) actually served, as defined by the Contractor and approved by the County during contract award and negotiation process. The year-end report will contain report on outcomes and measures of success.

Please submit all evaluation reports on a quarterly basis via email to:

Gerold Loenicker. LMFT
1340 Arnold Drive #200
Martinez, CA 94553
Office: (925) 957-5118
Fax: (925) 957-5156
Gerold.Loenicker@hsd.ccounty.us

SERVICE WORK PLAN

Agency: Martinez Unified School District
Name of Project: New Leaf Collaborative
Project A. Youth Development — New Leaf
Fiscal Year: July 1, 2015 — June 30, 2016

Number: 74-373

Michelle Nobori
Planner Evaluator, MHSA
(925) 957-5128
Michelle.Nobori@hsd.cccounty.us

IX. Other

Promotional materials for the program should identify the funding source: "Funded by the Mental Health Services Act in partnership with Contra Costa Mental Health". Contractor must attend the Regional Roundtable meetings sponsored by Contra Costa Mental Health

BUDGET OF ESTIMATED PROGRAM EXPENDITURES

Number Budget

Fiscal Year 2015 – 2016 New Leaf 74-373

A. GROSS OPERATIONAL BUDGET

	<u>a</u>	<u>b</u>
1. Cost Reimbursement Categories		
a. Personnel Salaries and Benefits	\$157,419	
b. Operational Costs (Direct)	3,316	
c. Indirect Costs	<u>9,265</u>	
2. Total Gross Allowable Program Costs	\$170,000	

B. LESS PROJECTED NON-COUNTY PROGRAM REVENUES

(To be collected and provided by Contractor)

C. NET ALLOWABLE TOTAL COSTS **\$170,000**

TOTAL CONTRACT PAYMENT LIMIT : \$ 170,000

D. CHANGES IN COST CATEGORY AMOUNTS

Subject to the Total Payment Limit, and subject to State guidelines, each cost category Subtotal Amount set forth above:

1. May vary within each program by up to 15% without approval by County; *and*
2. May be changed in excess of 15% in any fiscal year period provided, however, that Contractor has obtained written authorization prior to April 30th that fiscal year period under this Contract from the Department's Mental Health Division Director before implementing any such budget changes.

E. PROGRAM BUDGET CHANGES

Subject to the Contract Payment Limit and subject to State guidelines, Contractor may make changes in the total amounts set forth above for the Total Gross Allowable Program Cost and the Total Projected Non-County Program Revenue, provided, however, that Contractor has obtained written authorization prior to April 30th of each fiscal year period under this Contract, from the Department's Mental Health Director, or designee, in accordance with Paragraph G, below, before implementing any such budget changes.

F. CONTRACTOR BUDGET

Contractor will submit to County, for informational purposes upon request, its total Corporation budget including: all program budgets, all revenue sources and projected revenue amounts, all cost allocations, and line item breakdown of budget categories to include salary levels listed by job classification as well as detailing of operational and administrative expenses by cost center and listing numbers of staff positions by job classification.

G. BUDGET REPORT

No later than April 30th of each fiscal year period under this Contract, Contractor shall deliver a written Budget Report to the Department's Mental Health Director, or designee stating whether or not the budgeted amounts set forth in this Budget of Estimated Program Expenditures for the Total Gross Allowable Program Cost and the Total Projected Non-County Program Revenue for the respective fiscal year period hereunder accurately reflect the actual cost for the Service Program. If any of these program budget amounts needs to be changed, Contractor shall include in its Budget Report a complete copy of the revised Budget of Estimated Program Expenditures, an explanation of the program budget and revenue changes, and a request for prior written authorization to implement the changes in accordance with Paragraph E, above, subject to Special Conditions Paragraph 2 (Cost Report).

Initials: _____
Contractor County Dept.

MARTINEZ UNIFIED SCHOOL DISTRICT
COUNTY OF CONTRA COSTA
MARTINEZ, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

MARTINEZ UNIFIED SCHOOL DISTRICT

JUNE 30, 2015

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MARTINEZ UNIFIED SCHOOL DISTRICT

JUNE 30, 2015

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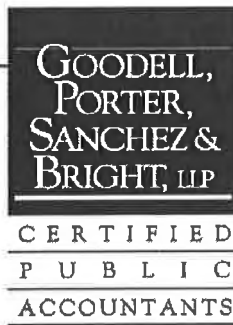
MARTINEZ UNIFIED SCHOOL DISTRICT

JUNE 30, 2015

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FINANCIAL SECTION



JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
SUZY H. BRIGHT, CPA
RICHARD J. GOODELL, CPA
MICHELLE M. HANSON, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Education
Martinez Unified School District
Martinez, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Martinez Unified School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Martinez Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Martinez Unified School District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 10 to the financial statements, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District is recognizing its share of the unfunded liability for the California State Teachers' Retirement Plan (STRS) and the California Public Employees' Retirement System Schools Pool Cost-Sharing Multiple Employer Plan (PERS) for the first time based on the most recent actuarial valuations dated June 30, 2013. The District reported a net pension liability of \$26.2 million at June 30, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 and budgetary comparison information and accounting by employer for postemployment benefits and pensions on pages 55 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Martinez Unified School District's basic financial statements. The financial and statistical information listed as supplementary information in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The financial and statistical information listed as supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial and statistical information listed as supplementary information and the schedule of expenditures of federal awards is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015, on our consideration of the Martinez Unified School District's internal control over financial reporting and 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* in considering Martinez Unified School District's internal control over financial reporting and compliance.

Amel Porter, Sanchez, & Bright, LLP

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 11, 2015

MARTINEZ UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

The discussion and analysis of Martinez Unified School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report on page 1, notes to the basic financial statements and the District's financial statements.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- The General Fund total Local Control Funding Formula sources increased by \$5.6 million from 2013-2014 to 2014-2015.
- General Fund revenues were less than expenditures and other uses by \$2.5 million, ending the year with available reserves of \$5.5 million, which is more than the State recommended reserve level of 3%.
- The total of the District's fixed assets, land, site, buildings, and equipment, valued on an acquisition cost basis was \$99.6 million. After depreciation, the June 30, 2015 book value for fixed assets totaled \$59.8 million.
- In complying with GASB 68, the District is recognizing its portion of the unfunded STRS and PERS pension liabilities for the first time in 2014-2015. These liabilities are based on the most recent actuarial valuations. Implementation of GASB 68 requires the District to restate the June 30, 2014 net position by recognizing the pension liabilities. Recognizing the liabilities decreased the June 30, 2014 total net position on the Statement of Net Position by \$30.7 million.

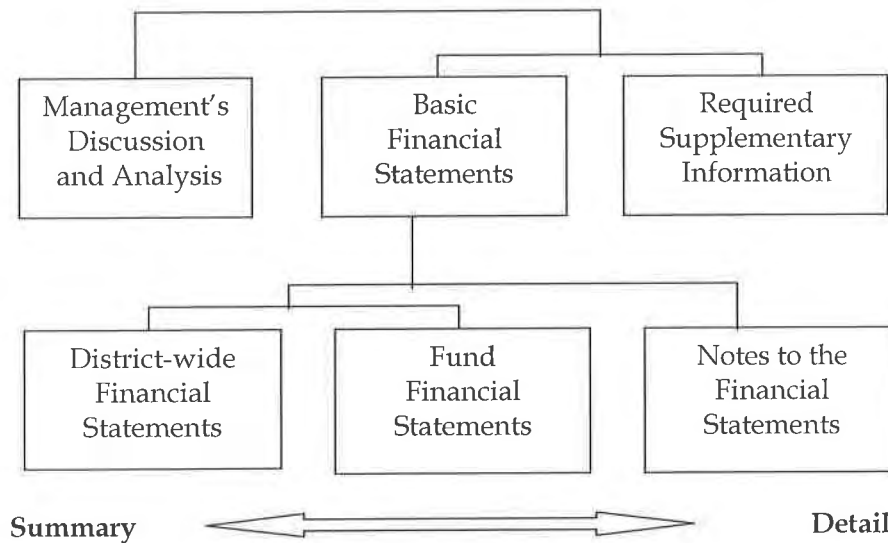
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the Martinez Unified School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

MARTINEZ UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Components of the Financial Section



The first two statements are *district-wide financial statements*, the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's more significant funds with all other non-major funds presented in total in one column. A comparison of the District's General Fund budget is included.

MARTINEZ UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Components of the Financial Section (Concluded)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Reporting on the District as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2014-2015?"

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of education provided and the safety of the schools to assess the overall health of the District.

- ◆ Increases or decreases in the net position of the District over time are indications of whether its financial position is improving or deteriorating, respectively.
- ◆ Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the District need to be considered in assessing the overall health of the District.

MARTINEZ UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

◆ **Governmental Funds**

Most of the District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund and the Building Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

◆ **Fiduciary Funds**

The District is the trustee, or fiduciary, for its student activity and scholarship funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

MARTINEZ UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The School District as a Whole

The District's net position was \$12.4 million at June 30, 2015. Of this amount a deficit \$31.5 million was unrestricted. Net investment in capital assets, account for \$36.9 million of the total net position. A comparative analysis of government-wide data is presented in Table 1.

(Table 1)
Comparative Statement of Net Position

	Governmental Activities	
	2015	2014
ASSETS		
Cash and investments	\$ 40,354,711	\$ 47,917,757
Receivables	2,331,759	3,125,196
Prepaid expenditures	1,260	1,120
Capital assets	59,827,399	59,680,005
Total assets	102,515,129	110,724,078
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension expense	2,312,984	0
LIABILITIES		
Deficit cash	112,509	2,003,542
Accounts payable and other current liabilities	3,798,739	3,118,069
Unearned revenue	491,963	39,097
Other postemployment benefits	4,264,460	3,418,283
Net pension liability	26,162,664	
Unamortized bond premiums	466,733	490,587
Long-term liabilities	50,283,161	53,523,338
Total liabilities	85,580,229	62,592,916
DEFERRED INFLOWS OF RESOURCES		
Deferred earnings on pension plan investments	6,884,629	0
NET POSITION		
Net investment in capital assets	36,919,229	34,848,887
Restricted	6,981,345	8,767,182
Unrestricted (deficit)	(31,537,319)	4,515,093
Total net position	\$ 12,363,255	\$ 48,131,162

The implementation of GASB 68 in the fiscal year ended June 30, 2015, resulted in deficit unrestricted net position.

MARTINEZ UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The District's net position decreased \$5.1 million this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 74% of total expenses. The purely administrative activities of the District accounted for just 7% of total costs. The remaining 19% was spent in the areas of plant services and other expenses, interest on long-term debt and other outgo. (See Figure 2).

(Table 2)
Comparative Statement of Change in Net Position

	Governmental Activities	
	2015	2014
REVENUES		
Program revenues	\$ 6,978,504	\$ 8,017,119
General revenues		
Taxes levied for general purposes	17,658,944	16,840,784
Taxes levied for debt service	3,217,850	4,193,064
Taxes levied for other specific purposes	513,762	517,464
Federal and State Aid not restricted to specific purposes	14,275,368	11,017,220
Interest and investment earnings	131,538	105,430
Interagency revenues	30,800	31,725
Miscellaneous	2,379,720	1,399,760
Total revenues	<u>45,186,486</u>	<u>42,122,566</u>
EXPENSES		
Instruction	28,460,016	24,102,525
Instruction related services	5,010,063	4,121,302
Pupil support services	3,508,338	3,122,905
General administration	3,391,891	2,705,241
Plant services	4,123,965	3,532,116
Other	5,765,550	3,698,367
Total expenses	<u>50,259,823</u>	<u>41,282,456</u>
Increase (decrease) in net position	<u>\$ (5,073,337)</u>	<u>\$ 840,110</u>

MARTINEZ UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

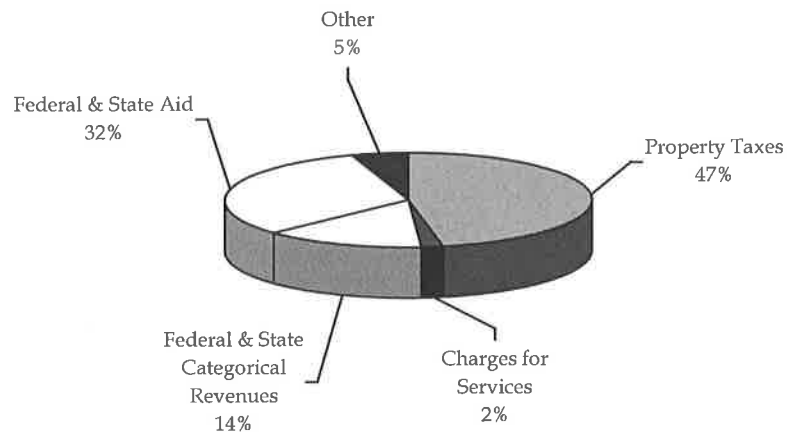
FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)

Governmental Activities

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$50.3 million. The amount that our local taxpayers financed for these activities through property taxes was \$21.4 million. Federal and State aid not restricted to specific purposes totaled \$14.3 million. State and Federal Categorical revenue totaled over \$6.2 million or 14% of the revenue of the entire District (see Figure 1).

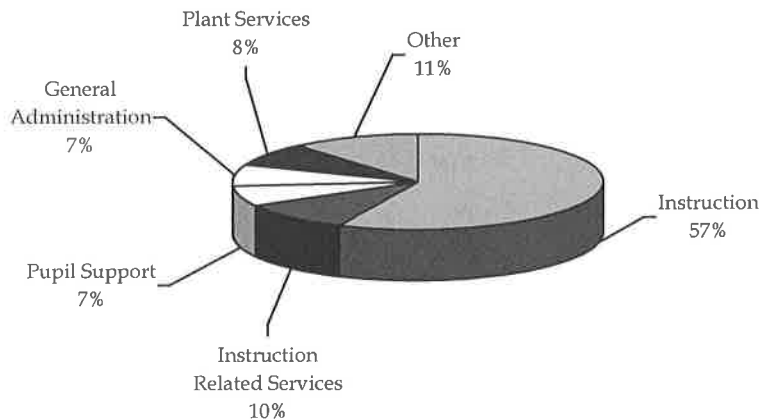
Sources of Revenue for the 2014-2015 Fiscal Year

Figure 1



Expenses for the 2014-2015 Fiscal Year

Figure 2



MARTINEZ UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of \$40.3 million, a decrease of \$5.9 million from the previous fiscal year's combined ending balance of \$46.2 million. The General Fund balance decreased \$2.5 million and the Building Fund balance decreased \$2.2 million.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget monthly. The significant budget adjustments fell into the following categories:

- ◆ Budget revisions to the adopted budget required after approval of the State budget.
- ◆ Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- ◆ Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The final revised budget for the General Fund reflected a net decrease to the ending balance of \$1.1 million.

The District's General Fund ended the year with a decrease of \$2.5 million. The State recommends an ending reserve for economic uncertainties of 3%. The District's ending available reserve was 13.7%, which included the reserve for economic uncertainties.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2014-2015 fiscal year, the District had invested \$99.6 million in a broad range of capital assets, including land, school buildings, athletic facilities, administrative buildings, site improvements, vehicles, work in process and equipment. The capital assets net of depreciation were \$59.8 million at June 30, 2015, which is an increase of \$147 thousand from the previous year, due to acquisitions totaling \$2.7 million and depreciation expense of \$2.5 million.

MARTINEZ UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Concluded)

Table 3
Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2015 and 2014

	2015	2014	Difference Increase (Decrease)
Land	\$ 5,694,895	\$ 5,694,895	
Site Improvements	4,577,770	4,093,674	\$ 484,096
Buildings	33,943,445	32,935,141	1,008,304
Machinery and Equipment	393,249	328,664	64,585
Work in Process	15,218,040	16,627,631	(1,409,591)
Totals	<u>\$ 59,827,399</u>	<u>\$ 59,680,005</u>	<u>\$ 147,394</u>

Long-Term Debt

At June 30, 2015, the District had \$50.3 million in long-term debt outstanding.

Table 4
Comparative Schedule of Outstanding Debt
June 30, 2015 and 2014

	2015	2014
General Obligation Bonds	\$ 44,998,563	\$ 49,148,563
Bond Accreted Interest	5,126,438	4,256,932
Compensated Absences	158,160	117,843
Totals	<u>\$ 50,283,161</u>	<u>\$ 53,523,338</u>

The District continues to maintain excellent credit ratings on all of its debt issues.

Increases in total long-term debt include the accrual of \$870 thousand of interest on the District's Capital Appreciation Bonds. Bond principal paid in 2014-2015 was \$4.2 million.

MARTINEZ UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)

Long-Term Debt (Concluded)

The general obligation bonds are financed by the local taxpayers and represent 93.8% of the District's total outstanding debt.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Local Control Funding Formula (LCFF) is aimed at correcting historical inequities while decreasing previous constraints on restricted program expenses. The formula is intended to make funding more transparent and simple. With the new flexibility also comes new requirements for accountability. The Local Control Accountability Plan (LCAP) is mandated and must be aligned and adopted with the District's 2015-2016 budget. The LCAP is expected to describe how the District intends to meet annual goals for all pupils, with specific activities to address state and local priorities identified during the LCAP development process.

The LCFF is the largest unknown for the District. The new funding structure has no statutory cost of living allowance built into it and relies solely on the annual budget process at the legislative level. Planning for the "out years" will be much more difficult and volatile under the LCFF funding formula. The eight years necessary to bring the District to their target funding could be unpredictable and unstable, thereby creating a need for a larger reserve than past years. The ongoing unpredictability of the District's supplemental and concentration funding under the LCFF will also create unstable budgets even after the district's target has been met in 2020-2021.

Future predictions and uncertainties with the changes to the State funding formula require management to plan carefully and prudently to provide the necessary resources to meet student's needs and continue to keep pace with inflation increases over the next several years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Andi Stubbs, Chief Business Official, Martinez Unified School District, 921 Susana Street, Martinez, CA 94553, (925) 335-5925.

MARTINEZ UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental Activities
ASSETS	
Cash (Note 2)	\$ 36,538,208
Investments (Note 2)	3,816,503
Accounts Receivable (Note 3)	2,331,759
Prepaid Expenses (Note 1H)	1,260
Capital Assets, Net of Depreciation (Note 5)	59,827,399
Total Assets	102,515,129
DEFERRED OUTFLOWS OF RESOURCES (NOTE 1H)	
Deferred Pension Expense	2,312,984
LIABILITIES	
Deficit Cash (Note 2)	112,509
Accounts Payable and Other Current Liabilities	3,798,739
Unearned Revenue (Note 1H)	491,963
Other Postemployment Benefits (Note 9)	4,264,460
Net Pension Liability (Note 10)	26,162,664
Unamortized Bond Premiums (Note 6)	466,733
Long-term Liabilities (Note 8)	
Due Within One Year	1,373,160
Due After One Year	48,910,001
Total Liabilities	85,580,229
DEFERRED INFLOWS OF RESOURCES (NOTE 1H)	
Deferred Earnings on Pension Plan Investments	6,884,629
NET POSITION	
Net Investment in Capital Assets	36,919,229
Restricted For:	
Capital Projects	3,964,542
Debt Service	2,977,824
Education Programs	29,048
Other Purposes (Expendable)	9,931
Unrestricted (Deficit)	(31,537,319)
Total Net Position	\$ 12,363,255

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
<u>Governmental Activities</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Instruction	\$ 28,460,016	\$ 237,662	\$ 3,969,663	\$ (24,252,691)
Instruction-Related Services:				
Supervision of Instruction	1,259,769	3,841	279,497	(976,431)
Instructional Library, Media and Technology	357,066	1,550	29,789	(325,727)
School Site Administration	3,393,228	1,137	260,646	(3,131,445)
Pupil Services:				
Home-To-School Transportation	324,579	3,376	70,355	(250,848)
Food Services	1,182,302	503,457	682,634	3,789
All Other Pupil Services	2,001,457	12,962	574,588	(1,413,907)
General Administration:				
Data Processing	684,078		34,315	(649,763)
All Other General Administration	2,707,813	8,828	134,712	(2,564,273)
Plant Services	4,123,965	2,997	161,803	(3,959,165)
Ancillary Services	155,096	522	2,377	(152,197)
Community Services	2,100	552	1,241	(307)
Interest on Long-Term Debt	3,067,730			(3,067,730)
Depreciation (unallocated)	2,540,624			(2,540,624)
Total Activities	<u>\$ 50,259,823</u>	<u>\$ 776,884</u>	<u>\$ 6,201,620</u>	<u>(43,281,319)</u>
General Revenues:				
Property Taxes Levied For:				
General Purposes				17,658,944
Debt Service				3,217,850
Other Specific Purposes				513,762
Federal and State Aid Not Restricted to Specific Purposes				14,275,368
Interest and Investment Earnings				131,538
Interagency revenues				30,800
Miscellaneous				2,379,720
Total General Revenues				<u>38,207,982</u>
Change (Decrease) in Net Position				(5,073,337)
Net Position Beginning (Restated - Note 14)				<u>17,436,592</u>
Net Position Ending				<u>\$ 12,363,255</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash (Note 2)	\$ 6,334,687	\$ 22,120,457	\$ 8,083,064	\$ 36,538,208
Investments (Note 2)	1,296,170		2,520,333	3,816,503
Accounts Receivable (Note 3)	1,987,421		344,338	2,331,759
Due From Other Funds (Note 4)	28,987		750,000	778,987
Prepaid Expenditures (Note 1H)	1,260			1,260
Total Assets	<u>\$ 9,648,525</u>	<u>\$ 22,120,457</u>	<u>\$ 11,697,735</u>	<u>\$ 43,466,717</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deficit Cash (Note 2)			\$ 112,509	\$ 112,509
Accounts Payable	\$ 1,541,516	\$ 30,064	233,287	1,804,867
Unearned Revenue (Note 1H)	351,612		140,351	491,963
Due to Other Funds (Note 4)	750,000		28,987	778,987
Total Liabilities	<u>2,643,128</u>	<u>30,064</u>	<u>515,134</u>	<u>3,188,326</u>
Fund Balances (Note 1H):				
Nonspendable	6,630		5,000	11,630
Restricted	889,029	22,090,393	6,981,345	29,960,767
Committed	636,198		595,344	1,231,542
Assigned			3,600,912	3,600,912
Unassigned	5,473,540			5,473,540
Total Fund Balances	<u>7,005,397</u>	<u>22,090,393</u>	<u>11,182,601</u>	<u>40,278,391</u>
Total Liabilities and Fund Balances	<u>\$ 9,648,525</u>	<u>\$ 22,120,457</u>	<u>\$ 11,697,735</u>	<u>\$ 43,466,717</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balance - governmental funds	\$	40,278,391
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets, at historical cost:	\$	99,612,215	
Accumulated depreciation:		(39,784,816)	
Net:			59,827,399

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturred interest owing at the end of the period was:

(1,993,872)

Unamortized bond premium: In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as a reduction in annual interest expense over the life of the debt. Unamortized premium at year-end was:

(466,733)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds	\$	44,998,563	
Accreted interest		5,126,438	
Net pension liability		26,162,664	
Other post-employment benefits		4,264,460	
Compensated absences		158,160	
Total			(80,710,285)

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions	\$	2,312,984	
Deferred inflows of resources relating to pensions		(6,884,629)	
Net			(4,571,645)

Total net position - governmental activities	\$	12,363,255
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local Control Funding				
Formula Sources				
State Apportionments	\$ 12,682,894			\$ 12,682,894
Local Sources	17,658,944			17,658,944
Total Local Control Funding				
Formula Sources	30,341,838			30,341,838
Federal Revenue	1,157,577		\$ 955,239	2,112,816
Other State Revenue	2,630,174		498,391	3,128,565
Other Local Revenue	3,186,454	\$ 78,004	5,483,763	8,748,221
Total Revenues	37,316,043	78,004	6,937,393	44,331,440
EXPENDITURES				
Certificated Salaries	18,794,174		1,027,889	19,822,063
Classified Salaries	5,192,351	120,193	705,015	6,017,559
Employee Benefits	9,034,079	49,537	479,046	9,562,662
Books and Supplies	1,271,331	193,341	690,781	2,155,453
Services and Other				
Operating Expenditures	4,665,539	394,965	879,501	5,940,005
Capital Outlay	61,005	1,547,020	414,549	2,022,574
Debt Service:				
Principal Retirement			4,150,000	4,150,000
Interest and Fiscal Charges			557,660	557,660
Other Outgo	(28,987)		28,987	0
Total Expenditures	38,989,492	2,305,056	8,933,428	50,227,976
Excess of Revenues Over (Under) Expenditures	(1,673,449)	(2,227,052)	(1,996,035)	(5,896,536)
Other Financing Sources (Uses):				
Operating Transfers In (Note 4)			820,000	820,000
Operating Transfers Out (Note 4)	(820,000)			(820,000)
Other Uses	(37,551)			(37,551)
Total Other Financing Sources (Uses)	(857,551)	0	820,000	(37,551)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(2,531,000)	(2,227,052)	(1,176,035)	(5,934,087)
Fund Balances - July 1, 2014	9,536,397	24,317,445	12,358,636	46,212,478
Fund Balances - June 30, 2015	\$ 7,005,397	\$ 22,090,393	\$ 11,182,601	\$ 40,278,391

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Net change (decrease) in fund balances - total governmental funds \$ (5,934,087)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period was:

Expenditures for capital outlay:	\$	2,688,018	
Depreciation expense:		(2,540,624)	
Net:			147,394

Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:

(39,739)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

4,150,000

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

(2,534,265)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

(40,317)

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:

(846,177)

Amortization of debt issue premium: In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Amortization of premium for the period was:

23,854

Total change (decrease) in net position - governmental activities

\$ (5,073,337)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Private Purpose Trust Scholarship Fund	Agency Fund Student Body
ASSETS		
Cash (Note 2)	\$ 104,870	\$ 319,555
Total Assets	<u>\$ 104,870</u>	<u>\$ 319,555</u>
LIABILITIES		
Accounts Payable	\$ 4,801	
Due to Student Groups		\$ 319,555
Total Liabilities	<u>\$ 4,801</u>	<u>\$ 319,555</u>
NET POSITION		
Held in Trust For Scholarships	<u>\$ 100,069</u>	
Total Net Position	<u>\$ 100,069</u>	<u>\$ 0</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Private Purpose Trust <u>Scholarship Fund</u>
ADDITIONS	
Donations and Gifts	\$ 16,496
Interest and Investment Earnings	<u>330</u>
Total Additions	16,826
DEDUCTIONS	
Scholarships Awarded	<u>21,500</u>
Change (Decrease) in Net Position	(4,674)
Total Net Position - July 1, 2014	<u>104,743</u>
Total Net Position - June 30, 2015	<u><u>\$ 100,069</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's California School Accounting Manual. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For Martinez Unified School District, this includes general operations, food service and student related activities of the District. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the district's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current asset and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus and the modified accrual basis of accounting.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues - exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

Revenues - exchange and non-exchange transactions (Concluded):

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Expenditures incurred in the unrestricted resources shall be reduced first from the committed resources, then from assigned resources and lastly, the unassigned resources.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the State Teachers Retirement Plan (STRS) and the CalPERS Schools Pool Cost-Sharing Multiple Employer Plan (PERS) and additions to/deductions from STRS and PERS fiduciary net positions have been determined on the same basis as they are reported separately by STRS and PERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Measurement Period	July 1, 2013 to June 30, 2014

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The District reports the following major funds:

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund includes amounts accounted for separately by the District in the Special Reserve Fund for Post-Employment Benefits.

Building Fund is used to account for the acquisition of major government capital facilities and buildings from the sale of bonds.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

Additionally, the District reports the following fund types:

Private Purpose Trust Funds are used to account for assets held by the District as trustee for individuals, private organizations or other governments and are therefore not available to support the District's own programs. The District maintains one private purpose trust fund, the Scholarship Fund, which is used to provide financial assistance to students of the District.

Fiduciary Funds are agency funds used to account for assets of others for which the District acts as an agent. The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. Agency funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's Board of Education and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund as required supplementary information in the financial statements.

The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account. The District has recorded budget transfers to make the final budget agree with actual revenues and expenditures.

F. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investments losses are proportionately shared by all funds in the pool.

The county is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the county either are secured by federal depository insurance or are collateralized.

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. However, the District's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

State Investment Pool - The District participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

1. Deposits and Investments (Concluded)

Deposits and Investment Risk Disclosures - In accordance with GASB Statement No. 40, Deposit and Investment Disclosures (Amendment of GASB No. 3), certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

2. Prepaid Expenditures

Prepaid expenditures on the government-wide financial statements include the costs of issuance associated with the general obligation bonds. These costs will be amortized annually over the life of the obligation. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure in the benefited period.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over an estimated useful life of 5-50 years depending on the asset class.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section from deferred outflows of resources. This separate financial section, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

5. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures.

6. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires. At retirement, each classified member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

8. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets "or "restricted net position".

9. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position first.

10. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned, based primarily on the extent to which the District is bound to honor constraints on how specific amounts are to be spent:

Nonspendable Fund Balance - Includes the portions of fund balance not appropriable for expenditures.

Restricted Fund Balance - Includes amounts subject to externally imposed and legally enforceable constraints.

Committed Fund Balance - Includes amounts subject to District constraints self-imposed by formal action of the District Governing Board.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

10. Fund Equity (Continued)

Assigned Fund Balance - Includes amounts the District intends to use for a specific purpose. Assignments may be established by the District Governing Board, Superintendent or Chief Business Official of the District.

Unassigned Fund Balance - Includes the residual balance that has not been assigned to other funds and is not restricted, committed, or assigned to specific purposes.

Fund Balances

The District's fund balances at June 30, 2015 consisted of the following:

	General Fund	Building Fund	Other Governmental Funds	Total
Nonspendable:				
Revolving Fund	\$ 5,370		\$ 5,000	\$ 10,370
Prepaid Expenditures	1,260			1,260
Total Nonspendable Fund Balance	<u>6,630</u>		<u>5,000</u>	<u>11,630</u>
Restricted For:				
Legally Restricted Categorical Funding	889,029		29,048	918,077
Modernization Projects			1,971,534	1,971,534
Approved Bond Projects		\$ 22,090,393		22,090,393
Cafeteria Operations			9,931	9,931
Debt Service			2,977,824	2,977,824
Purposes Specified in Governmental Code Sections 65970-65981			1,993,008	1,993,008
Total Restricted Fund Balance	<u>889,029</u>	<u>22,090,393</u>	<u>6,981,345</u>	<u>29,960,767</u>
Committed For:				
Adult Education Purposes			578,009	578,009
Future Facilities Maintenance/Repairs			17,335	17,335
Future Post Employment Obligations	636,198			636,198
Total Committed Fund Balance	<u>636,198</u>	<u>0</u>	<u>595,344</u>	<u>1,231,542</u>
Assigned For:				
Capital Projects			3,600,912	3,600,912
Total Assigned Fund Balance	<u>0</u>	<u>0</u>	<u>3,600,912</u>	<u>3,600,912</u>
Unassigned:				
Reserve for Economic Uncertainties	1,195,410			1,195,410
Other Unassigned	4,278,130			4,278,130
Total Unassigned Fund Balance	<u>5,473,540</u>	<u>0</u>	<u>0</u>	<u>5,473,540</u>
Total Fund Balances	<u>\$ 7,005,397</u>	<u>\$ 22,090,393</u>	<u>\$ 11,182,601</u>	<u>\$ 40,278,391</u>

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

10. Fund Equity (Concluded)

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain unrestricted fund balance in its General Fund sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of temporary revenue shortfalls or unpredicted one-time expenditures.

The District has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 3% of total General Fund expenditures, other uses and transfers out at the close of each fiscal year, consistent with the recommended level promulgated by the State of California.

Additional detailed information, along with the complete *Fund Balance Policy* can be obtained from the District.

11. Local Control Funding Formula/Property Tax

The District's local control funding formula revenue is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Concluded)

11. Local Control Funding Formula/Property Tax (Concluded)

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula sources by the District.

The California Department of Education reduces the District's entitlement by the District local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Local Control Funding Formula Revenue is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

I. Impact of Recently Issued Accounting Principles

The GASB issued Statement 68, *Accounting and Financial Reporting for Pensions* in June 2012 to amend Statements 27 and 50 and improve accounting and financial reporting by state and local governments for pensions. The Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 69, *Government Combinations and Disposals of Government Operations* in January 2013 to provide guidance for reporting mergers, acquisitions, transfers of operations, and disposals of government operations. The District does not have activities affected by the Standard and therefore the adoption of GASB 69 does not impact the District's financial statements. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* which amends Statement 68 by requiring that, at transition, a government should recognize a beginning deferred outflow of resources for its pension contributions made after the measurement date of the beginning net pension liability. The Statement is effective beginning in fiscal year 2014-2015.

The GASB issued Statement 72, *Fair Value Measurement and Application* in February 2015 to enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using consistent and accepted valuation techniques. The Statement is effective beginning in fiscal year 2015-2016.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Impact of Recently Issued Accounting Principles (Continued)

The GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* in June 2015. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* in June 2015. The Statement will require enhanced note disclosures and schedules of required supplementary information that will be presented for other post-employment benefit plans (OPEB) to enhance the decision-usefulness of the financial reports of those OPEB plans. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in June 2015. The requirements of this Statement will improve the decision-usefulness of financial information and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. The Statement is effective beginning in fiscal year 2017-2018.

The GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* superseding Statement No. 55 in June 2015. The GAAP hierarchy consists of the sources of accounting principles used to prepare financial statements in conformity with GAAP and the framework for selecting those principles. As a result of implementing this Standard, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement is effective beginning in fiscal year 2015-2016.

The GASB issued Statement 77, *Tax Abatement Disclosures* in August 2015. The Statement requires disclosure of tax abatement information to make these transactions more transparent to financial statement users. Users will be better equipped to understand how tax abatements affect a government's future ability to raise resources and the impact those abatements have on a government's financial position and economic condition. The Statement is effective beginning in fiscal year 2016-2017.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Impact of Recently Issued Accounting Principles (Concluded)

The Office of Management and Budget issued the guidance *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance for Federal Awards) on December 29, 2013 which supersedes and streamlines requirements from eight different circulars into one document. The new administrative requirements and cost principles are required to be implemented for all federal awards made after December 26, 2014. The Uniform Guidance for Federal Awards will not affect the District until fiscal year 2015-2016 as all 2014-2015 federal awards occurred prior to December 26, 2014.

NOTE 2 - CASH AND INVESTMENTS

A. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2015:

<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
<u>\$40,242,202</u>	<u>\$424,425</u>	<u>\$40,666,627</u>

The District had the following cash and investments at June 30, 2015:

	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Credit Quality Rating</u>
<u>Cash</u>			
Cash in Commercial Banks	\$ 345,904	\$ 345,904	Not Rated
Cash in Revolving Fund	10,370	10,370	Not Rated
Cash in County Treasury (Net of \$112,509 deficit cash)	<u>36,528,613</u>	<u>36,493,850</u>	Not Rated
Total Cash	<u>36,884,887</u>	<u>36,850,124</u>	
<u>Investments</u>			
Local Agency Investment Fund (LAIF)	<u>3,817,938</u>	<u>3,816,503</u>	Not Rated
Total Investments	<u>3,817,938</u>	<u>3,816,503</u>	
Total Cash and Investments	<u>\$ 40,702,825</u>	<u>\$ 40,666,627</u>	

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

B. Policies and Practices

The District is authorized by State statutes and in accordance with the District's Investment Policy (Policy) to invest in the following:

- Securities issued or guaranteed by the Federal Government or its agencies
- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

The Policy, in addition to State statutes, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The District's investments comply with the established policy.

Cash in Commercial Banks

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation. These amounts are held within various financial institutions. As of June 30, 2015 the carrying amount of the District's accounts was \$356,274, all of which was insured.

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash with the County Treasury as an involuntary participant of a common investment pool, which totaled \$2,197,263,654. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$2,199,356,705. Interest is deposited into participating funds. The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

The District ended the year with a negative cash balances in the Adult Education Fund of \$19,673 and the Cafeteria Fund of \$92,835. Under policies set by the Contra Costa County Treasurer's Office, the District is allowed to carry a negative cash balance in the fund as long as combined cash is positive. The District is charged interest on the negative balance by the County Treasurer.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

B. Policies and Practices (Concluded)

Investments in Local Agency Investments Fund (LAIF)

The District's investments with the Local Agency Investment Fund (LAIF), a State of California investment pool, at June 30, 2015, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options. They are issued by corporations and by government-sponsored enterprises such as the Federal National Mortgage Association and the Federal Home Loan Bank System or an international agency such as the World Bank.

Asset-Backed Securities, entitle the purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs), small business loans, or credit card receivables (such as ABCP).

As of June 30, 2015, the District has \$3,816,503 invested in LAIF, which had invested 2% of the pool investment funds in Structured Notes and Asset-Backed Securities. The District valued its investments in LAIF as of June 30, 2015, by multiplying its account balance with LAIF by a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 1.00037598. No adjustment from carrying amount to fair value was made, as this difference is insignificant.

C. Risk Disclosures

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year-end and if so, the reporting of certain related disclosures.

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and having the pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)

C. Risk Disclosures (Concluded)

Interest Rate Risk (Concluded) -

At June 30, 2015 the District had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 4</u>	<u>More than 4</u>
County Treasury (Net of \$112,509, deficit cash)	\$ 36,528,613	\$ 26,289,642	\$ 10,202,442	\$ 36,529
Local Agency Investment Fund	3,817,938	3,027,625	790,313	
Total	<u>\$ 40,346,551</u>	<u>\$ 29,317,267</u>	<u>\$ 10,992,755</u>	<u>\$ 36,529</u>

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year-end, the District was not exposed to credit risk.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year-end, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year-end, the District was not exposed to concentration of credit risk.

Foreign Currency Risk - This is the risk that exchange rate will adversely affect the fair value of an investment. At year-end, the District was not exposed to foreign currency risk.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consist of the following:

	General Fund	Other Governmental Funds	Total
Federal Government			
Categorical Aid Programs	\$ 400,385	\$ 281,815	\$ 682,200
State Government			
Local Control Funding Formula	748,643		748,643
Categorical Aid Programs		7,489	7,489
Lottery	207,636		207,636
Other	216,936	4,274	221,210
Total State Government	1,173,215	11,763	1,184,978
Local Government	341,335	1,000	342,335
Miscellaneous	72,486	49,760	122,246
Total Accounts Receivable	\$ 1,987,421	\$ 344,338	\$ 2,331,759

NOTE 4 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables/Payables (Due From/Due To)

As of June 30, 2015, interfund receivables and payables were as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds:		
General Fund	\$ 28,987	\$ 750,000
Building Fund		
Non-Major Governmental Funds:		
Adult Education Fund	600,000	15,814
Cafeteria Fund		13,173
Special Reserve Fund for Capital Outlay Projects	150,000	
Total	\$ 778,987	\$ 778,987

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 4 - INTERFUND TRANSACTIONS (CONCLUDED)

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the 2014-2015 fiscal year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund		\$ 820,000
Non-Major Governmental Funds:		
Adult Education Fund	\$ 600,000	
Deferred Maintenance Fund	70,000	
Special Reserve Fund for Capital Outlay Projects	150,000	
Total	<u>\$ 820,000</u>	<u>\$ 820,000</u>

Transfer of \$600,000 from the General Fund to the Adult Education Fund to account separately for the funds committed by the Governing Board for the adult education programs.

Transfer of \$70,000 from the General Fund to the Deferred Maintenance Fund to contribute funds committed to deferred maintenance projects.

Transfer \$150,000 from the General Fund to the Special Reserve Fund for Capital Outlay Projects to replenish the District's reserve for capital outlay projects.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2015, is shown below:

	Balance July 01, 2014	Additions	Deductions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 5,694,895			\$ 5,694,895
Work in progress	16,627,631	\$ 1,912,974	\$ 3,322,565	15,218,040
Total capital assets, not being depreciated	<u>22,322,526</u>	<u>1,912,974</u>	<u>3,322,565</u>	<u>20,912,935</u>
Capital assets being depreciated:				
Buildings	62,302,245	2,941,086		65,243,331
Improvements of sites	10,884,845	1,006,457		11,891,302
Equipment	1,414,581	150,066		1,564,647
Total capital assets, being depreciated	<u>74,601,671</u>	<u>4,097,609</u>	<u>0</u>	<u>78,699,280</u>
Less accumulated depreciation for:				
Buildings	29,367,104	1,932,782		31,299,886
Improvements of sites	6,791,171	522,361		7,313,532
Equipment	1,085,917	85,481		1,171,398
Total accumulated depreciation	<u>37,244,192</u>	<u>2,540,624</u>	<u>0</u>	<u>39,784,816</u>
Total capital assets, being depreciated, net	<u>37,357,479</u>	<u>1,556,985</u>	<u>0</u>	<u>38,914,464</u>
Governmental activities capital assets, net	<u>\$ 59,680,005</u>	<u>\$ 3,469,959</u>	<u>\$ 3,322,565</u>	<u>\$ 59,827,399</u>

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
Unallocated	<u>\$2,540,624</u>

NOTE 6 - UNAMORTIZED BOND PREMIUMS

The District sold its General Obligation Bonds at a total premium of \$504,672. The premiums are being amortized using the straight-line method over the life of the related bond issue as a reduction in annual interest expense.

Annual Amortization of the bond premiums is as follows:

Year Ended June 30	Annual Amortization
2016	\$ 23,853
2017	23,853
2018	23,853
2019	23,853
2020	23,853
2021-2025	119,265
2026-2030	119,266
2031-2035	99,734
2036	<u>9,203</u>
Total	<u>\$ 466,733</u>

NOTE 7 - GENERAL OBLIGATION BONDS

In 2011, the Martinez Unified School District issued General Obligation Bonds, Series 2011 New Money Bonds in the principal amount of \$24,998,563 to finance specific construction, repair and improvement projects approved by the voters of the District. The District also issued General Refunding Bonds, Series 2011 Refunding Bonds in the principal amount of \$13,075,000 for the purpose of refunding the District's 1997 and 1998 General Obligation Bonds, which matured August 1, 1998 through August 1, 2015, and a portion of the General Refunding Bonds, Series 2001.

The Series 2011 New Money Bonds were issued as capital appreciation bonds that will convert to current interest bonds in August 2015. The Series 2011 Refunding Bonds were issued as current interest bonds.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7 - GENERAL OBLIGATION BONDS (CONTINUED)

In 2014, the Martinez Unified School District issued General Obligation Bonds, Series 2014A and Series 2014B, in the principal amounts of \$3,000,000 and \$17,000,000 respectively, to finance specific construction, repair and improvement projects approved by the voters of the District. The bonds were comprised of current interest bonds, bear interest rates between 2.00% and 5.00%, and are scheduled to mature through August, 2033.

The Bonds are payable solely from ad valorem property taxes levied and collected by the County of Contra Costa. The Board of Supervisors of the County has power and is obligated to annually levy ad valorem taxes for the payment of interest on, and principal of, upon all property subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates).

As described above, the District has defeased various General Obligation Bonds issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the advanced refunding met the requirements of an in-substance debt defeasance and therefore removed as a liability from the District's government-wide financial statements.

General Obligation Bonds

Series	Maturity Date August 1	Interest Rate %	Amount of Original Issue	Outstanding July 01, 2014	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2015
2011	2035	2.75-4.25	\$ 24,998,563	\$ 24,998,563			\$ 24,998,563
2011	2015	3.00	13,075,000	4,150,000		\$ 4,150,000	0
2014A	2018	2.00-4.00	3,000,000	3,000,000			3,000,000
2014B	2033	3.25-5.00	17,000,000	17,000,000			17,000,000
Total			<u>\$ 58,073,563</u>	<u>\$ 49,148,563</u>	<u>\$ 0</u>	<u>\$ 4,150,000</u>	<u>\$ 44,998,563</u>

Accreted Interest

Series	Maturity Date August 1	Interest Rate %	Outstanding July 01, 2014	Accretion Current Year	Payments Current Year	Outstanding June 30, 2015
2011	2035	2.75-4.25	<u>\$ 4,256,932</u>	<u>\$ 869,506</u>	<u>\$ 0</u>	<u>\$ 5,126,438</u>

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 7 - GENERAL OBLIGATION BONDS (CONCLUDED)

The annual requirements to amortize the general obligation bonds payable, outstanding as of June 30, 2015 are as follows:

Year Ended June 30	Principal	Interest	Total
2016	\$ 1,203,015	\$ 4,464,241	\$ 5,667,256
2017	680,640	4,481,441	5,162,081
2018	755,890	4,538,917	5,294,807
2019	878,374	4,599,195	5,477,569
2020	985,858	4,642,224	5,628,082
2021-2025	7,402,410	23,702,716	31,105,126
2026-2030	12,478,828	24,210,473	36,689,301
2031-2035	17,515,223	24,056,918	41,572,141
2036	3,098,325	4,756,665	7,854,990
Totals	<u>\$ 44,998,563</u>	<u>\$ 99,452,790</u>	<u>\$ 144,451,353</u>

NOTE 8 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2015, is shown below.

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due Within One Year
General Obligation Bonds	\$ 49,148,563		\$ 4,150,000	\$ 44,998,563	\$ 1,203,015
Accreted Interest	4,256,932	\$ 869,506		5,126,438	11,985
Compensated Absences	117,843	40,317		158,160	158,160
Totals	<u>\$ 53,523,338</u>	<u>\$ 909,823</u>	<u>\$ 4,150,000</u>	<u>\$ 50,283,161</u>	<u>\$ 1,373,160</u>

The compensated absences will be paid by the General Fund. Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local revenues.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

The Martinez Unified School District accounts for postemployment benefits under GASB Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pension. This accounting requires the District to report its liability for other postemployment benefits (OPEB) consistent with newly established generally accepted accounting principles by reflecting an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

Plan Description

The District provides retiree health benefits based on age and service. Following is a description of the current retiree benefit plan. Some retirees are entitled to benefits under prior grandfathered plans.

	<u>Certificated</u>	<u>Classified</u>	<u>Management</u>	<u>Confidential and Supervisors</u>
Benefits types provided	Medical and Dental	Medical, Dental and Vision	Medical and Dental	Medical, Dental and Vision
Duration of Benefits	To age 65	To age 65	To age 65	To age 65
Required Service	15 years	15 years	15 years	15 years
Minimum Age	55	55	55	55
Dependent coverage	No	No	No	No
District Contribution %	100%	100%	100%	100%
District Cap	Kaiser Single for Medical	Kaiser Single for Medical	Kaiser Single for Medical	Kaiser Single for Medical

Funding Policy

Employees are not required to contribute to the plan. In order to fully fund the plan, the District would be required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's policy is to pay the benefits as a cash outlay after retirement (the pay-as-you-go method). However, at June 30, 2015, the District committed \$636 thousand in the General Fund for the payment of future postemployment benefits.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost

For fiscal year ended June 30, 2015, the District's annual OPEB cost (expense) was \$1,309,682. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the most recent three years was as follows:

<u>Fiscal Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$1,309,682	35.4%	\$4,264,460
2014	\$912,373	28.6%	\$3,418,283
2013	\$886,074	29.4%	\$2,766,736

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$1,309,682
Contributions made	<u>(463,505)</u>
Increase in net OPEB obligation	846,177
Net OPEB obligation - beginning of year	<u>3,418,283</u>
Net OPEB obligation - end of year	<u>\$4,264,460</u>

Funding Status and Funding Progress

As of November 1, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$11.3 million, all of which is unfunded.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (CONCLUDED)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the November 1, 2014, actuarial valuation, the "entry age normal" actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return, an annual healthcare cost trend rate of 4% per year, and an assumed payroll increase rate of 2.75%. The UAAL is being amortized using the level percentage of projected payroll method using an open 30-year amortization period.

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

Pension Plan Fiduciary Net Position. The plans fiduciary net positions disclosed in this report may differ from the plan assets reported in the funding actuarial valuations reported due to several reasons. First, for the accounting valuations, items such as deficiency reserves, fiduciary self-insurance and OPEB expense are included in fiduciary net positions. These amounts are excluded for rate setting purposes in the funding actuarial valuations. In addition, differences may result from early closing and final reconciled reserves.

A. State Teachers' Retirement System (STRS)

Plan Description. The Martinez Unified School District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The State of California is a Nonemployer Contributing Entity to STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. Although CalSTRS is the administrator of the STRS, the state is the sponsor of the STRS and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRS. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95610.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Continued)

Benefit. STRS provides defined benefit program benefits under two formulas: 2% at 60 for members hired on or before December 31, 2012 and 2% at 62 for members hired after that date. Both formulas define hire as the date at which the member was hired to perform service that could be creditable to CalSTRS. The benefit under each formula is calculated as 2% per year of creditable service. The 2% at 60 formula uses final compensation to calculate the benefit. The 2% at 62 formula uses an average of the highest compensation for three consecutive years to calculate the benefit.

Funding Policy. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method. Active plan members are required to contribute 8.15% of their salary and the Martinez Unified School District and the State are required to contribute actuarially determined rates. The actuarial methods and assumptions used for determining the rates are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-2014 was 8.25% and for fiscal year 2014-2015 8.88% of annual payroll. The required State contribution rate for fiscal year 2014-2015 was 5.68%. The Martinez Unified School District's contributions to STRS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$1,702,623, \$1,421,416 and \$1,225,357, respectively, and equal 100% of the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015 the District reported a liability of \$21,621,690 for its proportionate share of the net pension liability for STRS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013. The District's proportion of the net pension liability was based on a projection of the District's and the State of California's (non-employer contributing entity) long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2014, the District's proportion of contributions was 0.0370 percent.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded). For the year ended June 30, 2015, the District recognized pension expense of \$2,546,492 which included the State's required on-behalf contribution. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	-	-
Changes in Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	\$ 5,324,300
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to measurement date of June 30, 2014	\$ 1,702,623	-
Totals	<u>\$ 1,702,623</u>	<u>\$ 5,324,300</u>

Actuarial Assumptions. The total pension liability for STRS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment rate of return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Continued)

Actuarial Assumptions (Concluded). CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series table adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 Experience Analysis for more information.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. Based on the model from CalSTRS consulting actuary's (Milliman) investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on Board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the Board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12%	6.20%
Real Estate	15%	4.35%
Inflation Sensitive	5%	3.20%
Fixed Income	20%	0.20%
Cash/Liquidity	1%	0.00%

* 10-year geometric average

Discount Rate. The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming the contributions, benefit payments, and administrative expense occurred midyear.

MARTINEZ UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. State Teachers' Retirement System (STRS) (Concluded)

Discount Rate (Concluded). Based on those assumptions, the STRS's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payment to determine the total pension liability.

Presented below is the District's proportionate share of the net pension liability of employers and the state using the current discount rate of 7.60 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one to three percent lower or one to three percent higher than the current rate:

Discount Rate	Net Pension Liability of Employers
3% Decrease (4.60%)	\$ 66,054,250
2% Decrease (5.60%)	48,312,010
1% Decrease (6.60%)	33,702,560
Current Discount Rate (7.60%)	21,621,690
1% Increase (8.60%)	11,548,440
2% Increase (9.60%)	3,084,320
3% Increase (10.60%)	(4,054,830)

B. California Public Employees Retirement System (CalPERS)

Plan Description. The Martinez Unified School District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Room 1820, Sacramento, CA 95814.

Funding Policy. Active plan members were required to contribute 6.974% of their salary and the Martinez Unified School District was required to contribute an actuarially annually determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2013-2014 was 11.442% and for fiscal year 2014-2015 11.771% of annual payroll. The contribution requirements of the plan members are established by State statute. The Martinez Unified School District's employer contributions to CalPERS for the fiscal year ending June 30, 2015, 2014 and 2013 were \$610,361, \$495,006 and \$436,312, respectively and equal 100% of the required contributions for each year.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. California Public Employees Retirement System (CalPERS) (Continued)

Benefits. CalPERS provides defined benefit program benefits based on members' years of service, age, final compensation and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a liability of \$4,540,974 for its proportionate share of the net pension liability for CalPERS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2013. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2014, the District's proportion of contributions was 0.0400 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$610,361. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	-	-
Changes in Assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	\$ 1,560,329
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to measurement date of June 30, 2014	\$ 610,361	-
Totals	<u>\$ 610,361</u>	<u>\$ 1,560,329</u>

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. California Public Employees Retirement System (CalPERS) (Continued)

Actuarial Assumptions. For the year ended June 30, 2014, the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and the June 2014 total pension liabilities were based on the following actuarial methods and assumptions:

Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

CalPERS uses a mortality table based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool.

The following presents the net pension liability of the Plan as of June 30, 2014, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

Discount Rate	Plan's Net Pension Liability
1% Decrease (6.50%)	\$ 7,943,654
Current Discount Rate (7.50%)	4,518,000
1% Increase (8.50%)	1,655,514

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

MARTINEZ UNIFIED SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees Retirement System (CalPERS) (Concluded)

Discount Rate (Concluded). The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>New Strategic Asset Class</u>	<u>Real Return Allocation</u>	<u>Real Return Years 1-10¹</u>	<u>Years 11+²</u>
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Cash/Liquidity	2%	(0.55)%	(1.05)%

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

C. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Social Security.

D. On Behalf Payment

The District was recipients of on-behalf payments made by the State of California to the State Teachers Retirement System (STRS). These payments consist of State general fund contributions of \$843,869 to STRS (5.68% of salaries subject to STRS).

NOTE 11 - STUDENT BODY FUNDS

The Student Body Funds often engage in activities, which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 12 - COMMITMENTS AND CONTINGENCIES

A. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

B. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

C. Joint Ventures

The District participates in four joint ventures under joint powers agreements (JPAs); the Contra Costa County Schools Insurance Group (CCCSIG) for workers' compensation insurance; the Contra Costa and Solano Counties School Districts' Self-Insurance Authority (CCSCSDSIA) for property and liability insurance, Schools Excess Liability Fund (SELF) for excess liability, property, and workers' compensation coverage, and Schools Self-Insurance of Contra Costa County (SSICCC) for dental and vision. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPA arranges for and/or provides coverage for its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2015, the District contracted with Contra Costa and Solano Counties School Districts' Self-Insurance Authority (CCSCSDSIA) Insurance Company for property and liability insurance coverage and (CCSCSDSIA) Insurance Company for theft insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant change in coverage from the prior year.

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 13 - RISK MANAGEMENT (CONCLUDED)

B. Workers' Compensation

For fiscal year 2015, the District participated in the Schools Excess Liability Fund (SELF), an insurance purchasing pool. The intent of the SELF is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SELF. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SELF. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the SELF. Participation in the SELF is limited to districts that can meet the SELF selection criteria.

NOTE 14 - RESTATEMENT OF NET POSITION

The amounts previously reported as Governmental Activities Net Position at June 30, 2014 on the Government-Wide Statement of Net Position have been restated due to implementing Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The June 30, 2014, Net Position is being restated to recognize the net effect resulting from recognition of Deferred Outflows of Pension costs and related pension liability as follows:

	Government-Wide Financial Statements
Net Position, June 30, 2014 as originally reported	\$ 48,131,162
Retroactive recognition of the District's share of unfunded pension liabilities for STRS and PERS	<u>(30,694,570)</u>
Net Position, June 30, 2014 as restated	<u><u>\$ 17,436,592</u></u>

NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 11, 2015, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

MARTINEZ UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts (GAAP Basis)	
REVENUES				
Local Control Funding				
Formula Sources:				
State Apportionments	\$ 11,850,753	\$ 10,832,884	\$ 12,682,894	\$ 1,850,010
Local Sources	<u>16,836,388</u>	<u>22,953,858</u>	<u>17,658,944</u>	<u>(5,294,914)</u>
Total Local Control Funding				
Formula Sources	28,687,141	33,786,742	30,341,838	(3,444,904)
Federal Revenue	1,239,392	1,294,692	1,157,577	(137,115)
Other State Revenue	1,415,666	1,390,582	2,630,174	1,239,592
Other Local Revenue	<u>3,576,270</u>	<u>2,085,311</u>	<u>3,186,454</u>	<u>1,101,143</u>
Total Revenues	<u>34,918,469</u>	<u>38,557,327</u>	<u>37,316,043</u>	<u>(1,241,284)</u>
EXPENDITURES				
Certificated Salaries	18,597,272	18,760,201	18,794,174	(33,973)
Classified Salaries	4,657,104	5,035,327	5,192,351	(157,024)
Employee Benefits	8,956,301	8,558,814	9,034,079	(475,265)
Books and Supplies	1,358,508	1,398,562	1,271,331	127,231
Services and Other				
Operating Expenditures	3,646,624	4,911,164	4,665,539	245,625
Capital Outlay	15,000	151,949	61,005	90,944
Other Outgo	<u>(2,054)</u>	<u>(4,705)</u>	<u>(28,987)</u>	<u>24,282</u>
Total Expenditures	<u>37,228,755</u>	<u>38,811,312</u>	<u>38,989,492</u>	<u>(178,180)</u>
Excess of Revenues				
Over Expenditures	<u>(2,310,286)</u>	<u>(253,985)</u>	<u>(1,673,449)</u>	<u>(1,419,464)</u>
Other Financing Sources (Uses):				
Operating Transfers Out	(1,232,000)	(832,000)	(820,000)	12,000
Other Uses	<u></u>	<u></u>	<u>(37,551)</u>	<u>(37,551)</u>
Total Other Financing				
Sources (Uses)	<u>(1,232,000)</u>	<u>(832,000)</u>	<u>(857,551)</u>	<u>(25,551)</u>
Excess of Revenues and				
Other Sources Over (Under)				
Expenditures and Other Uses	(3,542,286)	(1,085,985)	(2,531,000)	(1,445,015)
Fund Balances - July 1, 2014	<u>9,738,280</u>	<u>9,536,397</u>	<u>9,536,397</u>	<u>0</u>
Fund Balances - June 30, 2015	<u>\$ 6,195,994</u>	<u>\$ 8,450,412</u>	<u>\$ 7,005,397</u>	<u>\$ (1,445,015)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Schedule of Funding Progress							
Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/13	November 1, 2012	\$ -	\$ 7,943,100	\$ 7,943,100	0%	\$ 16,680,400	48%
6/30/14	November 1, 2012	\$ -	\$ 7,943,100	\$ 7,943,100	0%	\$ 17,180,812	46%
6/30/15	November 1, 2014	\$ -	\$ 11,338,360	\$ 11,338,360	0%	\$ 17,653,285	64%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

California State Teachers' Retirement System (CalSTRS)

	<u>2015</u>
District's proportion of the net pension liability	0.0370%
District's proportionate share of the net pension liability	\$ 21,621,690
District's covered-employee payroll	\$ 17,229,285
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	125%
Plan fiduciary net position as a percentage of the total pension liability	77%

Public Employee Retirement System (CalPERS)

District's proportion of the net pension liability	0.0400%
District's proportionate share of the net pension liability	\$ 4,540,974
District's covered-employee payroll	\$ 4,326,219
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	105%
Plan fiduciary net position as a percentage of the total pension liability	83%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT
SCHEDULES OF THE DISTRICT'S CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

California State Teachers' Retirement System (CalSTRS)

	<u>2015</u>
Contractually required contribution	\$ 1,421,416
Contributions in relation to the contractually required contribution	<u>1,421,416</u>
Contribution deficiency (excess)	<u>\$ 0</u>
District's covered-employee payroll	<u>\$ 17,229,285</u>
Contributions as a percentage of covered-employee payroll	<u>8.250%</u>

Public Employee Retirement System (CalPERS)

Contractually required contribution	\$ 495,006
Contributions in relation to the contractually required contribution	<u>495,006</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 4,326,219</u>
Contributions as a percentage of covered-employee payroll	<u>11.442%</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

A. Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

The excess of expenditures over appropriations in individual governmental funds at June 30, 2015 are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
Major Governmental Funds:	
General Fund	
Certificated Salaries	\$ 33,973
Classified Salaries	157,024
Employee Benefits	475,265
Other Uses	37,551
Building Fund	
Contract Services	178,159
Non-Major Governmental Funds:	
Adult Education Fund	
Certificated Salaries	29,271
Other Outgo	15,814
Cafeteria Fund	
Classified Salaries	12,782
Employee Benefits	2,559
Food and Supplies	805
Debt Service-Interest	163
Other Outgo	13,173
Deferred Maintenance Fund	
Contract Services	355
Debt Service-Interest	178
Capital Facilities Fund	
Contract Services	11,352
Special Reserve Fund for Capital Outlay Projects	
Contract Services	36,836
Capital Outlay	95,062

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONCLUDED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES (CONCLUDED)

A. Budgetary Comparison Schedule (Concluded)

The District incurred unanticipated expenditures for which the budget was not revised.

The District did not revise the budget for the STRS pension expense covered by State of California direct payments.

B. Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

C. Schedules of the District's Proportionate Share of the Net Pension Liability

These schedules present information on the District's portion of the Net Pension Liability of CalSTRS and the Net Pension Liability of CalPERS in compliance with GASB 68.

These will be 10-year schedules. However, this is the first year of implementation of GASB 68 and the information in these schedules is not required to be presented retroactively. Years will be added to these schedules in future fiscal years until 10 years of information is available.

D. Schedules of the District's Contributions

These schedules provide information about the District's required and actual contributions to CalSTRS and CalPERS during the year.

These will be 10-year schedules. However, this is the first year of implementation of GASB 68 and the information in these schedules is not required to be presented retroactively. Years will be added to these schedules in future fiscal years until 10 years of information is available.

SUPPLEMENTARY INFORMATION SECTION

MARTINEZ UNIFIED SCHOOL DISTRICT

MARTINEZ, CALIFORNIA

JUNE 30, 2015

ORGANIZATION

The Martinez Unified School District was unified in 1963. The District encompasses an area of approximately 24 square miles in Contra Costa County. There was no change in the District boundaries during the year. The District operates four elementary schools, one junior high school, one high school, one continuation high school, a full-time independent study program, and an adult school.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
John Fuller	President	November, 2016
Deidre Siguenza	Vice President	November, 2018
Bobbi Horack	Clerk	November, 2018
Denise Elsken	Member	November, 2016
Kathi McLaughlin	Member	November, 2016

ADMINISTRATION

Rami Muth
Superintendent

Diane Deshler
Chief Business Official

MARTINEZ UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Second Period Report	Annual Report
Regular ADA		
Transitional Kindergarten through Third	1,210	1,209
Fourth through Sixth	951	951
Seventh and Eighth	621	618
Ninth through Twelfth	1,245	1,233
Extended Year Special Education		
Transitional Kindergarten through Third	1	1
Fourth through Sixth	1	1
Seventh and Eighth	1	1
Ninth through Twelfth	1	1
Special Education - Nonpublic, Nonsectarian Schools		
Transitional Kindergarten through Third	1	1
Seventh and Eighth	2	2
Ninth through Twelfth	4	4
Extended Year Special Education - Nonpublic, Nonsectarian Schools		
Seventh and Eighth	1	1
ADA Totals	4,039	4,023

Average daily attendance is a measurement of the numbers of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to the school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

SEE NOTES TO SUPPLEMENTARY INFORMATION

MARTINEZ UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Grade Level	Minutes Requirement	Minutes Requirement As Reduced	2014-2015 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	35,880	180	In Compliance
Grade 1	50,400	49,000	53,490	180	In Compliance
Grade 2	50,400	49,000	53,490	180	In Compliance
Grade 3	50,400	49,000	53,490	180	In Compliance
Grade 4	54,000	52,500	54,850	180	In Compliance
Grade 5	54,000	52,500	54,850	180	In Compliance
Grade 6	54,000	52,500	56,312	180	In Compliance
Grade 7	54,000	52,500	56,312	180	In Compliance
Grade 8	54,000	52,500	56,312	180	In Compliance
Grade 9	64,800	63,000	63,734	180	In Compliance
Grade 10	64,800	63,000	63,734	180	In Compliance
Grade 11	64,800	63,000	63,734	180	In Compliance
Grade 12	64,800	63,000	63,734	180	In Compliance

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has not met its local control funding formula target.

Districts that participate in Longer Day Incentive Funding or that met or exceed their local control funding formula target, must provide at least the number of instructional minutes specified in Education Code Section 46201(b) or 46207(a), shown as the minutes requirement above.

For the 2014-2015 school year, a school district may reduce up to five days of instruction or equivalent number of minutes without incurring penalties pursuant to Education Code Sections 46201.2(b) and 46207(c).

SEE NOTES TO SUPPLEMENTARY INFORMATION

MARTINEZ UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit. There were no charter schools in the Martinez Unified School District.

SEE NOTES TO SUPPLEMENTARY INFORMATION

MARTINEZ UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Program Name:	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture:			
Passed through the California			
Department of Education (CDE):			
Child Nutrition Cluster: **			
National School Lunch (Sec 4 and Sec 11)	10.555*	13523/13524	\$ 399,766
School Breakfast Basic	10.553*	13525	24,878
School Breakfast Needy	10.553*	13526	105,142
Meal Supplements	10.556*	13528	60,630
Subtotal Child Nutrition Cluster			<u>590,416</u>
Total U.S. Department of Agriculture			<u>590,416</u>
US. Department of Education:			
Direct Aid:			
Indian Education	84.060	10011	<u>118,609</u>
Passed Through California Department of Rehabilitation:			
Workability II, Transitions Partnership Program	84.126*	10006	<u>156,001</u>
Passed through CDE:			
Adult Education Cluster:			
Adult Secondary Education	84.002	13978	24,417
English Literacy & Civics Education	84.002A	14109	12,574
Adult Basic Education & ESL	84.002A	14508	24,431
Subtotal Adult Education Cluster			<u>61,422</u>
Special Education Cluster:			
IDEA: Basic Local Assistance, Part B, Section 611	84.027	13379	650,103
IDEA: Preschool Local Entitlements Part B, Section 611	84.027A	13682	28,693
IDEA: Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	41,361
IDEA: Preschool Grants, Part B, Section 619	84.173	13430	10,621
Subtotal Special Education Cluster			<u>730,778</u>
Vocational Education Cluster:			
Vocational Programs - Adult Sec 131 (Carl Perkins Act)	84.048	14894	18,158
Vocational Programs - Adult Sec 132 (Carl Perkins Act)	84.048	14893	147,400
Subtotal Vocational Education Cluster			<u>165,558</u>
NCLB: Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	233,912
NCLB: Title II, Part A, Teacher Quality	84.367	14341	17,625
NCLB: Title III, Limited English Proficient (LEP) Student Program	84.365	14346	5,043
Total U.S. Department of Education			<u>1,488,948</u>
U.S. Department of Health and Human Services:			
Passed through California Department of Health Care Services:			
Medical Assistance Program (MAA)	93.778	10060	<u>33,452</u>
Total U.S. Department of Health and Human Services			<u>33,452</u>
Total Federal Programs			<u>\$ 2,112,816</u>

* Denotes a Major Program

** Does not include the fair value of commodities received, which totaled \$15,274.

SEE NOTES TO SUPPLEMENTARY INFORMATION

MARTINEZ UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Special Reserve Fund for Postemployment Benefits
June 30,2015, Annual Unaudited Actual Financial Report Fund Balance	\$ 6,369,199	\$ 636,198
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balance:		
To conform with GAAP, activity reported separately by the District in certain Special Revenue Funds is reported in the General Fund in these financial statements.	636,198	(636,198)
Net Adjustments and Reclassifications	636,198	(636,198)
June 30,2015, Audited Financial Statement Fund Balance	\$ 7,005,397	\$ 0

Auditor's Comments

The audited financial statements of all other funds were in agreement with the Unaudited Actuals for the year ended June 30, 2015.

MARTINEZ UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budget 2015-2016	2014-2015	2013-2014	2012-2013
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 40,900,846	\$ 37,316,043	\$ 33,545,895	\$ 32,139,967
Expenditures	39,128,273	38,989,492	33,095,577	30,204,161
Other Uses and Transfers Out	820,000	857,551	1,232,000	1,320,000
Total Outgo	39,948,273	39,847,043	34,327,577	31,524,161
Change in Fund Balance (Deficit)	952,573	(2,531,000)	(781,682)	615,806
Ending Fund Balance	\$ 7,415,330	\$ 7,005,397	\$ 9,536,397	\$ 10,318,079
Available Reserves	\$ 3,250,878	\$ 5,473,540	\$ 6,832,677	\$ 945,725
Reserve for Economic Uncertainties	\$ 1,198,808	\$ 1,195,410	\$ 1,029,827	\$ 945,725
Unassigned Fund Balance	\$ 2,052,070	\$ 4,278,130	\$ 5,802,850	\$ 0
Available Reserves as a Percentage of Total Outgo	8.1%	13.7%	19.9%	3.0%
Total Long-Term Debt	\$ 48,910,001	\$ 50,283,161	\$ 53,523,338	\$ 35,857,741
Average Daily Attendance at P-2	4,090	4,039	3,942	3,898

The District General Fund balance has decreased \$2,696,876 during the past three years. An increase of \$952,573 is expected for 2015-2016. For a District this size the state recommends available reserves of 3% of total expenditures, transfers out and other outgo (total outgo). Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainty contained within the General Fund. To comply with GASB 54, the amounts presented for 2014-2015 include the Special Reserve Fund for Post-employment Benefits. If the Special Reserve Fund for Post-employment Benefits were not included with the General Fund, the Ending Fund Balance would be reduced \$636,198.

General long-term debt has increased \$14,254,420 during the past two years, primarily due to the issuance of \$20 million of General Obligation Bonds in 2013-2014.

Average daily attendance has increased by 141 ADA during the past two years.

The amounts presented as Budget 2015-2016 are provided for additional analysis and have not been audited.

SEE NOTES TO SUPPLEMENTARY INFORMATION

MARTINEZ UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
JUNE 30, 2015

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Bond Interest and Redemption Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
ASSETS								
Cash	\$ 28,251	\$ 3,098	\$ 17,362	\$ 2,977,824	\$ 1,993,112	\$ 1,971,534	\$ 1,091,883	\$ 8,083,064
Investments							2,520,333	2,520,333
Accounts Receivable	185,884	158,454						344,338
Due From Other Funds	600,000						150,000	750,000
Total Assets	<u>\$ 814,135</u>	<u>\$ 161,552</u>	<u>\$ 17,362</u>	<u>\$ 2,977,824</u>	<u>\$ 1,993,112</u>	<u>\$ 1,971,534</u>	<u>\$ 3,762,216</u>	<u>\$ 11,697,735</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Deficit Cash	\$ 19,673	\$ 92,836						\$ 112,509
Accounts Payable	26,240	45,612	27		104		161,304	233,287
Unearned Revenue	140,351							140,351
Due to Other Funds	15,814	13,173						28,987
Total Liabilities	<u>202,078</u>	<u>151,621</u>	<u>27</u>		<u>104</u>		<u>161,304</u>	<u>515,134</u>
Fund Balances:								
Nonspendable	5,000							5,000
Restricted	29,048	9,931		\$ 2,977,824	1,993,008	\$ 1,971,534		6,981,345
Committed	578,009		17,335					595,344
Assigned							3,600,912	3,600,912
Total Fund Balances	<u>612,057</u>	<u>9,931</u>	<u>17,335</u>	<u>2,977,824</u>	<u>1,993,008</u>	<u>1,971,534</u>	<u>3,600,912</u>	<u>11,182,601</u>
Total Liabilities and Fund Balances	<u>\$ 814,135</u>	<u>\$ 161,552</u>	<u>\$ 17,362</u>	<u>\$ 2,977,824</u>	<u>\$ 1,993,112</u>	<u>\$ 1,971,534</u>	<u>\$ 3,762,216</u>	<u>\$ 11,697,735</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Bond Interest and Redemption Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
REVENUES								
Federal Revenue	\$ 364,823	\$ 590,416						\$ 955,239
Other State Revenue	429,556	45,005		\$ 23,830				498,391
Other Local Revenue	503,380	557,887		3,201,413	\$ 1,212,649		\$ 8,434	5,483,763
Total Revenues	1,297,759	1,193,308		3,225,243	1,212,649		8,434	6,937,393
EXPENDITURES								
Certificated Salaries	1,027,889							1,027,889
Classified Salaries	373,941	331,074						705,015
Employee Benefits	348,504	130,542						479,046
Books and Supplies	103,476	571,903	\$ 505				14,897	690,781
Services and Other								
Operating Expenditures	393,631	136,522	12,155		115,577		221,616	879,501
Capital Outlay			44,286		13,928		356,335	414,549
Debt Service:								
Principal Retirement		163	178	4,150,000				4,150,000
Interest and Fiscal Charges		13,173		557,319				557,660
Other Outgo	15,814							28,987
Total Expenditures	2,263,255	1,183,377	57,124	4,707,319	129,505		592,848	8,933,428
Excess of Revenues Over (Under) Expenditures	(965,496)	9,931	(57,124)	(1,482,076)	1,083,144		(584,414)	(1,996,035)
Other Financing Sources:								
Operating Transfers In	600,000		70,000				150,000	820,000
Excess of Revenues and Other Sources Over (Under) Expenditures	(365,496)	9,931	12,876	(1,482,076)	1,083,144	\$ 0	(434,414)	(1,176,035)
Fund Balances - July 1, 2014	977,553	0	4,459	4,459,900	909,864	1,971,534	4,035,326	12,358,636
Fund Balances - June 30, 2015	\$ 612,057	\$ 9,931	\$ 17,335	\$ 2,977,824	\$ 1,993,008	\$ 1,971,534	\$ 3,600,912	\$ 11,182,601

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - STUDENT BODY
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Beginning Balances	Additions	Deductions	Ending Balances
<u>ALHAMBRA HIGH SCHOOL</u>				
ASSETS				
Cash	\$ 131,583	\$ 764,913	\$ 700,733	\$ 195,763
LIABILITIES				
Due to Student Groups	\$ 131,583	\$ 764,913	\$ 700,733	\$ 195,763
<u>MARTINEZ JUNIOR HIGH SCHOOL</u>				
ASSETS				
Cash	\$ 89,600	\$ 167,710	\$ 170,558	\$ 86,752
LIABILITIES				
Due to Student Groups	\$ 89,600	\$ 167,710	\$ 170,558	\$ 86,752
<u>LAS JUNTAS SCHOOL</u>				
ASSETS				
Cash	\$ 3,809	\$ 6,271	\$ 8,248	\$ 1,832
LIABILITIES				
Due to Student Groups	\$ 3,809	\$ 6,271	\$ 8,248	\$ 1,832
<u>MORELLO PARK SCHOOL</u>				
ASSETS				
Cash	\$ 9,939	\$ 24,115	\$ 20,847	\$ 13,207
LIABILITIES				
Due to Student Groups	\$ 9,939	\$ 24,115	\$ 20,847	\$ 13,207
<u>JOHN MUIR ELEMENTARY SCHOOL</u>				
ASSETS				
Cash	\$ 17,298	\$ 5,962	\$ 1,259	\$ 22,001
LIABILITIES				
Due to Student Groups	\$ 17,298	\$ 5,962	\$ 1,259	\$ 22,001
<u>JOHN SWETT SCHOOL</u>				
ASSETS				
Cash	\$ 3,477	\$ 0	\$ 3,477	\$ 0
LIABILITIES				
Due to Student Groups	\$ 3,477	\$ 0	\$ 3,477	\$ 0
<u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Cash	\$ 255,706	\$ 968,971	\$ 905,122	\$ 319,555
LIABILITIES				
Due to Student Groups	\$ 255,706	\$ 968,971	\$ 905,122	\$ 319,555

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

MARTINEZ UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

B. Schedule of Instructional Time

This schedule presents information on the amount of instructional time and number of days offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46208. The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day, and has not met its local control funding formula target.

C. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

D. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

E. Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Unaudited Actual Financial Report to the audited financial statements.

F. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District.

G. Combining Statements and Individual Fund Schedules

Combining statements and individual fund schedules are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements and schedules present more detailed information about the financial position and financial activities of the District's individual funds.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION



JOHN L. GOODELL, CPA
VIRGINIA K. PORTER, CPA
BEVERLY A. SANCHEZ, CPA
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INDEPENDENT AUDITOR'S 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

Board of Education
Martinez Unified School District
Martinez, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Martinez Unified School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Martinez Unified School District's basic financial statements and have issued our report thereon dated December 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Martinez Unified School District's, internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Martinez Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Martinez Unified School District's internal control.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, 2015-003 and 2015-004 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Martinez Unified School District'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*.

Martinez Unified School District's Responses to Findings

Martinez Unified School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Martinez Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Goodell, Porter, Sanchez & Bright, LLP

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 11, 2015



JOHN L. GOODELL, CPA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Education
Martinez Unified School District
Martinez, California

Report on Compliance for Each Major Federal Program

We have audited Martinez Unified School District'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 Martinez Unified School District's major federal programs for the year ended June 30, 2015. Martinez Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Martinez Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Martinez Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Martinez Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Martinez Unified School District, complied, in all material respects, with the types of 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, 2015.

Report on Internal Control Over Compliance

Management of Martinez Unified School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Martinez Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 Martinez Unified School District'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 the 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Goode, Porter, Sanchez & Bright, LLP

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 11, 2015



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Education
Martinez Unified School District
Martinez, California

We have audited Martinez Unified School District's compliance with the types of compliance requirements described in the 2014-2015 *Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of Martinez Unified School District's State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with State laws and regulations of Martinez Unified School District's State government programs based on our audit of the types of compliance requirements referred to below. 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 the 2014-2015 *Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Those standards 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 the applicable State laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Martinez Unified School District'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. However, our audit does not provide a legal determination of Martinez Unified School District's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Mis-assignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes

<u>Description</u>	<u>Procedures Performed</u>
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	Yes
Adult Education Maintenance of Effort	Yes
School Districts, County Office of Education and Charter Schools:	
California Clean Energy Jobs Act	No (see below)
After School Education and Safety Program:	
General Requirements	Not Applicable
After School	Not Applicable
Before School	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Non Classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Partial procedures were performed for California Clean Energy Jobs Act because the District is in the preliminary phase and has only incurred planning expenditures.

Opinion on Each State Government Program

In our opinion, Martinez Unified School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its State government programs for the year ended June 30, 2015.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the 2014-2015 *Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.

Goode, Porter, Sanchez, & Bright, LLP

GOODELL, PORTER, SANCHEZ & BRIGHT, LLP
Certified Public Accountants

December 11, 2015

FINDINGS AND QUESTIONED COSTS SECTION

MARTINEZ UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weakness?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weakness?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Type of auditor's report issued on compliance for major programs	Unqualified	
Any audit findings disclosed that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, 10.556	Child Nutrition Cluster
84.126	Department of Rehabilitation: Workability II, Transition Partnership Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

State Awards

Internal control over state programs:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weakness?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Type of auditor's report issued on compliance for state programs:	Unqualified	

MARTINEZ UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section II - Financial Statements Findings

2015 - 001 - DISTRICT BUDGET RESTRICTION ON EXPENDITURES - 30000

Criteria: *California Education Code* Section 42600 states the total amount budgeted as the proposed expenditure of the school district shall be the maximum amount which may be expended for the school year.

Statement of Condition: During our audit of Martinez Unified School District, we determined the total appropriations were exceeded in the General Fund during fiscal year 2014-2015.

Questioned Costs: The amount appropriated in the adopted General Fund budget of \$12,290,680 was revised during the year, increasing appropriations approved by the Governing Board to \$14,467,405. The actual General Fund expenditures and transfers to other funds were \$14,829,196, exceeding revised appropriations by \$367,191.

Cause: Expenditures were processed during fiscal year 2014-2015 with Governing Board approval for the appropriation.

Effect or Potential Effect: Processing proposed expenditures without a review to ensure the item has been appropriated in the most recent budget, reduces management's ability to control District expenditures.

Recommendation: We recommend expenditures be monitored by District administration to ensure appropriations are not exceeded. Budget adjustments or transfers should be processed to adjust appropriations when actual expenditures exceed estimates. No expenditure should be approved that would result in appropriations being exceeded and a transfer from an under-expended account or available reserves has not been obtained.

District Response: The District has developed and is currently implementing a plan to prevent total expenditures from exceeding proposed and approved appropriations. The plan includes training of District business services staff and changing internal controls processes. This includes no longer allowing budget override when processing requisition.

The District will be training the Account Supervisor and accounting department staff. This process will continue to be monitored with additional training provided when necessary. Monthly budget reports will be reviewed as part of this process.

MARTINEZ UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section II - Financial Statements Findings (Continued)

2015 - 002 - CAPITAL ASSETS INVENTORY - 20000

Criteria: The District's policy is to record assets purchased or acquired with an original cost of \$5,000 or more as capital assets. All additions and deletions should be included in the capital asset listing in a timely manner so the District's records are current and accurate. All depreciable capital assets should be depreciated on the straight-line basis over an estimated useful life.

Statement of Condition: During our audit of capital assets, we determined the capital assets valuation has not been properly reconciled. The listing of capital assets has not been updated completely for all additions, deletions, work in progress and depreciation.

Cause: The District has not been following its policy for recording capital assets and updating the listing in an accurate and timely manner.

Effect or Potential Effect: Lack of complete and current listings of all capital assets including work in progress and completed capital projects will lead to inaccurate capital asset records and potential loss of control over District assets.

Questioned Costs: The District reported fixed assets of \$99.6 million and accumulated depreciation of \$40 million.

Recommendation: We recommend the following:

1. The District should maintain current capital asset inventory records, updated throughout the year by including additions and eliminating disposed items.
2. The capital asset records should summarize projects completed and placed into service at the end of each year.
3. A physical inventory of all equipment should be conducted and the asset inventory records updated for all differences. It is not necessary to perform physical inventories every year, however an inventory of each site should be completed at least every three (3) years.

District Response: District agrees with the recommendation and will implement.

MARTINEZ UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section II - Financial Statements Findings (Continued)

2015 - 003 - CASH IN COMMERCIAL BANK - 30000

Criteria: Sound accounting practices require transactions occurring in District bank accounts be accounted for completely and accurately in the District's general ledger.

Statement of Condition: During our testing of the Adult Education and Cafeteria commercial bank accounts for clearing and revolving, we noted the District reported the June 30, 2015 ending balance differently from the bank reconciliation. The Cafeteria account was understated \$284. The two (2) Adult Education accounts were overstated \$12,512 and \$4,080 respectively.

Questioned Costs: The effect of these errors results in an overstatement of \$16,308.

Cause: The District did not reconcile the monthly bank statements to the recorded account balances in the District's general ledger.

Effect or Potential Effect: Errors could occur in the recording of cash transactions and not be detected and corrected by a District employee performing their regular duties.

Recommendation: The District should review the bank activity each month and perform a complete and accurate reconciliation of the bank statement to the recorded balance. The reconciliations should be completed timely and discrepancies promptly resolved.

District Response: District agrees with the finding and has implemented in 2015-2016.

2015 - 004 - ASSOCIATED STUDENT BODY - BANK RECONCILIATIONS - 30000

Criteria: Sound accounting practices governing associated student body funds require the cash balance of each commercial bank account be reconciled to the monthly bank statement on a timely basis.

Statement of Condition: During our testing of internal controls over associated student body accounts, we noted the accounts for student body activity at Las Juntas Elementary School and John Muir Elementary School were not consistently reconciled in a timely manner.

Questioned Costs: The conditions referred to above were the result of our tests of an attribute of the control system. We considered defining the dollar amount by extending the error rate to the total population, but determined this type of analysis would likely result in an incorrect conclusion.

Cause: District policies relating to accounting for associated student body activity are not consistently followed.

MARTINEZ UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COST
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section II - Financial Statements Findings (Concluded)

2015 - 004 - ASSOCIATED STUDENT BODY - BANK RECONCILIATIONS - 30000
(CONCLUDED)

Effect or Potential Effect: Errors could occur in the recording of cash transactions and not be detected and corrected by a District employee performing their regular duties.

Recommendation: To improve controls for associated student body accounting at Las Juntas Elementary School and John Muir Elementary School, we recommend the cash balance be accurately reconciled to the monthly bank statement on a timely basis.

District Response: The District agrees with the recommendation and is in the process of developing a plan to improve associated student body accounting practices. These new procedures will include on-going monitoring by the Business Office of all associated student body activities.

Section III - Federal Award Findings and Questioned Costs

No matters are reported.

Section IV - State Award Findings and Questioned Costs

No matters are reported.

MARTINEZ UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2015

2014 - 001: The District should implement and communicate procedures at all sites with student body accounts that will establish appropriate and consistent internal controls.

Current Status:

Accepted
Partially Implemented

Explanation if Not Fully Implemented:

See repeat finding 2015-003.

2014 - 002: The District should educate all staff in the District that no account should be open on behalf of the District without the District's consent.

Current Status:

Accepted
Implemented

2014 -003: The District should consult with the County Office of Education to provide an accounting software system that can generate reports that fully, and accurately account for the total compensated absence liability.

Current Status:

Accepted
Implemented

2014 -004: Student body advisors should review the newest version of the "Associated Student Body Accounting Manual" to ensure compliance with laws and regulations over best practices for allowable disbursements using student body funds. The District should develop procedures that prevent activities from spending in excess of resources available. No expenditures should be approved without funds being available for spending by the activity.

Current Status:

Accepted
Implemented

Martinez Unified School District



Vicente Martinez High School
Briones School of Independent Study



Principal:
Lori O'Connor

Program Direction

**College & Career Pathways Teacher on
Special Assignment: (PEI Coordination)**
Rona Zollinger

PEI Program - New Leaf

MUSD Employees:

1. **Mental Health Counselor** - currently JFK Intems
2. **New Leaf Leadership Academy Cohort Teacher** - Melissa Boyd (English, Art, Elective)
3. **VMHS teachers** - (Science, History, Math, English, SPED)
4. **.2 Academic Counselor** - Christie Chu



NLC Employees:

1. **Internship and Outreach** - Lorena Castillo
2. **Peer Mentor** - Ashley Baughman
3. **Place-based Educator** - Leah Ingram
4. **Community Science Workshop Instructor** - Paul Stroube
5. **Business Direction** - Ellen Concepcion, Suzy Hammond
6. **Other Independent Contractors**

New Leaf Collaborative (NLC)

New Leaf Board
of Directors

Community
Science
Workshops

Civic Engagement +
Social and Emotional
Learning Interventions

Empowering
Educators

VMHS

JME
JSE PHE

MUSD

VMHS

Alameda County OE
CCC Mental Health Services

CSW
Instructor
- Paul
Stroube

CSW
Instructors
-Cassie
Kellogg &
Paul
Stroube

♣ Recycling
Ambassadors

Program
Coordinator-
Tina Wong

PEI Grant

Peer
Support &
Mentoring -
Ashley
Baughman

Place-
Based
Education
- Leah
Ingram

Internships
& Outreach
- Lorena
Castillo

Various
Experts

2015-2016

Mental Health Services Act (MHSA)

Program and Fiscal Review – Augmented Board & Care

- I. Date of On-site Review:** August 18, 2016; September 6, 2016
Date of Exit Meeting: October 11, 2016
- II. Review Team:** Stephanie Chenard, Joseph Ortega, Steve Blum,
Lauren Rettagliata
- III. Name of Program:** LTP CarePro, Inc.
dba Pleasant Hill Manor
40 Boyd Road
Pleasant Hill, CA 94523
- IV. Program Description.** The County contracts with LTP CarePro, Inc. (“Pleasant Hill Manor”), a licensed board and care operator, to provide additional staff care to enable those with serious mental illness to avoid institutionalization and enable them to live in the community.
- V. Purpose of Review.** Contra Costa Behavioral Health Services (CCBHS) is committed to evaluating the effective use of funds provided by the Mental Health Services Act. Toward this end a comprehensive program and fiscal review was conducted of the above program. The results of this review are contained herein, and will assist in a) improving the services and supports that are provided, b) more efficiently support the County’s MHSA Three Year Program and Expenditure Plan, and c) ensure compliance with statute, regulations and policy. In the spirit of continually working toward better services we most appreciate this opportunity to collaborate together with the staff and clients participating in this program in order to review past and current efforts, and plan for the future.

VI. Summary of Findings.

Topic	Met Standard	Notes
1. Deliver services according to the values of the MHSA	Yes	Services promote recovery, wellness and resiliency.
2. Serve the agreed upon target population.	Yes	Residents meet target population.
3. Provide the services for which funding was allocated.	Yes	Individual Augmentation agreements supporting contract need to support services that are provided.
4. Meet the needs of the community and/or population.	Yes	Residents verify services meet their needs.
5. Serve the number of individuals that have been agreed upon.	Yes	Pleasant Hill Manor has been serving residents placed there.
6. Achieve the outcomes that have been agreed upon.	Yes	The augmented services identified through monthly assessments are being performed. However, a Resident Council should help drive programming.
7. Quality Assurance	Yes	Appropriate policies and procedures are in place.
8. Ensure protection of confidentiality of protected health information.	Yes	The program is HIPAA compliant.
9. Staffing sufficient for the program	Yes	Level and quality of staff supports program's identified service level.
10. Annual independent fiscal audit	N/A	This facility does not meet the federal funding threshold to require annual audits.

11. Fiscal resources sufficient to deliver and sustain the services	Yes	Organization capable of financially sustaining the program.
12. Oversight sufficient to comply with generally accepted accounting principles	Yes	Organization subscribes to generally accepted accounting principles.
13. Documentation sufficient to support invoices	Yes	Fiscal system is sound.
14. Insurance policies sufficient to comply with contract	No	Policies not sufficient nor current
15. Effective communication between contract manager and contractor	Partially Met	County needs to expand role of contract manager to enable regular, coordinated program and contract communication.

VII. Review Results. The review covered the following areas:

1. Deliver services according to the values of the Mental Health Services Act (California Code of Regulations Section 3320 – MHSA General Standards).

Does the program collaborate with the community, provide an integrated service experience, promote wellness, recovery and resilience, be culturally competent, and be client and family driven.

Method. Consumer, family member, and service provider interviews.

Discussion. As part of the site visit three residents were interviewed individually, and additional input was obtained by 11 consumers who completed a written survey prior to the site visits. We also spoke to several different staff members, including two staff from the management team and 9-10 line staff.

Survey Results:

Questions	Responses: n=24				
Please indicate how strongly you agree or disagree with the following statements regarding persons who work with you:	Strongly Agree 4	Agree 3	Disagree 2	Strongly Disagree 1	I don't know 0
1. Help me improve my health and wellness.	Average score: 3.55 (n=11)				
2. Allow me to decide what my own strengths and needs	Average score: 3.46 (n=11)				
3. Work with me to determine the services that are most helpful	Average score: 3.50 (n=10)				
4. Provide services that are sensitive to my cultural background.	Average score: 3.37 (n=11)				
5. Provide services that are in my preferred language	Average score: 3.64 (n=11)				
6. Help me in getting needed health, employment, education and other benefits and services.	Average score: 3.19 (n=11)				
7. Are open to my opinions as to how services should be provided	Average score: 3.28 (n=11)				
8. What does this program do well?	<ul style="list-style-type: none">• Support Services• Independence• Helps me to provide services such as learning to improve my health				
9. What does this program need to improve upon?	<ul style="list-style-type: none">• Food variety• Handling problems• More services to bring clients to appointments				
10. What needed services and supports are missing?	<ul style="list-style-type: none">• Education• Regular services are whenever possible, going on unless there are changes. After changes made and get to be done, everything else goes back to regular.				
11. How important is this program in helping you improve your health and wellness, live a self-directed life, and reach your full potential?	Very Important 4	Important 3	Somewhat Important 2	Not Important 1	
	Average score: 3.81 (n=11)				

12. Any additional comments?	<ul style="list-style-type: none"> I like to stay in contact with everybody in my whole family/friends whenever I can. People in my whole family have a lot of things to do whether or not on all of their own and as soon as I can I want to get back in connections with everybody again.
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Consumer Interviews:

Each of the residents interviewed indicated that they were appreciative of the facility, staff, and daily activities they had the opportunity to participate in. The residents have been at the facility ranging from a few months, to several years. The residents also reported that they perceived their medication to be handled well by the facility and their needs met. Some of the specific things the residents indicated they liked in particular were: independence (freedom to be able to go out), social aspects of the facility, and the activities. However, they did indicate areas of improvement to be: more variety in their meal choices, and a central area to post activities (like a bulletin board where you can try to find others with similar interests in activities). There was also a desire for guidance in more independent living. Importantly, residents also expressed that transportation to medical appointments was a challenge. Some residents found that they have had to reschedule appointments due to lack of reliable transportation. Moving forward, it is recommended that facility staff engage the residents more in the planning of their daily program. It is also recommended that the facility staff partner with the County for more reliable transportation options.

Staff Interviews:

Staff interviewed ranged in job titles and duties. There were day caregivers, facilities, laundry, and kitchen staff interviewed. Most staff indicated that they had worked at the facility for several years. The staff indicated there was a regular weekly and daily activity calendar. Meal plans are often created with the help of a dietician for residents with particular needs.

The staff we spoke to gave the impression of being very in tune with the medical and daily needs of the residents. Each caregiver was assigned a resident roster, so that they managed 10 residents each. The resident list for each caregiver is balanced by level of severity of need, meaning they will each have both high needs residents and more independent residents.

Results. Pleasant Hill Manor staff appear to implement services according to the values of the Mental Health Service Act.

2. **Serve the agreed upon target population.** For Augmented Board and Care facilities, does the program serve adults with a serious mental illness or children or youth with a serious emotional disturbance. Does the program serve the agreed upon target population (such as age group, underserved community).

Method. Compare the program description, service work plan, and individual services agreements with the current client census.

Discussion. As a matter of regular practice Pleasant Hill Manor staff verify with County staff that all residents funded under the MHSA met medical necessity and experienced serious mental illness. This referral and billing practice was matched by verifying observation of residents participating in the consumer group meeting.

Results. The program serves the agreed upon target population.

3. **Provide the services for which funding was allocated.** Does the program provide the number and type of services that have been agreed upon.

Method. Compare the service work plan or program service goals with individual services agreements with the current client census.

Discussion. The program appears to provide the number and type of services that have been agreed upon. However, the residential facility Service Work Plan does not reflect the services that were clearly evident at the site visit. There is a clear level of augmented services, particularly around medical and medication support, and basic living tasks that may be better delineated in the service work plan to reflect the degree of service provided.

Results. Appropriate augmented Board and Care services are provided by Pleasant Hill Manor with appropriate intensive mental health specialty services for the residents. However, the individual augmentation agreement language in the contract should more specifically identify the services that are provided.

4. **Meet the needs of the community and/or population.** Is the program meeting the needs of the population/community for which it was designed. Has the program been authorized by the Board of Supervisors as a result of a community program planning process. Is the program consistent with the MHSA Three Year Program and Expenditure Plan.

Method. Research the authorization and inception of the program for adherence to the Community Program Planning Process. Match the service work plan or program description with the Three Year Plan. Compare with consumer/family member and service provider interviews.

Discussion. These residential services have been authorized by the Board of Supervisors after a community program planning process identifying housing services as a priority need, and augmented board and care facilities as a strategy to meet this priority need. Consumer interviews indicate that Pleasant Hill Manor is meeting their needs.

Results. Pleasant Hill Manor appears to be meeting the needs of the population for which it was designed.

5. **Serve the number of individuals that have been agreed upon.** Has the program been serving the number of individuals specified in the program description/service work plan, and how has the number served been trending the last three years.

Method. Match program description/service work plan with supporting documentation, such as contracts indicating number of beds approved, monthly census reports, and Individual Service Agreements.

Discussion. Pleasant Hill Manor's contract currently is capped at a dollar amount, but does not specify a number of beds reserved for the County. At the date of the site visit, they were almost at capacity with 44 residents, 21 of which were being utilized by the County. The service work plan, however, does not capture the services that augment the board and care service in a manner that enable quantifying the services provided, and enabling program impact on residents to be determined and reported to the County.

Results. The program serves the number of individuals that have been placed in their facility by Contra Costa County.

6. **Achieve the outcomes that have been agreed upon.** Is the program meeting the agreed upon outcome goals, and how has the outcomes been trending.

Method. Match outcomes reported for the last three years with outcomes projected in the program description/service work plan, and verify validity of outcome with supporting documentation, such as monthly census reports, and Individual Service Agreements. Outcome domains include, full utilization of the facility, and consumer satisfaction/quality of life, recovery process towards independent living.

Discussion. The residents are evaluated on an annual basis in an Appraisal/Needs and Services Plan that specifies particular outcomes for each identified need for each individual consumer under conservatorship, as required by Department of Social Services Community Care Licensing. The objectives are clearly laid out for each resident in this document, and there are systems in place to assist with the evaluation of these plans. The residents have daily contact and interaction with facility staff. There are a variety of daily group

activities scheduled that the residents can participate in, many of which promote well-being and self-reliance. However, there was not discussion of the existence of a formal Resident Council.

Results. Pleasant Hill Manor appears to be providing the services outlined in the annual assessments of needs conducted on each resident, with additional supported services to promote wellness, recovery, and self-reliance. It recommended that the facility engage its residents to determine what sort of other activities and recreation could be implemented, according to resident interest.

7. **Quality Assurance.** How does the program assure quality of service provision.

Method. Review and report on results of Department of Social Services Community Licensing service incidence reporting, and other appropriate means of quality of service review. Also, review facility's grievance process. Compare with staff and consumer interviews.

Discussion. There have been 5 complaints investigated by the Department of Social Services Community Licensing service in the past 3 years. However, the reports for the investigations of these complaints were not available on the Social Services Community Licensing website. Moreover, there has not been a visit from the agency since 6/20/14. It is recommended that the County's Housing Services Coordinator follow-up with the Community Care Licensing to ensure that these previous complaints have been fully resolved.

When asked about the grievance process, both the residents and the staff felt they had clear direction of who to report concerns to, including escalating things through the management of the facility, and also who they could contact through the County, or State.

Results. Pleasant Hill Manor has internal processes in place to be responsive to participant needs and continuously improve quality of services. It also has well-documented and posted grievance processes for residence and staff in order to comply with quality assurance requirements.

8. **Ensure protection of confidentiality of protected health information.** What protocols are in place to comply with the Health Insurance Portability and Accountability Assurance (HIPAA) Act as a HIPAA Business Associate, and how well does staff comply with the protocol.

Method. Match the HIPAA Business Associate service contract attachment with the observed implementation of the program's implementation of a protocol for safeguarding protected patient health information. Review facility's Privacy Policy.

Discussion. Pleasant Hill Manor staff demonstrated their protocol as well as provided their written policy for protection of patient health information. All were in accordance with the HIPAA Business Associate service contract attachment.

Results. Pleasant Hill Manor appears to be in compliance with HIPAA requirements.

9. **Staffing sufficient for the program.** Is there sufficient dedicated staff to deliver the services, evaluate the program for sufficiency of outcomes and continuous quality improvement, and provide sufficient administrative support.

Method. Match history of program response with staff list, staff interviews and duty statements.

Discussion. Pleasant Hill Manor staff that were interviewed represented management, administrative support, caregiving, facilities, food, and laundry services of the facility. Staff reported experience and educational backgrounds and daily work activities that matched duty descriptions requirements. There were 18 positions (full and part-time) reported as filled, and the staffing pattern enables a multi-disciplinary team approach on a 24/7 basis. The staff and management report that they have regular staff in-service trainings on topics such as caring for those with dementia, first aid, and menu-planning/nutrition.

Most of the staff have been there for many years. This stability in staffing has produced a very good rapport with the residents and created a sense of security for them. However, it was noted that there had not been a pay increase in a few years. Because this sense of safety and stability in a well-trained staff has been a key factor in the wellness of the residents, it is recommended that the facility engage in some strategic staff retention efforts to help continue this cultured strength of the program. This may include looking at competitive compensation rates, or other incentives.

Results. There appears to be sufficient qualified staff to carry out the functions specified in the program. Pleasant Hill Manor is encouraged to strengthen their staff retention programs, as this appears to be a key element to continued program success.

10. **Annual independent fiscal audit.** Did the organization have an annual independent fiscal audit performed and did the independent auditors issue any findings. **(Only applicable to facilities that receive federal funding of \$500,000 or more per year.)**

Method. Obtain and review audited financial statements. If applicable, discuss any findings or concerns identified by auditors with fiscal manager.

Discussion. Not applicable.

Results. This section is not applicable to this location at the time of this review.

11. **Fiscal resources sufficient to deliver and sustain the services.** Does organization have diversified revenue sources, adequate cash flow, sufficient coverage of liabilities, and qualified fiscal management to sustain program.

Method. Review sampled invoices and supporting documentation. Interview fiscal manager of program or facility operator.

Discussion. Pleasant Hill Manor has sufficient size, diversity of funding resources and adequate cash flow to support their staff deliver and sustain services.

Results. Fiscal resources are sufficient to deliver and sustain services.

12. **Oversight sufficient to comply with generally accepted accounting principles.** Does organization have appropriate qualified staff and internal controls to assure compliance with generally accepted accounting principles.

Method. Interview with fiscal manager of program or facility operator.

Discussion. Interviews, documents reviewed and fiscal system procedures and controls support compliance with generally accepted accounting principles.

Results. Sufficient oversight exists to enable compliance with generally accepted accounting principles.

13. **Documentation sufficient to support invoices.** Do the organization's financial reports support monthly invoices charged to the program and ensure no duplicate billing.

Method. Reconcile financial system with monthly invoices. Interview fiscal manager of program or facility operator.

Discussion. Invoices and supporting census documentation for three selected months over the last three years were reviewed. Pleasant Hill Manor's financial reports support the monthly invoices, and no duplicate billing was indicated.

Results. Financial documentation appears sufficient to support the invoicing.

14. Insurance policies sufficient to comply with contract. Does the organization have insurance policies in effect that are consistent with the requirements of the contract.

Method. Review insurance policies.

Discussion. Liability insurance policies were reviewed. This was current with appropriate limits, however, the County is not listed as the Certificate Holder, as required in the contract. The contract monitor has requested an updated insurance certificate from Pleasant Hill Manor's corporate office (LTP CarePro, Inc.) and is still waiting for the document. This is currently delaying contract renewal efforts.

Results. Current insurance policies in effect are not sufficient to comply with the contract.

15. Effective communication between contract manager and contractor. Do both the contract manager and contractor staff communicate routinely and clearly regarding program activities, and any program or fiscal issues as they arise.

Method. Interview contract manager, contractor staff, Adult Services Program Chief, and Housing.

Discussion. The County has multiple staff interacting with Pleasant Hill Manor staff. This includes Adult Services management negotiating daily rates and contract limits, analysts to generate and process Pleasant Hill Manor's contracts and sign and forward submitted invoices, conservators and case managers to interact with Pleasant Hill Manor staff regarding residents, County Housing Coordinators to attend to facility compliance issues, and MHSA staff performing program and fiscal reviews and issuing a report with findings and recommendations. This has the potential for creating challenges for Pleasant Hill Manor's staff when issues arise needing a timely, coordinated response with follow-up toward resolution.

Results. It is recommended that the County re-visit how it communicates with Pleasant Hill Manor with the objective of strengthening the County's contract manager role as a central program and fiscal point of contact.

VIII. Summary of Results.

Pleasant Hill Manor provides appropriate augmented board and care services to adults challenged with serious mental illness. It is a larger residential facility that provides an average of 20 beds to Contra Costa County for adults who need daily assistance. Housing has been identified as a high priority critical issue for the County, and Pleasant Hill Manor provides a stable, supportive living environment. The issues that have been identified for attention pertain primarily to the contract structure and content, and communication with the County.

IX. Findings for Further Attention.

- The service work plan language in Pleasant Hill Manor's contract needs to spell out the augmented services that are provided to the individual residents.
- The facility should empower and encourage a formal Resident Council to solicit and offer more feedback on programmatic activities.
- It is recommended that the facility explore more back-up transportation options for residents to ensure they can keep scheduled appointments.
- It is recommended that the County's Housing Services Coordinator follow-up with the Community Care Licensing to ensure that any previous complaints have been fully resolved.
- Pleasant Hill Manor should engage in a strategic staff retention program to help maintain the strength of the stability and continuity their program currently provides.
- Pleasant Hill Manor's parent corporation should produce an updated insurance certificate, naming the County as a certificate holder, as soon as is possible.
- The County should strengthen the County's contract manager role in order to act as the County's central program and fiscal coordinator to the facility, as well as provide assistance and oversight for connectivity and transition to the County's adult system of care.

X. Next Review Date. August 2019

XI. Appendices.

Appendix A – Program Profile

Appendix B – Service Work Plan

Appendix C – Employee Roster

XII. Working Documents that Support Findings.

Consumer Listing

Consumer/Provider Interviews

Consumer Surveys

County MHSA Monthly Financial Report

Monthly assessments for current consumers

Staff Listing, Required Licenses

Monthly Invoices with Supporting Documentation

Tax Returns

Insurance Policies

Grievance Policy

Privacy Policy

MHSA Three Year Plan and Update(s)

APPENDIX A

Program Profile

LTP CarePro, Inc (Pleasant Hill Manor)

Point of Contact: Tony Perez.

Contact Information: 40 Boyd Road, Pleasant Hill CA, 94523.

1. Program: Augmented Board and Cares – MHSA Housing Services - CSS

The County contracts with LTP CarePro, Inc., a licensed board and care provider, to provide additional staff care to enable those with serious mental illness to avoid institutionalization and enable them to live in the community.

- a. Scope of Services: Augmented residential services.
- b. Target Population: Adults aged 18 years and older who live in Central County, are diagnosed with a serious mental illness and are uninsured or receive Medi-Cal benefits.
- c. Annual MHSA Payment Limit: \$ 30,000
- d. Number served: For FY 14/15: 18 beds available.
- e. Outcomes: To be determined.

APPENDIX B

Service Work Plan

SERVICE PLAN

Number 24-681-73(18)

1. **Service Specifications.** Contractor shall provide augmented residential services, including, but not limited to, room and board, and twenty-four (24) hour emergency residential care and supervision, as specified in the State regulations under which Contractor's facility is licensed, for eligible Clients who are specifically referred to Contractor for services hereunder by County's Behavioral Health Program staff (hereinafter, "Client"). Contractor will provide these services at its residential facility located at 40 Boyd Road, Pleasant Hill, CA 94523 ("Residential Facility") subject to space limitations. Contractor:
 - a. Hereby assures and certifies that its staff are specially trained, experienced, competent, and licensed to perform services as an adult residential facility, in accordance with California Code of Regulations, Title 22, Division 6, Sections 80065, 85065, and other applicable legal and regulatory requirements. Contractor's facility is licensed and in good standing, and for the duration of the Contract shall maintain such in good standing, with the Community Care Licensing Division of the California Department of Social Services;
 - b. Shall provide augmented services to eligible Clients who require constant one-to-one supervision;
 - c. Shall orally notify County's Behavioral Health Program Administration in advance of the date of any Client discharge initiated by Contractor;
 - d. Shall orally inform County's Behavioral Health Program Administration whenever a Client begins or ends care in the Residential Facility under this Contract;
 - e. Shall notify, in writing, County's Behavioral Health Adult Program Staff of any change in its license or its facility's license status within three (3) days of such change;
 - f. Shall submit to County a monthly invoice for each calendar month showing which Clients were receiving residential care under this Contract, and the last day of actual care for any Client who left the facility, or who ceased to be eligible for services under this Contract. County will pro-rate payment to Contractor for any Client in the event the Client does not reside at Contractor's facility the entire month;
 - g. Shall provide the services of additional personnel as needed to assist the Client in residing in a community setting; and
 - h. Shall orally inform County's Behavioral Health Program Administration whenever a Client's condition changes sufficiently to require a change in staffing level at Contractor's facility.
2. **Levels of Care.**
 - a. The Level of Care status (Level I, Level II, Level III, and Level IV) of each Client shall be determined by County's Behavioral Health Director, or designee, using the quantified scoring scale set forth in the Behavioral Health Services Division's "Augmented Board and Care Policy", which is on file in the office of the Behavioral Health Services Division, and incorporated herein by this reference. A copy of that Policy will be provided to Contractor upon request.
 - b. County shall pay Contractor:
 - (1) \$400 to 499 per month for a Level I client;
 - (2) \$500 to 599 per month for a Level II client;
 - (3) \$600 to 699 per month for a Level III client, and

Initials: Kp a [Signature]
Contractor County Dept.

SERVICE PLAN

Number 24-681-73(18)

- (4) \$700 to \$2,800 per month for a Level IV client.

The exact rate for each Client shall be determined by the County's Behavioral Health Director, or designee, in accordance with the Behavioral Health Services Division's "Augmented Board and Care Policy".

- c. The rate for each Client is subject to review and change by County on a quarterly basis. In the event that County's Behavioral Health Services Division staff determines that a Client's needs or level of augmented care have increased or decreased during any quarter, said rate for said Client shall be increased or decreased accordingly, including but not limited to a change in levels.
3. **Third-Party Payment Liability.** Contractor is solely responsible for any payments due from Contractor to third parties or for any liabilities, obligations, or commitments of Contractor arising from Contractor's performance of this Contract, including, but not limited to, any payments that Contractor may owe to contractors or other suppliers for goods and services received by Contractor. In no event shall County be responsible for any payments due from Contractor to third parties or for any liabilities, obligations, or commitments of Contractor arising from Contractor's performance of this Contract.
4. **HIPAA Requirements.** Contractor must comply with the applicable requirements and procedures established by the Health Insurance Portability and Accountability Act of 1996, and any modifications thereof, including, but not limited to, the attached HIPAA Business Associate Attachment, which is incorporated herein by reference.

Initials: hps dlr
Contractor County Dept.

APPENDIX C


Employee Roster

PHM EMPLOYEE ROSTER

EMPLOYEE NAME	ADDRESS	CONTACT NO.	DATE OF EMPLOYMENT
Alcantara, Alma	3081 Romora Bay Drive Pittsburg, CA 94565	(925) 300-7864	9/15/2010
Anchores, Joselito	1050 Oak Grove Road #24 Concord, CA 94518	(925) 435-7147	12/1/2013
Anchores, Juan Jovito	1050 Oak Grove Road #24 Concord, CA 94518	(925) 435-7236	12/1/2013
Belison, Genato	100 Boyd Road, #218 Pleasant Hill, CA 94523	(925) 918-0598	9/30/2001
Codog, Artemio	100 Boyd Road, #125 Pleasant Hill, CA 94524	(925) 979-1098	3/1/2009
De Guzman, Andresito	40 Boyd Road Pleasant Hill, CA 94523	(925) 300-7150	7/29/2004
Logronio, Bienje	1265 Monument Blvd #71 Concord, CA 94520	(925) 395-7313	9/1/2004
Logronio, Wilfredo	1265 Monument Blvd #71 Concord, CA 94520	(925) 325-1153	11/1/2005
Logronio, Willy	1265 Monument Blvd #71 Concord, CA 94520	(925) 316-5095	2/1/2016
Miranda, Estrella	40 Boyd Road Pleasant Hill CA 94523	(925) 639-1497	1/29/2003
Miranda, Rogelio	40 Boyd Road Pleasant Hill CA 94523	(925) 395-7932	1/29/2003
Navarro, Amalia	40 Boyd Road Pleasant Hill, CA 94523	(925) 325-9620	5/5/2002
Regato, Beatriz	1050 Oak Grove Road #24 Concord, CA 94518	(925) 435-2313	2/1/2016
Regato, Jasmin	1050 Oak Grove Road #24 Concord, CA 94518	(925) 435-2313	2/1/2016
Salalila, Hazel	203 Coggins Drive A315 Pleasant Hill CA 94523	(510) 754-7667	3/10/2005
Salalila, Ian	203 Coggins Drive A315 Pleasant Hill CA 94523	(510) 978-8424	8/16/2004
Villamor, Antonietta	1265 Monument Blvd, #106 Concord, CA 94520	(925) 435-4184	1/29/2003
Young, Martina	100 Boyd Road, #218 Pleasant Hill, CA 94523	(510) 914-0945	1/29/2003

Contra Costa Behavioral Health Stakeholder Calendar

June 2017

Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1 CPAW: 3-6pm 2425 Bisso Ln	2	3
4	5	6	7 MH Commission: 4:30—6:30 pm 550 Ellinwood Way Pleasant Hill	8 Children's: 11:00-1:00pm, 1340 Arnold Dr, Ste 200, Martinez Social Inclusion: 1-3 pm 2425 Bisso Ln, Concord	9	10
11 HAPPY FATHER'S DAY 	12	13	14 Systems of Care: 10am—12 pm 1340 Arnold Dr, Ste 200, Martinez	15 CPAW Steering: 3:00 - 4:30 pm 1340 Arnold Dr, Ste 200, Martinez	16	17
18	19 CPAW Membership: 3:00 - 4:30 pm 1340 Arnold Dr, MTZ Ste 200, Martinez	20	21	22	23	24
25	26 CPAW Innovation: 2:30 - 4:30pm 1340 Arnold Dr, Ste 200, Martinez	27 Adult: 3:00 - 4:30pm 1340 Arnold Dr, Ste 200, Martinez	28 Aging and Older Adult: 2:00 - 3:30 pm 2425 Bisso Ln, Concord AOD Advisory Board : 4 - 6:15pm, 2nd Floor, 1220 Morello, MTZ	29	30	