



AUDITED FINANCIAL STATEMENTS, OTHER
FINANCIAL INFORMATION AND REPORTS REQUIRED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
AND OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133

Years Ended June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Bay Developmental Disabilities Services, Inc.
dba North Bay Regional Center
Napa, California

Report on the Financial Statements

We have audited the accompanying financial statements of *North Bay Developmental Disabilities Services, Inc. dba North Bay Regional Center* (the Center), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, 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 audits 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 opinion.

To the Board of Directors
North Bay Developmental Disabilities Services, Inc.
dba North Bay Regional Center

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying *Schedule of Expenditures of Federal Awards*, as required by Office of Management and Budget Circular A-133, is presented for purposes of additional analysis and is not a required part of the 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 audits 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 to 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2016, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Lautze & Lautze

San Francisco, California
February 19, 2016

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2015	2014
ASSETS		
Cash and cash equivalents	\$ 4,985,618	\$ 4,113,250
Cash - client trust funds	550,316	1,494,791
Contract receivable	39,570,646	41,265,223
Receivable from Intermediate Care Facilities - Retro	5,911,538	7,693,680
Receivable from Intermediate Care Facilities - Go Forward	2,517,831	2,390,630
Client trust funds receivable	1,001	241
Prepaid expenses	378,236	379,246
Deferred costs for accrued vacation and other leave benefits	732,827	593,084
Deposits	32,000	32,000
Total assets	\$ 54,680,013	\$ 57,962,145
LIABILITIES AND ACCUMULATED DEFICIT		
Liabilities:		
Accounts payable and accrued expenses	\$ 13,822,947	\$ 13,449,609
Contract advance	33,567,482	35,208,577
Payable to Department of Developmental Services	6,165,281	7,558,685
Accrued vacation and other leave benefits	732,827	593,084
Deferred income fee earned	88,673	134,995
Unexpended client trust funds	433,193	1,348,361
Total liabilities	54,810,403	58,293,311
Commitments and contingencies		
Unrestricted accumulated deficit	(130,390)	(331,166)
Total liabilities and accumulated deficit	\$ 54,680,013	\$ 57,962,145

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
STATEMENTS OF ACTIVITIES

	Years Ended June 30,	
	2015	2014
Revenue and support:		
Federal awards	\$ 101,048,704	\$ 97,334,686
Grants	56,145,890	54,482,705
Intermediate Care Facilities SPA income	5,384,928	5,207,607
Interest	53,354	46,520
Recovery from insurance company	200,000	-
Other income	111,665	112,458
	<u>162,944,541</u>	<u>157,183,976</u>
Expenses:		
Program services:		
Direct client services	157,682,276	151,974,742
Supporting services		
General and administrative	5,061,489	5,214,017
	<u>162,743,765</u>	<u>157,188,759</u>
Change in net assets	200,776	(4,783)
Unrestricted accumulated deficit:		
Beginning of year	<u>(331,166)</u>	<u>(326,383)</u>
End of year	<u>\$ (130,390)</u>	<u>\$ (331,166)</u>

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Direct Client Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries and related expenses:			
Salaries	\$ 8,994,915	\$ 1,378,232	\$ 10,373,147
Employee health and other benefits	3,420,265	527,912	3,948,177
Total salaries and related expenses	12,415,180	1,906,144	14,321,324
Purchase of services:			
Other purchased services	83,603,669	-	83,603,669
Day programs	31,572,040	-	31,572,040
Residential care facilities	29,874,046	-	29,874,046
Occupancy	-	1,634,695	1,634,695
General office expenses	-	371,229	371,229
Equipment rental	-	276,645	276,645
Professional fees	-	210,138	210,138
Equipment purchases	-	154,899	154,899
Travel	217,341	18,173	235,514
Communication	-	146,179	146,179
Insurance	-	87,415	87,415
Equipment maintenance	-	65,231	65,231
Bank service fees	-	53,469	53,469
Contract and consultant fees	-	49,648	49,648
Data processing	-	44,263	44,263
Printing	-	20,292	20,292
Security	-	19,015	19,015
Board expenses	-	3,858	3,858
Interest	-	196	196
	<u>\$ 157,682,276</u>	<u>\$ 5,061,489</u>	<u>\$ 162,743,765</u>
	<u>97%</u>	<u>3%</u>	<u>100%</u>

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Direct Client Services</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries and related expenses:			
Salaries	\$ 8,778,973	\$ 1,318,518	\$ 10,097,491
Employee health and other benefits	3,362,733	487,338	3,850,071
	<u>12,141,706</u>	<u>1,805,856</u>	<u>13,947,562</u>
Total salaries and related expenses			
Purchase of services:			
Other purchased services	79,291,420	-	79,291,420
Residential care facilities	31,320,729	-	31,320,729
Day programs	29,032,426	-	29,032,426
Occupancy	-	1,592,463	1,592,463
Professional fees	-	265,716	265,716
Equipment purchases	-	265,917	265,917
Equipment rental	-	264,782	264,782
Communication	-	234,815	234,815
General office expenses	-	240,036	240,036
Travel	188,461	41,011	229,472
Contract and consultant fees	-	207,385	207,385
Insurance	-	90,468	90,468
Equipment maintenance	-	75,155	75,155
Bank service fees	-	56,195	56,195
Data processing	-	33,769	33,769
Security	-	23,311	23,311
Printing	-	10,177	10,177
Board expenses	-	5,934	5,934
Interest	-	1,027	1,027
	<u>\$ 151,974,742</u>	<u>\$ 5,214,017</u>	<u>\$ 157,188,759</u>
	<u>97%</u>	<u>3%</u>	<u>100%</u>

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 200,776	\$ (4,783)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) decrease in assets:		
Contract receivable	1,694,577	(7,830,942)
Receivable from Intermediate Care Facilities - Retro	1,782,142	1,954,851
Receivable from Intermediate Care Facilities - Go Forward	(127,201)	(876,611)
Client trust funds receivable	(760)	15
Prepaid expenses	1,010	(76,514)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	373,338	(745,577)
Payable to Department of Developmental Services	(1,393,404)	(1,927,108)
Deferred income fee earned	(46,322)	(27,743)
Unexpended client trust funds	(915,168)	(15,081)
Net cash provided (used) by operating activities	1,568,988	(9,549,493)
Cash flows from financing activities:		
Payment on line of credit	-	(1,000,000)
Proceeds from contract advance	40,118,256	35,156,769
Payment of contract advance	(41,759,351)	(22,470,293)
Net cash provided (used) by financing activities	(1,641,095)	11,686,476
Net increase (decrease) in cash and cash equivalents	(72,107)	2,136,983
Cash and cash equivalents:		
Beginning of year	5,608,041	3,471,058
End of year	\$ 5,535,934	\$ 5,608,041
Cash and cash equivalents	\$ 4,985,618	\$ 4,113,250
Cash - client trust funds	550,316	1,494,791
	\$ 5,535,934	\$ 5,608,041
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 196	\$ 1,027

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose and Organization

North Bay Developmental Disabilities Services, Inc. dba North Bay Regional Center (the Center), was incorporated on April 16, 1970, as a California nonprofit corporation. The Center was organized in accordance with the provisions of the Lanterman Developmental Disabilities Services Act (the Act) of the Welfare and Institutions Code of the State of California. In accordance with the Act, the Center provides diagnostic evaluations, client program management, and lifelong planning services for persons with developmental disabilities and their families. The Center is one of 21 regional centers within the State of California system and serves approximately 8,000 people in the counties of Napa, Solano, and Sonoma.

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

The Center's mission statement is as follows:

The purpose of North Bay Regional Center is to assist people with developmental disabilities or at risk for developmental disabilities in the North Bay Area to obtain services and supports they need to live as other people live in the community.

The significant accounting policies which follow are presented to enhance the usefulness of the financial statements to the reader.

State of California Contract

The Center operates under an annual cost-reimbursement contract with the State of California Department of Developmental Services (the DDS) pursuant to the provisions of the Act. Maximum expenditures under the contract are limited to the contract allocation plus Intermediate Care Facility State Plan Amendment (ICF-SPA) income, ICF-SPA administrative fee, and interest income. The Center is required to have the DDS approval for certain expenses. The Center is required to maintain accounting records in accordance with the Regional Center Fiscal Manual issued by the DDS. In the event of termination or nonrenewal of the contact, the State of California maintains the right to assume control of the Center's operation and the obligation of its liabilities.

Under the terms of these contracts, funded expenditures are not to exceed \$167,846,715, \$147,478,723, and \$144,673,067 for the 2014/15, 2013/14 and 2012/13 contract years, respectively, and are subject to budget amendments. As of June 30, 2015, actual net expenditures under the 2014/15, 2013/14 and 2012/13 contracts were \$143,532,727, \$151,075,380, and \$144,674,532, respectively.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State of California Contract (Continued)

The 2013/14 and 2012/13 contracts are over budget by \$3,596,657 and \$1,465, respectively. Management believes that the 2013/14 and 2012/13 deficits will be funded through additional amendments from funds available within the State of California system.

Basis of Accounting

The Center prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Classification of Net Assets

U.S. GAAP requires that the Center report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, the net assets of the Center are classified and reported as follows:

Unrestricted: Those net assets and activities which represent expendable funds for operations related to the DDS contract. These accounts also record the activities of the federally-funded programs

Temporarily Restricted: Those net assets and activities which are donor-restricted for (a) support of specific operating activities; or (b) use in a specified future period.

Permanently Restricted: Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

As of June 30, 2015 and 2014, and for the years then ended, the Center did not have any temporarily or permanently restricted net assets or activities.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Assets

The unrestricted net asset group is comprised of the Operating Fund, Client Trust Funds, and Donation Fund.

Operating Fund

These accounts are used to record primary activities of the Center which are carried out under the DDS contract. These accounts also record the activities of the Community Placement Plan (CPP) and federally-funded programs.

Client Trust Funds

The Center serves as representative payee for a portion of its clients. In this fiduciary capacity, it receives social security benefits and other sources of income and makes payments on behalf of certain developmentally disabled clients who are deemed unable to administer the funds themselves. Client trust transactions are not considered revenue or expenses of the Center. The cash that is received and outstanding receivables, net of interfund liabilities, are reported as assets and a liability, *unexpended client trust funds*, until it is distributed.

Donation Fund

The Donation Fund is used to record solicited and unsolicited support received by the Center for the benefit of its clients.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Center considers all financial instruments with a maturity of three months or less when purchased, to be cash equivalents.

Contract and Other Receivables

The majority of the Center's receivables represents or relates to the cost-reimbursement contract with the DDS. Management believes that the receivables are fully collectible and, therefore, has not provided an allowance for doubtful accounts.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Equipment

Pursuant to the terms of the DDS contract, equipment purchases become the property of the State of California and, accordingly, are charged as expenses when incurred. The Center is required to track acquisitions of furniture and equipment with a cost or value in excess of \$5,000 and with an estimated life beyond one year. There were no equipment purchases for the years ended June 30, 2015 and 2014. The aggregate capitalized equipment costs is \$299,439 at June 30, 2015 and 2014.

Accrued Vacation and Other Leave Benefits

The Center has accrued a liability for leave benefits earned. However, such benefits are reimbursed under the DDS contract only when actually paid. The Center also records deferred costs for accrued vacation and other leave benefits to reflect the future reimbursement of such benefits.

Revenue Recognition

Revenue and expenses are recognized in the year the claim is filed with the DDS. Depending on the date of service, claims are classified and charged to the appropriate contract as follows:

- Current year
- Prior year
- Second prior year

Contributions

Contributions are recognized as revenue when they are received or unconditionally promised, regardless of compliance with restrictions. Contributions without donor-imposed restrictions are reported as unrestricted support. Contributions with donor-imposed restrictions are reported as temporarily restricted or permanently restricted support, depending upon the type of restriction.

The satisfaction of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires. This occurs by increasing one class of net assets and decreasing another in the statements of activities. These transactions are reported as net assets released from restrictions and are reported separately from other transactions.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Grants

The Center is a sub-recipient to the DDS with regard to the following grants:

U.S. Department of Health and Human Services

The Medicaid Waiver grant provides funding for a broad range of medical assistance, which includes home and community based services, to certain persons of need as authorized by Title XIX of the Social Security Act of 1965. This grant also funds Targeted Case Management.

U.S. Department of Education

The Special Education Grants for Infants and Families with Disabilities provides funding for early intervention services for infants and toddlers, through 36 months of age, as authorized by Public Law 102-119.

Income Taxes

The Center is a qualified organization exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code (IRC) and franchise taxes under §23701d of the California Revenue and Taxation Code, respectively. Accordingly, it is exempt from federal and California income taxes and is not liable for federal unemployment taxes.

Management evaluated the Center's tax positions and concluded that they maintained their tax exempt status and had taken no uncertain tax positions that would require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

The 2011 through 2014 tax years remain subject to examination by the Internal Revenue Service. In addition, the 2010 through 2014 tax years remain subject to examination by the California Franchise Tax Board.

Fair Value of Financial Statements

The carrying amounts of cash and cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Risk

Credit Risk

Financial instruments, which potentially subject the Center to a concentration of credit risk, principally consist of cash and cash equivalents, contract receivables, and receivables from vendors. The Center invests cash in bank deposit accounts, which may at times, exceed the federally-insured limit. Through its contract with the DDS, the Center is reimbursed for its expenses. The ability of the DDS to honor its obligations and to continue funding is dependent upon the overall economic well-being of the State of California. The Center has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk.

Labor Force

The Center retains approximately 84 percent of its labor force through Social Services Union, Local 1021. This labor force is subject to collective bargaining agreements and, as such, renegotiation of such agreements could expose the Center to an increase in hourly costs and or work stoppages. The current agreement is effective through February 2017.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and functional expenses by major programs. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on an analysis of personnel time and square footage occupied by each program.

Defined Benefit Pension Plan

The Center participates in a defined benefit pension plan covering all employees by becoming a member of California Public Employees' Retirement System (CalPERS). The CalPERS plan has characteristics of a multiemployer plan. Consistent with regional center and nonprofit industry reporting trends, the Center does not account for the funded status of this plan. However, certain actuarial information is disclosed in the financial statements.

The Center must have the actuarial report coinciding with the Center's year end, and include certain plan related disclosures in its financial statements. Currently, the actuarial report is two years in arrears. This lag in reporting is not in conformity with U.S. GAAP; however, this departure and the omitted disclosures are not material to the financial statements. The delay is due to the fact that there is a two year lag between the valuation date and the contribution fiscal year. This lag is necessary due to the amount of time needed to extract and test the membership and financial data, and due to the need to provide public agencies with their employer contribution rates well in advance of the start of the fiscal year.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

The Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* that eliminates the transaction-specific and industry-specific revenue recognition guidance under current U.S. GAAP and replaces it with a principle-based approach for determining revenue recognition. The core principle of this new standard is to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14 which deferred the effective date of ASU 2014-09. The guidance is applicable for annual reporting periods beginning after December 15, 2018. Management has not evaluated the impact of this new guidance.

2. CONTRACT RECEIVABLE

Contract receivable consists of the following at June 30:

	2015	2014
Current year	\$ 36,710,683	\$ 40,936,885
Prior year	2,836,259	315,171
Second prior year	23,704	13,167
	\$ 39,570,646	\$ 41,265,223

3. INTERMEDIATE CARE FACILITIES - STATE PLAN AMENDMENT

Retroactive Activities

During the year ended June 30, 2011, various legislative changes were made to the California Welfare and Institutions Code retroactive to July 1, 2007, making Intermediate Care Facility (ICF) providers responsible for providing day treatment and transportation services; and ultimately, making such services eligible for Federal Financial Participation.

Previously, such services provided to the residents were not reimbursable by Medicaid because the funds were not directly billed and received by the ICFs. The legislative changes allow for the DDS to bill these services to Medicaid and capture federal funds.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

3. INTERMEDIATE CARE FACILITIES - STATE PLAN AMENDMENT (CONTINUED)

Retroactive Activities (Continued)

Prior to the year ended June 30, 2012, the DDS directed the Center to prepare billings for these services on behalf of the ICFs for the period from July 1, 2007 to June 30, 2012. The billings included a 5.5% Quality Assurance fee for the State Department of Health Care Services (DHCS), a 1.5% administrative fee for the ICFs, and a 1.5% administration fee for the Center.

Prior to the year ended June 30, 2012, the regional centers paid the day and transportation providers and billed DDS and were reimbursed by DDS on a monthly basis. For the first five years of the ICF SPA implementation, the DDS paid the applicable amounts to the ICFs in arrears in quarterly batches. The ICFs were directed to remit to the Center the amount received less its administration fee and the Quality Assurance fee, which it must remit to DHCS. After the Center received the net payment from the ICFs, the Center was directed to remit the amount to the DDS, net of its administration fee. The DDS has instituted protocols should the ICFs not remit the net amounts due to the Center but those controls have been only partially successful.

The Center recorded a receivable from the ICFs, a payable to DDS, and the deferred fee income when the Center prepared the billings for the retroactive activities.

Go - Forward Activities

Effective July 1, 2012, DDS directed the Center to prepare billings for these services on behalf of the ICFs and submit a separate state claim report for these services in addition to paying the ICF directly for their services. The Center was directed to reduce the amount of their regular state claim to DDS by the dollar amount of these services. Reimbursement for these services will be received from the ICFs. DDS advances the amount according to the state claim to the ICFs. The ICFs are then required to pass on the payments received, as well as the Center's administrative fee to the Center within 30 days of receipt of funds from the State Controller's Office.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

3. INTERMEDIATE CARE FACILITIES - STATE PLAN AMENDMENT (CONTINUED)

Go - Forward Activities (Continued)

The Center's activity related to the retroactive and go-forward funding was as follows as of June 30:

	2015	2014
Beginning balance	\$ 10,084,310	\$ 11,162,550
Adjustment to beginning balance	(22,794)	-
Total billed due from vendors	5,059,102	5,285,720
Amount remitted by vendors	(6,691,249)	(6,356,066)
Adjustment to prior year administrative fee	-	(9,498)
2013-2014 administrative fee receivable	-	1,604
	\$ 8,429,369	\$ 10,084,310
Beginning balance	\$ 7,558,685	\$ 9,485,793
Adjustment to beginning balance	(133,309)	-
Amount remitted by Center to DDS	(1,260,095)	(1,927,108)
	\$ 6,165,281	\$ 7,558,685
Deferred administrative fee	\$ 88,673	\$ 134,995

4. LINE OF CREDIT

During the year ended June 30, 2015, the Center had a \$23,100,000 revolving line of credit agreement with Union Bank of California at the bank's reference rate of 3.25%. The line of credit was secured by substantially all assets of the Center. The line of credit expired on September 30, 2015, and was not renewed. The line of credit balance at June 30, 2015 and 2014, was \$0.

5. DEFINED BENEFIT PENSION PLAN

The Center adopted a defined benefit pension through CalPERS. All employees are, immediately upon hire, enrolled in the pension plan. The Center and employees combined contribute 18.39% of the employees' gross salary to CalPERS. Participants with at least five years of service credits are fully vested. For the years ended June 30, 2015 and 2014, \$1,184,696 and \$1,057,693 were paid to CalPERS, respectively.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Valuation Method

On April 17, 2013, the CalPERS Board of Administration approved a recommendation to change the CalPERS amortization and rate smoothing policies. Beginning with the June 30, 2013 valuations that set the 2015-2016 rates, CalPERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period. CalPERS will no longer use an actuarial value of assets and will use the market value of assets.

The Public Employees' Retirement Law (Part 3 of the California Government Code, §20000 et seq.) establishes benefit provisions for CalPERS. 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 P Street, Sacramento, California 95814.

The funded status as of June 30, 2014, the most current valuation, is as follows:

Present value of projected benefits	\$ 51,290,764
Less present value of future:	
Employer normal costs	(4,993,486)
Employee contributions	<u>(5,218,745)</u>
Entry age normal accrued liability	41,078,533
Actuarial value of assets	<u>(32,319,435)</u>
Unfunded status	<u><u>\$ 8,759,098</u></u>

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Valuation Method (Continued)

A reconciliation of the market value of assets over the prior year is as follows:

Beginning actuarial value of assets - June 30, 2013	\$ 27,257,996
Receivables for service buybacks as of June 30, 2013	(35,465)
Contributions:	
Employer	1,049,209
Employee	623,865
Benefit payments to retirees and beneficiaries	(1,408,547)
Refunds	(62,841)
Transfers and miscellaneous adjustments	57,976
Investment return	<u>4,837,242</u>
Ending balance - June 30, 2014	<u>\$ 32,319,435</u>

The significant actuarial assumptions as of June 30, 2014, are as follows:

Long-term inflation rate	2.75%
Long-term blended rate of return	7.50%
Payroll growth	3.00%
Discount rate	7.50%

The expected employer and employee contributions to be paid to the plan during the next fiscal year are \$724,350 and \$697,826, respectively.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Valuation Method (Continued)

The asset allocation as of June 30, 2014, is as follows:

<u>Asset Class</u>	<u>Current Allocation</u>	<u>Target Allocation</u>
Global equity	52.5%	50.0%
Global fixed income	19.5%	17.0%
Private equity	10.4%	14.0%
Real assets	9.8%	11.0%
Inflation sensitive asset	3.3%	4.0%
Liquidity	3.0%	4.0%
Absolute Return Strategy	1.5%	0.0%
	<u>100.0%</u>	<u>100.0%</u>

The starting point and most important element of CalPERS' return on investment is the asset allocation or diversification among stocks, bonds, cash and other investments. Asset allocation is not an asset-only or liability-only decision. All factors, including liabilities, benefit payments, operating expenses, and employer and member contributions are taken into account in determining the appropriate asset allocation mix. The goal is to maximize returns at a prudent level of risk which presents an ever-changing balancing act between market volatility and long-term goals.

CalPERS follows a strategic asset allocation policy that identifies the percentage of funds to be invested in each asset class. The asset allocation of assets shown above reflects the values of the Public Employees Retirement Fund (the PERF) in its entirety as of June 30, 2014. The assets for the Center are part of the PERF and are invested accordingly.

For the year ending June 30, 2016, the actuarial computed employer and employee contribution rates will be 7.237% and 6.972%, respectively.

6. CONTRACT ADVANCE

The contract advance balance represents monies the DDS advances to the Center at the beginning of each fiscal year to provide interest-free working capital. The DDS uses its discretion in determining the balance on a month-to-month basis. If the DDS so chooses, the advance can be paid by offsetting claim reimbursements partially or in full, or requiring the Center to make a payment.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

7. UNEXPENDED CLIENT TRUST FUNDS

Included below is a summary of the activity as of June 30:

	2015	2014
Beginning balance	\$ 1,348,361	\$ 1,363,442
Client support received	11,175,527	15,298,998
Restitution	200,000	-
Less residential care and other disbursements	(12,290,695)	(15,314,079)
Ending balance	\$ 433,193	\$ 1,348,361

During the year ended June 30, 2015, the Center outsourced the accounting and administrative functions of the client trust funds to an independent third-party administrator.

8. OPERATING LEASES

The Center leases all of its facilities. Rent expense on these leases for the years ended June 30, 2015 and 2014, was \$1,634,695 and \$1,592,463, respectively. The Center also leases office equipment and the equipment rental expense for the years ended June 30, 2015 and 2014, was \$276,645 and \$264,782, respectively.

Future obligations on leases in effect at June 30, are as follows:

2016	\$ 1,690,078
2017	511,937
2018	527,295
2019	543,114
2020	559,407
Thereafter	380,323
	\$ 4,212,154

9. COMMITMENTS AND CONTINGENCIES

Litigation

The Center is currently a defendant in several litigious actions, in addition to threats of litigation arising out of the normal course of operations. The Center's management believes it has adequate defenses and insurance coverage for these actions and, thus, has made no provision in the financial statements for any costs relating to the settlement of such claims. These matters have been referred to the Center's attorneys and/or insurance carriers. In management's opinion, a material unfavorable outcome is remote.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

9. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Misappropriation and Restitution

During the year ended June 30, 2014, management discovered an embezzlement involving a former case worker which transpired during the time period of 2006 through 2012 that is estimated at \$385,000. The embezzlement involves client trust funds for which the Center has a fiduciary duty to oversee. Accordingly, it is management's intent to financially restore the impacted clients. Once the embezzlement was discovered, management reported this incident to various authorities including, but not limited to, those charged with governance, Adult Protection Services, DDS, and the Santa Rosa Police Department (SRPD).

On the advice from the SRPD, management undertook an internal investigation to produce evidence and to quantify the loss by reviewing all available supporting documents. Because of the unavailability of certain records, losses prior to 2006 may exist but are not quantifiable. In management's opinion, the estimated loss is reasonable and the embezzlement is an isolated case.

The former employee suspected of the embezzlement was arrested and has pleaded no contest. The Center will seek restitution through a combination of actions including, but not limited to, restitution from the former employee and claims against financial institutions and the Center's insurance carrier covering employee dishonesty coverage.

When the Center receives restitution, it will recognize income and will then use the proceeds to reimburse the impacted clients by transferring the funds to the Client Trust Fund. Because of the limitations on recognizing gain contingencies, the Operating Fund will recognize restitution as it is received. During the year ended June 30, 2015, the Center received \$200,000 from its insurance carrier. As a result, there is an unrestricted accumulated deficit as of June 30, 2015 and 2014. At June 30, 2015 and 2014, the Operating Fund includes a payable to the Client Trust Fund in the amount of \$185,000 and \$385,000, respectively.

Funding

The majority of the Center's funding is provided under annual grants and contracts with federal and California agencies. If a significant reduction in the level of funding provided by these governmental agencies were to occur, it may have an effect on the Center's programs and activities.

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

The Center's revenue, which is derived from restricted funding provided by government grants and contracts, is subject to audit by the governmental agencies. In accordance with the terms of the DDS contract, an audit may be performed by an authorized DDS representative. Should such an audit disclose any unallowable costs, the Center may be liable to the State of California for reimbursement of such costs. In the opinion of the Center's management, the effect of any disallowed costs would be immaterial to the financial statements as of June 30, 2015 and 2014, and for the years then ended.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

10. SELF-INSURED UNEMPLOYMENT INSURANCE

The Center makes contributions to a Joint Unemployment Compensation Trust, that provides funding to reimburse the State of California for unemployment benefits paid by the State to former employees who have terminated their employment. The Trust also carries stop-loss insurance, in the amount of \$175,000, to cover possible exposure of unusual employment claims.

11. SUBSEQUENT EVENTS

Subsequent to June 30, 2015, the Center plans on moving its administration offices to a new location.

The Center has evaluated all subsequent events through February 19, 2016, the date the financial statements were available to be issued.

**NORTH BAY DEVELOPMENTAL
DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER**

SUPPLEMENTARY FINANCIAL INFORMATION

Year Ended June 30, 2015

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Disbursements/ Expenditures
Centers for Medicare and Medicaid Services of the U.S. Department of Health and Human Services passed-through the State of California Department of Developmental Services:			
<ul style="list-style-type: none"> ■ Medical Assistance Program (Medicaid; Title XIX) 	93.778	HD099011	\$ 95,454,653 *
<ul style="list-style-type: none"> ■ Targeted Case Management 	93.778	HD099011	<u>4,740,407 *</u>
			100,195,060
Office of Special Education and Rehabilitative Services of the U.S. Department of Education passed-through the State of California Department of Developmental Services:			
Early Intervention Services:			
<ul style="list-style-type: none"> ■ Special Education - Grants for Infants and Families 	84.181	HD099011	<u>853,644</u>
			<u>\$ 101,048,704</u>
Amounts provided to subrecipients			<u>\$ -</u>

* Major program.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Center and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



LAUTZE & LAUTZE
CPAs & FINANCIAL ADVISORS

**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**

To the Board of Directors
North Bay Developmental Disabilities Services, Inc.
dba North Bay Regional Center
Napa, 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 financial statements of *North Bay Developmental Disabilities Services, Inc. dba North Bay Regional Center* (the Center), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 weaknesses or, significant deficiencies. 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.

To the Board of Directors
North Bay Developmental Disabilities Services, Inc.
dba North Bay Regional Center

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management in a separate letter dated February 19, 2016.

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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lautze & Lautze

San Francisco, California
February 19, 2016



LAUTZE & LAUTZE
CPAs & FINANCIAL ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
North Bay Developmental Disabilities Services, Inc.
dba North Bay Regional Center
Napa, California

Report on Compliance for Each Major Federal Program

We have audited *North Bay Developmental Disabilities Services, Inc. dba North Bay Regional Center's* (the Center) 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 the Center's major federal programs for the year ended June 30, 2015. The Center'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 the Center'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 the Center'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 of the Center's compliance.

Opinion on Each Major Federal Program

In our opinion, the Center 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.

To the Board of Directors
North Bay Developmental Disabilities Services, Inc.
dba North Bay Regional Center

Report on Internal Control Over Compliance

Management of the Center 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 the Center'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 the Center'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 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.

Lautze & Lautze

San Francisco, California
February 19, 2016

**NORTH BAY DEVELOPMENTAL
DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

- Auditor's report on financial statements: Unmodified.
- Internal control over financial reporting:
 - Material weaknesses identified: No.
 - Significant deficiencies identified that are not considered to be material weaknesses: None reported.
 - Noncompliance material to financial statements noted: No.
- Federal awards - internal control over major programs:
 - Auditor's report on compliance for major programs: Unmodified.
 - Material weaknesses identified: No.
 - Significant deficiencies identified that are not considered to be a material weakness: None reported.
 - Any audit findings identified that are required to be reported in accordance with §510(a) of Circular A-133: No.
 - Major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.778	Medical Assistance Program (Medicaid; Title XIX)
93.778	Targeted Case Management

- Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000.
- Auditee qualifies as low-risk: No.

SECTION II - FINANCIAL STATEMENT FINDINGS

- None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- There were no current year findings or questioned costs.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2015

2014-1 CHANGE IN NET ASSETS AT THE END OF THE YEAR

SIGNIFICANT DEFICIENCY

CONDITION

The Center had net income of over \$500,000 at the end of the year. Generally, the Center should not have any significant net income or loss because of the cost reimbursement contract with the DDS.

RECOMMENDATION

We recommend that management review the monthly financial statements for reasonableness and for such anomalies.

CURRENT STATUS

The finding was resolved during the year ended June 30, 2015.