

**COUNTY OF SAN MATEO
HUMAN SERVICES AGENCY
CHILD DEVELOPMENT PROGRAM**

Financial Statements and Independent Auditor's Report

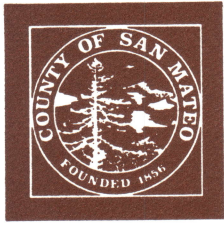
Fiscal Year Ended June 30, 2007

COUNTY OF SAN MATEO
Human Services Agency
Child Development Program
June 30, 2007

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Office of Controller



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INDEPENDENT AUDITOR'S REPORT

Director
Human Services Agency
County of San Mateo, California

We have audited the accompanying financial statements of the County of San Mateo Human Services Agency Child Development Program (the Program), as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Program's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Program are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities of the County that is attributable to the transactions of the Program. They do not purport to, and do not, present fairly the financial position of the County of San Mateo, as of June 30, 2007, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2007, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the Program adopted the following provisions of Governmental Accounting Standards Board (GASB): Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Government*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*; GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*; and GASB Statement No. 37, *Basic Financial Statements-and-Management's Discussion and Analysis-for State and Local Governments-Omnibus*, as of July 1, 2006.

The Program has not presented the *Management's Discussion and Analysis* or the *Budgetary Comparison* that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2007, 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 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 considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information contained in Schedules 1 through 10 are 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 the *Audit Guide for Audits of Child Development and Nutrition and Adult Basic Education Programs* issued by the California Department of Education and are not a required part of the financial statements of the Program. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

County of San Mateo Controller

County of San Mateo, California
December 6, 2007

BASIC FINANCIAL STATEMENTS
Combined Government-Wide and
Fund Financial Statements

COUNTY OF SAN MATEO
HUMAN SERVICES AGENCY
CHILD DEVELOPMENT PROGRAM

STATEMENT OF NET ASSETS AND
BALANCE SHEET-GOVERNMENTAL FUND
JUNE 30, 2007

Assets	
Cash (Note 3a)	\$ 128,917
Securities Lending Collateral (Note 3b)	23,685
Grants Receivable (Note 4)	216,251
Due from County of San Mateo (Note 8)	<u>33,672</u>
Total Assets	<u>402,525</u>
Liabilities	
Accounts Payable (Note 6)	227,407
Securities Lending Collateral Due (Note 3b)	23,685
Grants Payable (Note 5)	90,002
Due to County of San Mateo (Note 7)	<u>61,431</u>
Total Liabilities	<u>402,525</u>
Fund Balances/Net Assets	<u><u>\$ -</u></u>

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

COUNTY OF SAN MATEO
HUMAN SERVICES AGENCY
CHILD DEVELOPMENT PROGRAM

STATEMENT OF ACTIVITIES AND
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

Expenditures/Expenses	
Salaries	\$ 315,644
Employee Benefits	74,304
Books and Supplies	20,697
Provider Payments	2,714,921
Other Operating Expenses	227,773
	3,353,339
Total Expenditures/Expenses	
	3,353,339
Program Revenues	
Operating grants and contributions:	
California Department of Education	3,074,087
Intergovernmental Revenues	189,535
Charges for Services:	
Parent Fees (Note 10)	89,717
	3,353,339
Total Program Revenues	
	3,353,339
Net Program Revenue	-
Change in Fund Balances/Net Assets	-
Fund Balances/Net Assets - beginning	-
Fund Balances/Net Assets - ending	\$ -

The notes to the financial statements are an integral part of this statement.

BASIC FINANCIAL STATEMENTS
Notes to the Basic Financial Statements

County of San Mateo
Human Services Agency
Child Development Program
Notes To Financial Statements
June 30, 2007

1. THE FINANCIAL REPORTING ENTITY

The financial statements present only the County of San Mateo Human Services Agency Child Development Fund. For additional information regarding the County of San Mateo, please refer to the Comprehensive Annual Financial Report available online at www.co.sanmateo.ca.us. The Human Services Agency receives program funds from the California Department of Education. It provides referral and other related services for parents seeking child care and subsidizes the cost of child care for eligible families.

A Child Development Trust Fund is used to account for grant funds. Child care grants are restricted funds that may only be utilized in accordance with the purposes established by the sources of such funds. Grant funds are transferred as needed to separate budget units used to account for revenues and expenditures for the various grants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Under the new financial reporting model, governments are required to present government-wide and fund financial statements along with reconciliation from the fund financial statements to the government-wide statements. The government-wide financial statements are reported on a basis of accounting similar to a commercial enterprise, which is different from the traditional basis of accounting used for the fund financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred regardless of when the related cash flows take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when their receipt occurs within 90 days after the end of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred, as under accrual accounting.

A government engaged in a single governmental program can combine the fund and government-wide financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. The Program is a special-purpose government engaged in a single governmental program and therefore, has presented combined government-wide and fund financial statements. Since there were no reconciling items between the two statements, the financial data has been presented using single columns.

When both restricted and unrestricted net assets are available for the same purpose, restricted resources are used only after the unrestricted resources are depleted.

County of San Mateo
Human Services Agency
Child Development Program
Notes To Financial Statements
June 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Implementation of Governmental Accounting Standards Board Statements

During the fiscal year, the Fund implemented the provisions of the following Governmental Accounting Standards Board Statements:

GASB Statement Nos. 34 and 37

GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, Statement No. 37, *Basic Financial Statements-and-Management's Discussion and Analysis-for State and Local Governments-Omnibus*. These statements establish new financial reporting requirements to make annual reports more comprehensive and easier to understand and use.

GASB Statement No. 38

GASB issued Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, adds and deletes various note disclosure requirements. Those requirements address revenue recognition policies, actions taken in response to legal violations, debt service requirements, variable rate debts, receivable and payable balances, interfund transfers and balances and short-term debt. The effective date for this standard coincides with the implementation date of GASB Statement 34.

GASB Statement No. 28

GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*. This statement establishes accounting and financial reporting standards for securities lending transactions.

GASB Statement No. 31

GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement establishes the reporting of investments at fair value in the balance sheet.

C. Accounting Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results based on subsequent events could differ from those estimates.

County of San Mateo
Human Services Agency
Child Development Program
Notes To Financial Statements
June 30, 2007

3. CASH AND CASH EQUIVALENTS

A. Cash and Cash Equivalents

Cash is pooled with other funds in the San Mateo County Investment Pool (County Pool), which is a governmental investment pool managed and directed by the elected San Mateo County Treasurer. The County Pool is not registered with the Securities and Exchange Commission. An oversight committee comprised of local government officials and various participants provide oversight to the management of the fund.

Cash and cash equivalents in the County Pool are reported at fair value, as required by GASB 31. The fair value of cash and cash equivalents as of June 30, 2007 approximates book value.

See the County of San Mateo's Comprehensive Annual Financial Report (CAFR) for details of their investment credit risk, concentration of credit risk, interest rate risk and custodial credit risk, as required by GASB Statement No. 40.

B. Securities Lending Transactions

State Statutes and San Mateo County investment policy permit the use of a securities lending program with its principal custodian bank. The investment policy allows the custodial bank to lend up to 20% of the portfolio within the guidelines of the investment policy. The custodial agreement authorizes the bank to loan securities in the San Mateo County investment pool. The loaned securities represent securities on loan to brokers or dealers by the San Mateo County investment pool. The County receives a fee from the borrower for the use of the loaned securities.

If the loaned securities are not returned by the borrower, the County's Custodian is responsible for replacement of the loaned securities with similar securities. All securities loan agreements can be terminated on demand within a period specified in each agreement by either the County or borrowers. The loaned securities as of June 30, 2007 consisted of U.S. Treasury notes and bonds, and U.S. government agency securities. In return, the County receives collateral in the form of cash or securities equal to at least 102% of the transferred securities plus accrued interest for reinvestment. As of June 30, 2007, all of the cash collateral was invested in repurchase agreements and commercial papers with a weighted average maturity of 8 days. Commercial papers are rated at least A-1 by Standard and Poor's and P-1 by Moody's. The repurchase agreements are held by the Bank of New York in the County's name and were rated AAA by Standard and Poor's at June 30, 2007.

The relationship between the maturities of the investment pool and the County's loans is affected by the maturities of the securities loans made by the other entities that use the agent's pool, which San Mateo County cannot determine.

Securities lending collateral represents investments in an investment pool purchased with cash collateral that may not be pledged or sold without default by the borrower. The Program's prorated share of cash collateral as of June 30, 2007 amounted \$23,685. The Program's prorated share of the underlying securities loaned by the County's investment pool as of June 30, 2007 amounted to \$23,249.

County of San Mateo
 Human Services Agency
 Child Development Program
 Notes To Financial Statements
 June 30, 2007

3. CASH AND CASH EQUIVALENTS (Continued)

The Program does not have any exposure to credit risk related to the securities lending transactions as of June 30, 2007, because the market value of the cash collateral exceeds that of the borrowed securities.

4. GRANTS RECEIVABLE

Grants receivable represents revenues earned under the agreements with the California Department of Education for which the Program has not received payment as of June 30, 2007.

CAPP Alternative Payment	\$181,838
CalWORKs-Stage 2	<u>34,413</u>
Total	<u>\$216,251</u>

5. GRANTS PAYABLE

Grants payable represents amounts received from the California Department of Education in excess of reimbursable expenditures incurred under the Child Development Program for fiscal year ended June 30, 2007.

6. ACCOUNTS PAYABLE

Accounts payable comprises amounts due to subcontractors and child care providers for services provided before fiscal year-end.

CAPP Alternative Payment	\$ 120,407
CalWORKs-Stage 2	<u>107,000</u>
Total	<u>\$ 227,407</u>

7. DUE TO COUNTY OF SAN MATEO

Amounts reported as due to County of San Mateo represent amounts borrowed from the County General Fund.

CAPP Alternative Payment	<u>\$ 61,431</u>
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8. DUE FROM COUNTY OF SAN MATEO

Amounts reported as due from County of San Mateo represent amounts receivable from the County General Fund.

CalWORKs-Stage 2	<u>\$ 33,672</u>
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County of San Mateo
Human Services Agency
Child Development Program
Notes To Financial Statements
June 30, 2007

9. PENSION PLAN

The Program employees are participants in the San Mateo County Employees' Retirement Association (SamCERA), founded in 1944 under the authority granted by Article XVI of the Constitution of the State of California, the County Employees' Retirement Law of 1937 (the 1937 act). SamCERA is governed by the California Constitution, the 1937 Act, and the by-laws, procedures, and policies adopted by the Board of Retirement.

SamCERA is a cost-sharing multiple employer, defined benefit pension plan established to provide pension benefits for substantially all permanent employees of the County and the San Mateo County Mosquito Abatement District. Management of the SamCERA is vested in the Board of Retirement consisting of nine members.

SamCERA provides service retirement, disability, and death benefits based on defined benefit formulas using final average compensation, years of service, and age factors to calculate benefits payable.

For fiscal year ended June 30, 2007, the Program's annual pension cost was equal to the required contribution. The total pension expense charged to the Alternative Payment Program for Program employees was \$10,701.

SamCERA issues a publicly available financial report that includes financial statements and required supplementary information. A complete comprehensive annual financial report for SamCERA can be obtained by writing to the San Mateo County Employees' Retirement Association, 100 Marine Parkway, Suite 125, Redwood Shores, California 94065.

10. PARENT FEES

Parent fees represent the portion of child care expenses that are to be paid by parents who do not qualify for the full subsidy. The parents pay the County of San Mateo Human Services Agency Child Development Fund indirectly for their portion of the child care expenses.

11. COST ALLOCATION OF EXPENSES

The County of San Mateo Human Services Agency Child Development Program allocates all costs based on a method, which best represents the benefits received and/or costs expensed. Accordingly, the County of San Mateo Human Services Agency Child Development Fund uses several methods of expense allocation.

Cost Allocation Methods:

Direct Charge: Not a shared cost. All actual costs are directly identified with and charged to the program.

Staff Time: Shared cost. Actual costs are allocated to each program based on the total actual staff time spent on each program.

County of San Mateo
Human Services Agency
Child Development Program
Notes To Financial Statements
June 30, 2007

11. COST ALLOCATION OF EXPENSES (Continued)

Shared costs for the Alternative Payment Program are allocated using the “Staff Time” method of allocation. The total number of caseworker hours by function (i.e. child care, social services) is collected and each function’s percentage of the whole is determined. These percentages are then used to allocate the month’s generic operating costs such as travel, space, and other operating expenses into the different functions. Time study hours spent on each program are then used to allocate the adjusted operating costs to each program within the function.

12. FEDERAL AND STATE GRANTS

The Program receives state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowed expenditures under terms of the grants, it is believed that any repayments resulting from disallowances will not be material.

13. RESTRICTION ON INTERFUND BORROWINGS:

The California Department of Education prohibits interfund borrowings of any revenues received through a State of California contract to programs funded by other sources.

14. FUNDING OF DEFICITS:

The General Fund of the County of San Mateo is responsible for offsetting deficits, should any result in a future period, from revenues inadequate to cover expenditures in the County of San Mateo Human Services Agency Child Development Program.

15. MAINTENANCE OF EFFORT REQUIREMENT:

The County satisfied its Maintenance of Effort requirement for the Alternative Payment Program-General of \$76,851 which was the amount retained by the County’s Child Development Program. No amount was distributed to non-County child care programs.

16. RISK MANAGEMENT:

The Program is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The County of San Mateo, through its self-insurance program, provides the Program with Worker’s Compensation and Employer Liability Insurance. The County Counsel provides legal representation for any claims or litigation of the Program.

SUPPLEMENTARY INFORMATION

COUNTY OF SAN MATEO
HUMAN SERVICES AGENCY
CHILD DEVELOPMENT FUND

SCHEDULE OF FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	ALTERNATIVE PAYMENT		TOTAL
	COMBINED PROGRAM	CALWORKS STAGE 2 COMBINED PROGRAM	
Expenditures/Expenses			
Salaries	\$ 42,531	\$ 273,113	\$ 315,644
Employee Benefits	18,424	55,880	74,304
Books and Supplies	-	20,697	20,697
Provider Payments	751,998	1,962,923	2,714,921
Other Operating Expenses	83,844	143,929	227,773
Total Expenditures/Expenses	<u>896,797</u>	<u>2,456,542</u>	<u>3,353,339</u>
Program Revenues			
Operating grants and contributions:			
California Department of Education	740,444	2,333,643	3,074,087
Intergovernmental Revenues	156,353	33,182	189,535
Charges for Services:			
Parent Fees	-	89,717	89,717
Total Program Revenues	<u>896,797</u>	<u>2,456,542</u>	<u>3,353,339</u>
Net Program Revenue	-	-	-
Change in Fund Balances/Net Assets	-	-	-
Fund Balances/Net Assets - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances/Net Assets - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CALIFORNIA DEPARTMENT OF EDUCATION
SCHEDULES**

County of San Mateo
 Human Services Agency
 Child Development Program

GENERAL INFORMATION

Fiscal Year Ended June 30, 2007

The Full Official Name of the Agency	County of San Mateo Human Services Agency
Type of Agency	Local Government
Project Number	41-M357-00-6 (Alternative Payment) 41-M357-00-6 (Alternative Payment- Stage 2)
Address of Agency	400 Harbor Boulevard Belmont, CA 94002
Name and Address of Chief Executive	Beverly Beasley Johnson, Director Human Services Agency COUNTY OF SAN MATEO 400 Harbor Boulevard Belmont, CA 94002
Telephone Number	(650) 595-7555
Period Covered by Audit	July 1, 2006 to June 30, 2007
Number of Days of Agency Operation	249 Days
Scheduled Hours of Operation Each Day	Opening Time: 8:00 A.M. Closing Time: 5:00 P.M. Number of Hours Open: 8

FY 2006-2007 Contract SummaryAgency Name: **County of San Mateo Child Development Program**Vendor #: **M357**

Worksheet	Program Name	Contract #	MRA	Due To State	Due From State	Percentage of MRA
AP	Alternative Payment	CAPP6066	\$740,444	\$0	\$7,608	1.03%
CalWorks 2&3	Alternative Payment - Stage 2	C2AP6060	2,423,645	(90,002)	-	0.00%
Total			\$3,164,089	(\$90,002)	\$7,608	1.03%

AUDITED FINAL FISCAL REPORT
for Alternative Payment or Family Child Care Home Programs

Agency Name: County of San Mateo Human Services Agency Vendor No. M357

Fiscal Year End: 6/30/2007 Contract No. CAPP-6066

Independent Auditor's Name: San Mateo County Controller's Office

SECTION I - REVENUE	EDP NO.	Column A	Column B	Column C
		CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME				
Child Care Food/National School Lunch Program	302			
Restricted income for operating costs	306			
Cal Learn Program	308			
Maintenance of Effort	339	76,848	3	76,851
Other:	312			
SUBTOTAL	311	76,848	3	76,851
TRANSFER FROM RESERVE FUND	310			
FAMILY FEES FOR CERTIFIED CHILDREN	329			
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	349			
NON-RESTRICTED INCOME				
Parent fees for noncertified children	356			
Other:	362			
TOTAL REVENUE	390	\$76,848	\$3	\$76,851

SECTION II - EXPENSES

REIMBURSABLE EXPENSES				
<i>Direct Payments to Providers</i>	401	\$691,502	\$60,496	\$751,998
1000 Certificated Salaries	402			
2000 Classified Salaries	404	49,765	(7,234)	42,531
3000 Employee Benefits	406	21,216	(2,792)	18,424
4000 Books and Supplies	408			
5000 Services and Other Operating Expenses	412	102,245	(18,401)	83,844
6100/6200 Other Approved Capital Outlay	413			
6400 New Equipment (<i>program-related</i>)	414			
6500 Equipment Replacement (<i>program-related</i>)	416			
Depreciation or Use Allowance	439			
Start-Up Expenses (service level exemption)	447			
Indirect Costs -- Rate:	459			
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable capital outlay	479			
Other:	489			
TOTAL EXPENSES	490	\$864,728	\$32,069	\$896,797
TOTAL ADMINISTRATIVE COST (<i>included above</i>)	690	\$173,226	(\$28,427)	\$144,799
DAYS OF OPERATION	169	249		249

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

AUDITED FINAL FISCAL REPORT
for Alternative Payment or Family Child Care Home Programs

Agency Name: County of San Mateo Human Services Agency Vendor No. M357

Fiscal Year End: 6/30/2007 Contract No. C2AP-6060

Independent Auditor's Name: San Mateo County Controller's Office

SECTION I - REVENUE	EDP NO.	Column A	Column B	Column C
		CUMULATIVE FISCAL YEAR PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME				
Child Care Food/National School Lunch Program	302			
Restricted income for operating costs	306			
Cal Learn Program	308			
Maintenance of Effort	339			
Other:	312			
SUBTOTAL	311			
TRANSFER FROM RESERVE FUND	310			
FAMILY FEES FOR CERTIFIED CHILDREN	329	89,367	350	89,717
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	349			
NON-RESTRICTED INCOME				
Parent fees for noncertified children	356			
Other:	362			
TOTAL REVENUE	390	\$89,367	\$350	\$89,717

SECTION II - EXPENSES

REIMBURSABLE EXPENSES				
<i>Direct Payments to Providers</i>	401	\$2,038,078	(\$75,155)	\$1,962,923
1000 Certificated Salaries	402	3,207		3,207
2000 Classified Salaries	404	274,153	(4,247)	269,906
3000 Employee Benefits	406	56,344	(464)	55,880
4000 Books and Supplies	408	12,991	7,706	20,697
5000 Services and Other Operating Expenses	412	147,021	(3,092)	143,929
6100/6200 Other Approved Capital Outlay	413			
6400 New Equipment (<i>program-related</i>)	414			
6500 Equipment Replacement (<i>program-related</i>)	416	85	(85)	
Depreciation or Use Allowance	439			
Start-Up Expenses (service level exemption)	447			
Indirect Costs -- Rate:	459			
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable capital outlay	479			
Other:	489			
TOTAL EXPENSES	490	\$2,531,879	(\$75,337)	\$2,456,542
TOTAL ADMINISTRATIVE COST (<i>included above</i>)	690	\$180,652	(\$1,805)	\$178,847
DAYS OF OPERATION	169	248		248

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

Note: Certificated and Classified Salaries are presented as a single line item on the Statement of Activities and Revenues, Expenditures and Changes in Fund Balance.

County of San Mateo
Human Services Agency
Child Development Program

COMBINING SCHEDULE OF ADMINISTRATIVE COSTS - STATE CONTRACTS

For the Fiscal Year Ended June 30, 2007

	ALTERNATIVE PAYMENT		TOTAL
	COMBINED BLOCK GRANT PROGRAM	CALWORKS STAGE 2 COMBINED PROGRAM	
Salaries	\$ 42,531	\$ 66,169	\$ 108,700
Employee Benefits	18,424	25,893	44,317
Books & Supplies	-	3,515	3,515
Travel, Conference & Other Exp.	-	847	847
Dues	-	244	244
Insurance	-	255	255
Utilities & Housekeeping Services	-	1,130	1,130
Contracts, Rents and Leases	-	42,856	42,856
Other Services & Operating Expenses	83,844	37,938	121,782
Total Administrative Costs	\$ 144,799	\$ 178,847	\$ 323,646

County of San Mateo
 Human Services Agency
 Child Development Program

SCHEDULE OF EQUIPMENT EXPENDITURES
 UTILIZING CONTRACT FUNDS

For the Fiscal Year Ended June 30, 2007

Program	Contract No.	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
Alternative Payment - Combined	CAPP-6066	-	None	-	None	-	None
CalWORKs Stage 2 - Combined	C2AP-6060	-	None	-	None	-	None
Total		<u>\$ -</u>		<u>\$ -</u>		<u>\$ -</u>	

County of San Mateo
Human Services Agency
Child Development Program

SCHEDULE OF REPAIR AND RENOVATION EXPENDITURES
UTILIZING CONTRACT FUNDS

For the Fiscal Year Ended June 30, 2007

No repair or renovation expenditures were incurred in the fiscal year ended June 30, 2007.

County of San Mateo
Human Services Agency
Child Development Program

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended June 30, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the County of San Mateo Human Services Agency Child Development Program.
2. Control deficiencies relating to the audit of the financial statements are reported in the 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*.
3. During the audit, material weaknesses were identified in the internal control over financial reporting.
4. No instances of noncompliance material to the financial statements of the County of San Mateo Human Services Agency Child Development Program were disclosed during the audit.
5. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
6. During the audit, no material weaknesses were identified in the internal control over major programs.
7. The auditor's report on compliance for the major federal award programs for the County of San Mateo Human Services Agency Child Development Program expresses an unqualified opinion.
8. There are no audit findings relative to the major federal award programs for the County of San Mateo Human Services Agency Child Development Program that are required to be reported in accordance with section 510(a) of Circular A-133.

County of San Mateo
Human Services Agency
Child Development Program

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Fiscal Year Ended June 30, 2007

9. The programs tested as major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.575	Child Care and Development Block Grant

10. The threshold for distinguishing Types A and B programs was \$300,000.

11. County of San Mateo Human Services Agency Child Development Program was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT – SIGNIFICANT DEFICIENCIES

See separately issued “Report to the Director”

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

D. STATUS OF FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

There were no findings in the prior year.

County of San Mateo
Human Services Agency
Child Development Program

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Passed through State of California, Department of Education:			
Child Care and Development Block	93.575	C2AP-6060	\$ 1,763,490
		CAPP-6066	207,472
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CAPP-6066	253,750
Total Federal Expenditures			\$ 2,224,713

See notes to the Schedule of Expenditures of Federal and Nonfederal Awards.

Human Services Agency
Child Development Program

SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS

For the Year Ended June 30, 2007

<u>Nonfederal Grantor/Pass-Through Grantor/Program</u>	<u>Grantor Identifying Number</u>	<u>Non- Federal Expenditures</u>
Non-federal:		
State of California, Department of Education:		
Alternative Payment		
General	CAPP-6066	\$ 279,221
CalWORKs Stage 2	C2AP-6060	<u>570,153</u>
Total Non-federal Expenditures		<u>\$ 849,374</u>

See notes to the Schedule of Expenditures of Federal and Nonfederal Awards.

County of San Mateo
Human Services Agency
Child Development Program

Notes to the Schedule of Expenditures of Federal and
Nonfederal Awards

For the Year Ended June 30, 2007

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and nonfederal awards includes the federal grant activity of the County of San Mateo Human Services Agency Child Development Program (Program) and is presented on the modified accrual basis of accounting.

Note 2. Relationship to Federal and Nonfederal Financial Reports

Amounts reported in the accompanying schedule of expenditures of federal and nonfederal awards agree or can be reconciled with amounts reported in the related federal and nonfederal financial assistance reports.

Note 3. Relationship to Basic Financial Statements

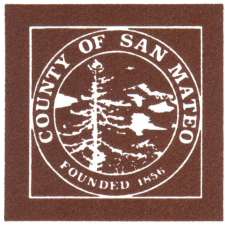
Federal and nonfederal financial assistance expenditures agree or can be reconciled with amounts reported in the Program's basic financial statements.

Note 4. Amounts Provided to Subrecipients

Of the total expenditures presented in the schedule, the Program provided federal and state awards to subrecipients as follows:

<u>Program</u>	<u>CFDA No.</u>	<u>Expenditures</u>
Child Care & Development Block Grant	93.575	\$ 1,763,490
Alternative Payment General – CalWORKS Stage 2	N/A	<u>570,153</u>
		<u>\$ 2,333,643</u>

Office of Controller



TOM HUENING
CONTROLLER

COUNTY OF SAN MATEO

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Director
Human Services Agency
County of San Mateo, California

Compliance

We have audited the compliance of the County of San Mateo Human Services Agency Child Development Program, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The County of San Mateo Human Services Agency Child Development Program's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs (Schedule 8). Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of San Mateo Human Services Agency Child Development Program's management. Our responsibility is to express an opinion on the County of San Mateo Human Services Agency Child Development Program's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of San Mateo Human Services Agency Child Development Program's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of San Mateo Human Services Agency Child Development Program's compliance with those requirements.

In our opinion, the County of San Mateo Human Services Agency Child Development Program complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the County of San Mateo Human Services Agency Child Development Program is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of San Mateo Human Services Agency Child Development Program's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 San Mateo Human Services Agency Child Development Program's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of management, others within the organization, the California Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

County of San Mateo Controller

County of San Mateo, California
December 6, 2007