

**CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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**CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
FOR THE YEAR ENDED JUNE 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council
City of San Rafael, California

Report on the Financial Statements

We have audited the accompanying financial statements of the City of San Rafael Child Development Program (Program) of the City of San Rafael as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Program'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 the 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 Program'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 Program'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program as of June 30, 2017, and changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Program's basic financial statements as a whole. The Supplementary Information as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Supplementary Information as listed in the Table of Contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in conformity with the *CDE Audit Guide*, issued by the California Department of Education, 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 Supplementary Information 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 September 28, 2017 on our consideration of the Program'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 Program's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
September 28, 2017

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
BALANCE SHEET
JUNE 30, 2017

ASSETS

Cash (Note 3)	\$1,374,316
Grants receivable (Note 4)	40,594
Prepaid expense	<u>3,670</u>
Total Assets	<u><u>\$1,418,580</u></u>

LIABILITIES AND FUND BALANCE

Accounts payable	<u>\$48,436</u>
Total Liabilities	48,436
Fund balance, unassigned (Note 5)	<u>1,370,144</u>
Total Liabilities and Fund Balance	<u><u>\$1,418,580</u></u>

See accompanying notes to financial statements

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017

REVENUES

State grants:		
Current year grants		\$196,122
CDBG preschool grant		16,467
First five school readiness grants		95,163
Local grant		21,500
Interest		4,177
Parent fees		3,724,333
Other		<u>11,939</u>
Total Revenues		<u>4,069,701</u>

EXPENDITURES

Certified salaries		1,940,680
Classified Salaries		46,237
Employee benefits		1,313,842
Training and instruction		297
Office supplies		1,553
Books and supplies		145,220
Utilities and housekeeping services		34,865
Travel and conference		2,862
Rentals		18,130
Services and other operating expenditures		286,893
Equipment		29,888
Insurance		32,234
Renovation and repair		<u>700</u>
Total Expenditures		<u>3,853,401</u>

CHANGE IN FUND BALANCE 216,300

FUND BALANCE,

Beginning of year		<u>1,153,844</u>
End of year		<u><u>\$1,370,144</u></u>

See accompanying notes to financial statements

CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
Notes to the Basic Financials Statements
For the Year Ended June 30, 2017

NOTE 1 - ORGANIZATION

The City of San Rafael operates the Child Development Program encompassing nine childcare centers within the City of San Rafael. One of these centers provides day care services to subsidized families under the Child Development Program funded by the California Department of Education, which includes the Preschool program. The City is financially accountable for the activities of the Program. The Program has no employees and substantially all staff services which it requires are performed by the City's personnel. Costs incurred by the City to provide such services including compensation, retirement, and other benefit costs are reimbursed by the Program. These basic financial statements present only the activities of the Program and are not intended to present the financial position of the City of San Rafael, California, or the results of its operations. The financial statements of the Program are included as a Special Revenue Fund in the City's financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for on a spending or "current financial resources" measurement focus. Accordingly, only current assets and current liabilities generally are included on the balance sheets. Operating statements of governmental funds present increases (revenues and other financial sources) and decreases (expenditures and other financial uses) in net current assets.

The Program's financial activities are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when *measurable and available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred. Revenues considered susceptible to accrual include charges for services, federal and state grants, and interest. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

B. Fund Balance

Fund Balance is the excess of all the Program's assets over all its liabilities.

CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
Notes to the Basic Financials Statements
For the Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

NOTE 3 - CASH AND INVESTMENTS

The Program's cash is included in a City-wide cash and investment pool, the details of which are presented in the City's basic financial statements. The Program pools cash from all sources with the City of San Rafael so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. The City's investment policy and the California Government Code permit investments in Securities of the U.S. Government or its agencies, Certificates of Deposit, Negotiable Certificates of Deposit, Banker's Acceptances, Commercial Paper, the State of California Local Authority Investment Fund (LAIF Pool), Repurchase Agreements, Medium-Term Corporate Notes, Limited Obligation Improvement Bonds related to special assessment districts and special tax districts, and Money Market/Mutual Funds.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The City of San Rafael pooled investments is an uncategorized input not defined as Level 1, Level 2, or Level 3 input.

CITY OF SAN RAFAEL
 CHILD DEVELOPMENT PROGRAM
 Notes to the Basic Financials Statements
 For the Year Ended June 30, 2017

NOTE 4 – GRANTS RECEIVABLE

The Program has the following grants receivable at June 30, 2017:

Agency	Grant	Amount
Marin County	First 5 Grant	\$40,594
	Total	\$40,594

NOTE 5 – FUND BALANCES

Governmental fund balances represent the net current assets of each fund. Net current assets generally represent a fund’s cash and receivables, less its liabilities.

The City’s fund balances are classified based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the City prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint.

Nonspendable represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the City Council which may be altered only by formal action of the City Council. Nonspendable amounts subject to council commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the City’s intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee. This category includes nonspendables, when it is the City’s intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

**CITY OF SAN RAFAEL
CHILD DEVELOPMENT PROGRAM
Notes to the Basic Financials Statements
For the Year Ended June 30, 2017**

NOTE 6 – CONTINGENCIES AND COMMITMENTS

The Program participates in Federal, State and County grant programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grantor program regulations, the City may be required to reimburse the grantor government. As of June 30, 2017, some amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any individual governmental funds or the overall financial condition of the City.

SUPPLEMENTARY INFORMATION

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
SCHEDULE OF AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Program	CFDA #	Pass-Through Grantor #	Award Amount	Revenue	Expenditures
Federal Awards					
US Department of Housing and Urban Development, Pass-through the County of Marin Community Development Block Grant	14.218	HUD-04527-01-15	<u>\$16,477</u>	<u>\$16,477</u>	<u>\$16,477</u>
Total Federal Awards			<u>\$16,477</u>	<u>\$16,477</u>	<u>\$16,477</u>
State Awards					
State of California Department of Education Child Development Division State Preschool Program FY2017		CSPP-6261	<u>\$196,122</u>	<u>\$196,122</u>	<u>\$244,294</u>
Total State Awards			<u>\$196,122</u>	<u>\$196,122</u>	<u>\$244,294</u>
County Award					
County of Marin First Five - Preschool		CSRI-21-009-10	<u>\$95,163</u>	<u>\$95,163</u>	<u>\$95,163</u>
Local Awards					
Marin Child Care Council		N/A	<u>\$16,000</u>	<u>\$16,000</u>	<u>\$16,000</u>
Marin County Office of Education		N/A	<u>5,500</u>	<u>5,500</u>	<u>5,500</u>
Total Local Awards			<u>\$21,500</u>	<u>\$21,500</u>	<u>\$21,500</u>
Total State, Federal Awards, and Local			<u>\$329,262</u>	<u>\$329,262</u>	<u>\$377,434</u>

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2017

	State Preschool Program (CSPP 6261)	Total CDE CD Contracts	Non-CDE Programs	Total
REVENUES				
State grants:				
Current year grants	\$196,122	\$196,122		\$196,122
CDBG preschool grant			\$16,467	16,467
First Five school readiness grants			95,163	95,163
Local grants			21,500	21,500
Interest			4,177	4,177
Parent fees - noncertified children			3,724,333	3,724,333
Other			11,939	11,939
	<u>196,122</u>	<u>196,122</u>	<u>3,873,579</u>	<u>4,069,701</u>
Total Revenues				
EXPENDITURES				
Certified salaries	69,905	69,905	1,870,775	1,940,680
Classified salaries	46,237	46,237		46,237
Employee benefits	96,443	96,443	1,217,399	1,313,842
Training and instruction			297	297
Office supplies			1,553	1,553
Books and supplies	14,849	14,849	130,371	145,220
Utilities and housekeeping services			34,865	34,865
Travel and conference			2,862	2,862
Rentals			18,130	18,130
Services and other operating expenditures	16,860	16,860	270,033	286,893
Equipment			29,888	29,888
Insurance			32,234	32,234
Renovation and repair			700	700
	<u>244,294</u>	<u>244,294</u>	<u>3,609,107</u>	<u>3,853,401</u>
Total Expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(48,172)	(48,172)	264,472	216,300
TRANSFERS				
Transfers in from other programs	100,000	100,000		100,000
Transfers out to other programs			(100,000)	(100,000)
	<u>100,000</u>	<u>100,000</u>	<u>(100,000)</u>	<u>100,000</u>
CHANGE IN FUND BALANCE	<u>\$51,828</u>	<u>\$51,828</u>	<u>\$164,472</u>	<u>\$216,300</u>

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
SCHEDULE OF EXPENDITURES BY STATE CATEGORIES
FOR THE YEAR ENDED JUNE 30, 2017

		CSP-6261 State Preschool Program	Totals
EXPENDITURES:			
1000	Certified personnel salaries	\$69,905	\$69,905
1100	Teachers' salaries	69,905	69,905
1200	Administration		
1300	Supervisors' salaries		
1600	Infant educators		
2001	Classified personnel salaries	\$46,237	\$46,237
2100	Instructional aides' salaries	46,237	46,237
2300	Clerical and other office salaries		
2400	Maintenance and operations salaries		
2500	Food services salaries		
2600	Transportation salaries		
3000	Employee benefits	\$96,443	\$96,443
3200	Payroll taxes (Medicare)	1,727	1,727
3300	Other benefits	66,736	66,736
3400	Health and welfare	26,177	26,177
3600	Workers' compensation insurance	1,803	1,803
4000	Books and supplies	\$14,849	\$14,849
4200	Other books		
4300	Instructional materials and supplies	14,849	14,849
4500	Other supplies		
4600	Food supplies		
5000	Services and other operating expenditures	\$16,860	\$16,860
5100	Lecturer		
5200	Travel and conferences		
5300	Memberships and dues		
5400	Insurance	1,575	1,575
5500	Utilities and housekeeping services	1,268	1,268
5600	Rentals, leases and repairs	3,011	3,011
5700	Audit expense		
5800	Other direct services & admin.	11,006	11,006
6000	Capital Outlay		
6100	Sites and improvements of sites		
6200	Buildings and improvements of buildings		
6400	Equipment (program-related)		
6500	Equipment replacement (program related)		
Depreciation			
Costs capitalized as Fixed Assets			
TOTAL OF REIMBURSABLE AND NONREIMBURSABLE EXPENDITURES		\$244,294	\$244,294

We have examined the claims filed for reimbursement and the original records supporting the transactions recorded under the contracts listed above to an extent considered necessary to assure ourselves that the amounts claimed by the contractor were eligible for reimbursement, reasonable, necessary, and adequately supported, according to governing laws, regulations, and contract provisions.

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
SCHEDULE OF REIMBURSABLE ADMINISTRATIVE COSTS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>CSPP-6261 State Preschool Program</u>
Administrative Costs (Audit Fees)	<u>\$7,210</u>
Total Administrative Costs	<u><u>\$7,210</u></u>

CITY OF SAN RAFAEL CHILD DEVELOPMENT PROGRAM
 SCHEDULE OF EQUIPMENT EXPENDITURES UTILIZING CONTRACT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

Expenditures Under \$7,500 Unit Cost		Expenditures Over \$7,500 Unit Cost with CDD Approval		Expenditures Over \$7,500 Unit Cost Without CDD Approval	
Cost	Item	Cost	Item	Cost	Item
	None		None		None

SCHEDULE OF RENOVATION AND REPAIR EXPENDITURES UTILIZING CONTRACT FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

Expenditures Under \$10,000 Unit Cost		Expenditures Over \$10,000 Unit Cost with CDD Approval		Expenditures Over \$10,000 Unit Cost Without CDD Approval	
Cost	Item	Cost	Item	Cost	Item
	None		None		None

AUDITED ATTENDANCE AND FISCAL REPORT

for California State Preschool Programs

Agency Name: City of San Rafael Child Development Program Vendor No. 21-2193

June 30, 2017 Contract No. CSPP 6261

Independent Auditor's Name: Maze & Associates

SECTION I - CERTIFIED CHILDREN ENROLLMENT	DAYS OF	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
		CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Three and Four Year Olds</i>						
Full-time-plus		-		-	1.1800	-
Full-time		-		-	1.0000	-
Three-quarters-time		-		-	0.7500	-
One-half-time		8,398		8,398	0.6196	5,203.401
<i>Exceptional Needs</i>						
Full-time-plus		-		-	1.4160	-
Full-time		-		-	1.2000	-
Three-quarters-time		-		-	0.9000	-
One-half-time		-		-	0.6196	-
<i>Limited and Non-English Proficient</i>						
Full-time-plus		-		-	1.2980	-
Full-time		-		-	1.1000	-
Three-quarters-time		-		-	0.8250	-
One-half-time		-		-	0.6196	-
<i>At Risk of Abuse or Neglect</i>						
Full-time-plus		-		-	1.2980	-
Full-time		-		-	1.1000	-
Three-quarters-time		-		-	0.8250	-
One-half-time		-		-	0.6196	-
<i>Severely Disabled</i>						
Full-time-plus		-		-	1.7700	-
Full-time		-		-	1.5000	-
Three-quarters-time		-		-	1.1250	-
One-half-time		-		-	0.6196	-
TOTAL DAYS OF ENROLLMENT		8,398	-	8,398		5,203.401
DAYS OF OPERATION		175		175		
DAYS OF ATTENDANCE		8,398		8,398		

NO NONCERTIFIED CHILDREN - Check this box, omit page 2, and continue to Section III if no noncertified

Comments - If necessary, attach additional sheets to explain adjustments:

**AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs**

Agency Name: City of San Rafael Child Development Program Vendor No. 21-2193

Fiscal Year End: June 30, 2017 Contract No. CSPP 6261

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION III - REVENUE			
RESTRICTED INCOME			
Child Nutrition Programs			\$0
County Maintenance of Effort (EC § 8279)			0
Uncashed Checks to Providers			0
Other (Specify):			0
Other (Specify):			0
Subtotal	\$0	\$0	\$0
Transfer from Reserve - General			0
Transfer from Reserve - Professional Development			0
Subtotal	\$0	\$0	\$0
Family Fees for Certified Children			0
Interest Earned on Apportionments			0
UNRESTRICTED INCOME			
Family Fees for Noncertified Children			0
Head Start Program (EC § 8235(b))			0
Other (Specify):			0
Other (Specify):			0
TOTAL REVENUE	\$0	\$0	\$0
SECTION IV - REIMBURSABLE EXPENSES			
<i>Direct Payments to Providers (FCCH Only)</i>			\$0
1000 Certificated Salaries	69,905		69,905
2000 Classified Salaries	46,237		46,237
3000 Employee Benefits	96,443		96,443
4000 Books and Supplies	14,849		14,849
5000 Services and Other Operating Expenses	16,860		16,860
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (<i>program-related</i>)			0
6500 Replacement Equipment (<i>program-related</i>)			0
Depreciation or Use Allowance			0
Start-Up Expenses (service level exemption)			0
Budget Impasse Credit			0
Indirect Costs Rate: 0.00% (Rate is Self-Calculating)			0
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$244,294	\$0	\$244,294
TOTAL ADMINISTRATIVE COSTS (Included in section IV above)		\$7,210	\$7,210
FOR CDE-A&I USE ONLY:			

Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program

Requirements of the California Department of Education, Early Education and Support Division:

Eligibility, enrollment, and attendance records are being maintained as required (check YES or NO):

YES

NO - Explain any discrepancies.

Reimbursable expenses claimed above are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO):

YES

NO - Explain any discrepancies.

NO SUPPLEMENTAL REVENUES OR EXPENSES - Check this box and omit page 4 if there are no supplemental revenues

COMMENTS - If necessary, attach additional sheets to explain adjustments:

Adjustments identified in Column B are adjustments made to report audit fees as administrative costs.

AUDITED RESERVE ACCOUNT ACTIVITY REPORT

Agency Name: City of San Rafael Child Development Program

Fiscal Year End: June 30, 2017

Vendor No. 21-2193

Independent Auditor's Name: Maze & Associates

RESERVE ACCOUNT TYPE (Check One):	COLUMN A	COLUMN B	COLUMN C
<input checked="" type="checkbox"/> Center Based <input type="checkbox"/> Resource and Referral <input type="checkbox"/> Alternative Payment	PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	PER AUDIT

LAST YEAR:			
1. Beginning Balance (must equal ending balance from Last Year's AUD 9530-A)			\$0
2. Plus Transfers from Contracts to Reserve Account (based on last year's post-audit CDFS 9530, Section IV):			
Contract No. CSPP 5253			\$0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred from Contracts to Reserve Account	\$0	\$0	\$0
3. Less Excess Reserve to be Billed (enter as a positive amount any excess amount calculated by CDFS on last year's post-audit CDFS 9530)			\$0
4. Ending Balance on Last Year's Post-Audit CDFS 9530	\$0	\$0	\$0

THIS YEAR:			
5. Plus Interest Earned This Year on Reserve Funds (column A must agree with this year's CDFS 9530-A, Section II)			\$0
6. Less Transfers to Contracts from Reserve Account (column A amounts must agree with this year's CDFS 9530-A, Section III; and column C amounts must be reported on this year's AUD forms for respective contracts):			
CSPP - General			
Contract No. CSPP 6261			\$0
Contract No.			0
CSPP - Professional Development			
Contract No.			\$0
Contract No.			0
Subtotal	\$0	\$0	\$0
Other Contracts			
Contract No.			\$0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Subtotal	\$0	\$0	\$0
Total Transferred to Contracts from Reserve Account	\$0	\$0	\$0
7. Ending Balance or June 30, 2017 (column A must agree with this year's CDFS 9530-A, Section IV)	\$0	\$0	\$0

COMMENTS - If necessary, attach additional sheets to explain adjustments:

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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***

To the Honorable Members of the City Council
City of San Rafael, 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 basic financial statements of the City of San Rafael Child Development Program (Program), as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Program'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 Program's internal control. Accordingly, we do not express an opinion on the effectiveness of Program'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 Program'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free from 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 Program'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 Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mase & Associates

Pleasant Hill, California
September 28, 2017