SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
Financial Statements
For the Year Ended June 30, 2015

TABLE OF CONTENTS

Page

Commission Membership i

Financial Section

Independent Auditor's Report 1-3

Management's Discussion and Analysis 4-8

Basic Financial Statements:
Government-Wide Financial Statements:
Statement of Net Position 9
Statement of Activities 10

Fund Financial Statements:
Balance Sheet 11
Statement of Revenues, Expenditures and Changes in Fund Balance 12

Notes to Financial Statements 13-22

Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance- Budget and Actual 23

Notes to the Required Supplementary Information 24

Supplementary Information
Schedule of Expenditures by Fund Source and Net Position of California Children and Families Commission Funds for the First 5 Programs and Activities 25

Schedule of the Status of Prior Audit Findings 26

Other Reports
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* 27-29

Independent Auditor's Report on State Compliance 30-31

Letter to Management 32

SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION

Commission Membership
June 30, 2015

Name	Position	Date of Original Appt.	Current Term Expires
Robert Landon	Yuba City Police Chief	01/2008	No Set Term
Leticia Paras-Topete	Sutter County Chief Probation Officer	10/2013	No Set Term
Donna Garcia	Sutter County Chief Probation Officer	05/2015	No Set Term
Tom Sherry	Sutter County Director of Human Services	12/2009	No Set Term
Lori Harrah	Sutter County Assistant Director Human Services-Welfare & Social Services	02//2005	No Set Term
Tony Hobson	Sutter County Assistant Director Human Services Department – Mental Health Division	04/2014	No Set Term
Jim Whiteaker	Commission Chair County Board of Supervisor	01/2007	No Set Term
Dr. Olga Gonzalez	Board of Supervisors appointed Commissioner	02/2001	11/2015
Preet Didbal	Council Member City of Yuba City	03/2015	No Set Term
Nancy Aaberg	Yuba City Unified School District Superintendent	07/2005	No Set Term
Tonya Byers	Child Planning Council of Yuba & Sutter Counties	11/2012	11/2015

Jensen Smith
CERTIFIED PUBLIC ACCOUNTANTS, INC.

Making a Lasting Contribution
To our Clients, To our Community, To our Profession

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Sutter County Children and Families Commission
Yuba City, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Sutter County Children and Families Commission (The Commission) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 8 and 23 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The other supplementary information listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements

or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information as listed in the table of contents 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 October 15, 2015, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the 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* in considering the Commission's internal control over financial reporting and compliance

Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
October 15, 2015

Sutter County Children and Families Commission

Managements Discussion and Analysis
For the Year Ended June 30, 2015

On November 3, 1998, California voters approved Proposition 10 – the Children and Families First Act (Act). The Act imposed additional excise tax on cigarettes and tobacco related products to fund programs that promote, support, and improve the early development of children from prenatal through age five. The intent is for all California children to be healthy, to live in a healthy and supportive family environment, and to enter school ready to learn.

The Sutter County (County) Board of Supervisors created the Sutter County Children and Families Commission (Commission) on January 5, 1999 under the provisions of the Act. The Commission consists of nine commissioners appointed by the County Board of Supervisors. The Commission is a public entity legally separate and apart from the County, and is not considered a component unit of the County.

As management of the Commission, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2015.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements comprise three components: (1) government-wide financial statements, (2) general fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private sector business.

The *statement of net position* presents summary information on all of the Commission's assets and liabilities, with the difference between the two reported as *net position*.

The *statement of activities* presents information showing how the Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The Government-wide Financial Statements can be found on pages 9-10 of this report.

Fund Financial Statements.

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, general fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate a comparison between the governmental funds and the government wide statements.

The Commission adopts an annual appropriated budget for its fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with the budget.

The Fund Financial Statements can be found on pages 11-12 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and general fund financial statements. The notes to the financial statements can be found on pages 13–22 of this report.

Government-wide Financial Analysis

The net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceed liabilities by $2,817,934 at the close of the most recent fiscal year. The most significant portion of the Commission's net position is its cash and investments balance ($2,907,686). This represents resources received from the California State Commission from Proposition 10 taxes that have not been expended. Cash and investments are maintained in the County's cash and investment pool where interest earned on the Commissions balance is apportioned to the Commission. Another source of the net position also resides in the State Funds Receivable and Interest Receivable of $213,220 and $7,419 respectively. The State Funds Receivable represents taxes that were remitted by the State but had not been received by the Commission as of June 30, 2015. The Commission also reports Grants and Contracts Payable of $286,456, representing payments due on grant service contracts and other payables that had not been expended at year-end.

The Commission's net position decreased $533,747 during the 2014-2015 fiscal year and a positive prior period adjustment was required for $19,961 for an overall net decrease of $513,786. This decrease is explained in the government-wide analysis below and is primarily a result of expenditures in excess of revenues for the current year.

Governmental Activities

The Commission does not have business type activities and so the analysis presented below for the government fund financial statements represents an analysis of the Commission's governmental activities.

Financial Analysis of the Commission's Governmental Fund

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

For the year-ended June 30, 2015, as shown on page 11 the Commission reported an ending fund balance of $2,765,709, a decrease of $601,694, and positive prior period adjustment was required for $34,494 so the overall net decrease was $567,200 during the 2014-2015 fiscal year. This decrease represents the amount of expenditures in excess of revenues for the year ended June 30, 2015.

The Commission has committed $676,867 and assigned $131,554 of its fiscal year 2014-2015 ending fund balance for future payments to awarded projects and future projects. The remaining $4,793 and $1,952,495 fall under the categories of non-spendable and unassigned fund balances respectively.

SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION

Balance Sheet Comparison

(in thousands)

	FY 2014-2015	FY 2013-2014	Difference
Total Assets	$ 3,063	$ 3,620	$ (557)
Total Liabilities	297	287	10
Fund Balance	$ 2,766	$ 3,333	$ (567)

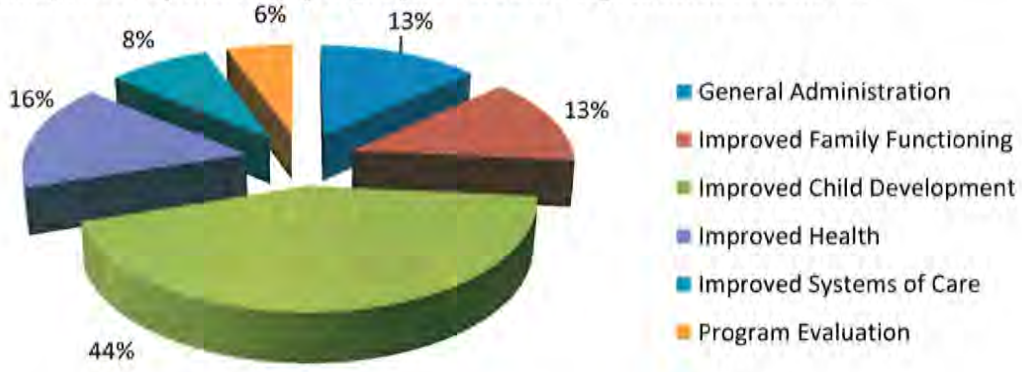
Revenues and Expenditures Comparison

(in thousands)

	FY 2014-2015	FY 2013-2014	Difference
Total Revenues	$ 938	$ 1,102	$ (164)
Total Expenditures	1,539	1,546	(7)
Deficiency of Revenues over Expenditures	$ (601)	$ (444)	$ (157)

Total revenue (see above) consisting of Proposition 10 funds, interest income, and State Commission matching revenue decreased from $1,102 thousand to $938 thousand for the year ended June 30, 2015. This decrease was due primarily to the decrease in the State Prop 10 taxes and the timing of the receivable for the Child Signature Program being paid after 90 days after the fiscal year end. Total expenditures decreased to $1,539 thousand, a decrease of $7 thousand from the prior fiscal year.

Percentages of expenditures per program area are represented as follows.



Fund Budgetary Highlight

Total revenues were under budget by 19.6% or $228,697. This was primarily due to differences in the amount for the interest income coming in much lower than expected and the decreased funding for the Prop.10 state funds and the delay in the funding from the Child Signature Program receivable. Expenditures were under budget by 7.3% or $122,039. Expenditures were less than expected due to the reduction in overall program funding. The budget to actual comparison is on page 23 of this report.

Capital Assets and Debt Administration

Capital Assets: As of June 30, 2015, the Commission had total capital assets of $345,745, accumulated depreciation of $345,745, leaving total net Capital Assets of $0. Capital assets are capitalized at cost when the cost exceeds its capital asset threshold of $5,000. More detailed information about the Commission's capital assets is presented in Note 4 of the basic financial statements on page 18 of this report.

Debt Administration: The commission's long-term debt consists of compensated absences payable.

Economic Factors and Next Year's Budget

The Commission is committed to focusing Proposition 10 funds on the purposes for which it is intended: To promote and sustain comprehensive, integrated programs and services that support all Sutter County children 0-5 and their families, and helps to ensure that each child enters school healthy and ready to learn.

The Commission carefully considered the following economic factors in preparing the financial plan for FY 2015-2016.

- Committing funds to local organizations and community partners to provide services to children 0-5 (FY 2015-2016).
- Annual commitment to program evaluation of 5% per contract
- Revenue decline continues to be projected based on First 5 California revenue projections, historical trends and current economic situation.

The Sutter County Children and Families Commission carefully considered the following factors in the development of its financial plan for 2015-2016:

The Commission continues to invest in programs and services that result in the improved health, development, and wellbeing of the county's youngest children. These core programs are evaluated to provide ongoing management and to serve as a learning tool to improve program effectiveness and viability. In an effort to strengthen these programs, the Commission placed a 5% evaluation cost per contract. At the present time, Sutter County continues to spend down the reserves with a balanced approach.

Requests for Information

This financial report is designed to provide a general overview of the Sutter County Children and Families Commission's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sutter County Children and Families Commission, 1531 Butte House Road, Suite A, Yuba City, California, 95993.

SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS	
Cash in County Treasury	$ 2,907,686
State Funds Receivable	143,108
Interest and Other Receivable	7,419
Prepaid Expenses	4,793
Total Assets	3,063,006
LIABILITIES	
Grants and Contracts Payable	286,456
Accrued Payroll	10,841
Long-term Liabilities:	
Compensated Absences Payable	17,887
Total Liabilities	315,184
NET POSITION	
Restricted	2,817,934
Total Net Position	$ 2,817,934

See Accompanying Notes to Financial Statements.

SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF ACTIVITIES
JUNE 30, 2015

FIRST 5 PROGRAM EXPENSES		
Salaries and Employee Benefits	$	243,767
Communication		6,600
Insurance		9,182
Maintenance		1,185
Memberships		3,375
Printing and Reproduction		1,081
Office Expenses		2,634
Postage and Delivery		383
Subscriptions		157
Professional Services		27,313
Legal Notices		558
County Administration Fee - A-87		20,724
Equipment Leases		2,336
Contract Services		84,693
Occupancy		22,838
Special Department Expenses		17,980
Training and Travel		4,833
Miscellaneous		1,002
Utilities		2,739
Sub-Recipients		1,088,105
Total Program Expenses		1,541,485
PROGRAM REVENUES		
Operating Grants and Contributions:		
Prop 10 Apportionment		854,687
Child Signature Program Funding		123,963
Surplus Money Investment Funds		266
Total Program Revenues		978,916
Net Program Revenues (Expense)		(562,569)
GENERAL REVENUES		
Interest Income		27,475
Other Miscellaneous		1,347
Total General Revenues		28,822
Change in Net Position		(533,747)
Net Position - Beginning of Year		3,331,720
Prior Period Adjustment		19,961
Net Position - End of Year	$	2,817,934

See Accompanying Notes to Financial Statements.

SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
BALANCE SHEET
JUNE 30, 2015

ASSETS		
Cash in County Treasury	$	2,907,686
State Funds Receivable		143,108
Interest and Other Receivables		7,419
Prepaid Expenses		4,793
Total Assets	$	3,063,006
LIABILITIES		
Grants and Contracts Payable	$	286,456
Accrued Payroll		10,841
Total Liabilities		297,297
FUND BALANCES		
Fund Balances:		
Nonspendable		4,793
Committed		676,867
Assigned		131,554
Unassigned		1,952,495
Total Fund Balances		2,765,709
Total Liabilities and Fund Balances	$	3,063,006

Reconciliation of the Governmental Fund Balance Sheet to the Government - Wide Statement of Net Position - Governmental Activities

Fund Balance - Total Governmental Fund (from above)	$	2,765,709
Amounts reported for governmental activities in the statement of net position are different because:		
Revenue Receivables received after ninety days after the fiscal year end are not considered currently available and therefore are not reported in the governmental fund activities.		70,112
Long-term liabilities, including notes payable , are not due and payable in the current period, and therefore are not reported in the governmental fund.		
Compensated Absences		(17,887)
Net Position of Governmental Activities	$	2,817,934

See Accompanying Notes to Financial Statements.

SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2015

REVENUES		
Operating Grants and Contributions:		
Prop 10 Apportionment	$	854,687
Child Signature Program Funding		53,851
Surplus Money Investment Funds		266
Other Miscellaneous Income		1,348
Interest Income		27,475
Total Revenues		937,627
EXPENDITURES		
Administrative Costs		
General Administration		204,747
Program Costs		
Improved Family Functioning		201,917
Improved Child Development		670,220
Improved Health		246,953
Improved Systems of Care		130,792
Program Evaluation		84,692
Total Expenses		1,539,321
Excess (Deficiency) of Revenues over Expenditures		(601,694)
Fund Balance - Beginning of Year		3,332,909
Prior Period Adjustment		34,494
Fund Balance - End of Year	$	2,765,709

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Government-Wide Statement of Activities - Governmental Activities For the Year Ended June 30, 2014

Net Change to Fund Balance - Total Governmental Fund	$	(601,694)
Receivables received more than 90 days after the year end are not considered financial resources and therefore are not reported in the fund financial statements		
2014-2015 Receivable - Child Signature Program		70,112
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund		
Change in Compensated Absences		(2,165)
Change in Net Position of Governmental Activities	$	(533,747)

See Accompanying Notes to Financial Statements.

Note 1: Nature of the Entity

A. Reporting Entity

The Sutter County Children and Families Commission (Commission), was established on January 5, 1999 pursuant to Health and Safety Code 130140. The Commission was also established in accordance with the provisions of the California Children and Families First Act of 1998. The nine members of the Commission are appointed by the Sutter County Board of Supervisors.

The Commission is responsible for the creation and implementation of a comprehensive, collaborative, and integrated system of information and services to enhance early childhood development.

The Commission includes all activities (operations of its administrative staff and Commission officers) considered to be part of the Commission. The Commission reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) in its issuance of Statement No.14, relating to the financial reporting entity to determine whether the Commission is financially accountable for other entities. The Commission has determined that no other outside entity meets the above criteria, and therefore, no agency had been included as a component unit in the financial statements. In addition, the Commission is not aware of any entity that would be financially accountable for the Commission that would result in the Commission being considered a component unit of that entity.

The financial statements included in this report are intended to present the financial position and results of operations of only the Commission. They are not intended to present the financial position and results of operations of the County of Sutter taken as a whole.

Note 2: Summary of Significant Accounting Policies

A. Basis of Presentation and Accounting

Government-Wide Statements

The statement of net position and statement of activities display information about the primary government (Commission). These statements include the financial activities of the overall Commission.

Note 2: Summary of Significant Accounting Policies (continued)

A. **Basis of Presentation and Accounting** (continued)

Government-Wide Statements (continued)

The statement of activities presents a comparison between direct expenses and program revenues for the Commission's governmental activity. Direct expenses are those that are specifically associated with the Commission. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of the Commission. Revenues that are not classified as program revenues, including investment income, are presented instead as general revenues.

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 related cash flows take place.

Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurements focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measureable and available to finance expenditures of the current period. Proposition 10 taxes and investment income are accrued when their receipt occurs within ninety days after the end of the accounting period so as to be both measurable and available. All receivables are expected to be collected within the current year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) value in exchange, include sales taxes, grants, entitlements and donations. On a modified accrual basis, revenues from sales taxes are recognized when the underlying transactions take place and have met the availability criteria. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Note 2: Summary of Significant Accounting Policies (continued)

A. **Basis of Presentation and Accounting** (continued)

Fund Financial Statements (continued)

The Commission reports one major governmental fund

- The General Fund is the Commission's primary operating fund. It accounts for all financial resources of the Commission.

B. **Non-Current Governmental Assets/Liabilities**

GASB Statement No.34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the government-wide statement of net position.

C. **State Funds Receivable**

This amount represents receivables from First 5 California. As of June 30, 2015, the Commission was due $213,220 from the State of California. Management believes its receivables to be fully collectible, and accordingly, no allowance for doubtful accounts is required. In the governmental fund financial statements a receivable of $70,112 was not reported due to the funding being delayed more than 90 days after the fiscal year end.

D. **Compensated Absences**

Employees accrue vacation based upon years of service with the County of Sutter, with a maximum accrual of 240 or 320 hours depending on years of service. Upon termination, unused vacation, up to accrual limits, is paid off in cash. Employees with seven or more years of service with the County are eligible upon termination to receive 15-25% of their accrued unused sick leave depending on years of service. At fiscal year end, the total of accrued unused vacation and sick leave liability was $17,887.

E. **Capital Assets**

Capital assets have been acquired for general commission purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost or estimated cost where no historical records are available. The Commission defines capital assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets are depreciated in the government-wide statements using the straight-line method over their estimated useful lives of 6 years.

Note 2: Summary of Significant Accounting Policies (continued)

F. **Net Position/Fund Balances**

Net Position

- *Restricted* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Fund Balances

The Government Accounting Standards Board (GASB) has issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as noted below.

- **Nonspendable –**
  This category includes elements of the fund balance that cannot be spent because of their form, or because they must be maintained intact. For example
  - Assets that will never convert to cash, such as prepaid items and inventories of supplies;
  - Assets that will not convert to cash soon enough to affect the current period, such as non-financial assets held for resale; or
  - Resources that must be held intact pursuant to legal or contractual requirements, such as revolving loan fund capital or the principal of an endowment.

- **Restricted –**
  This category includes resources that are subject to constraints that are externally enforceable legal restrictions. Examples include
  - Funding from the State Commission or foundations that are legally restricted to specific uses. For example, funds advanced by First 5 CA under specific agreements for services, or matching funds for specific initiatives.
  - Funds legally restricted by County, state, or federal legislature, or a government's charter or constitution.
  - Amounts collected from non-spendable items, such as the long term portion of loan outstanding, if those amounts are also subject to legal constraints.

Note 2: Summary of Significant Accounting Policies (continued)

- **Restricted – (continued)**
  - Funding that has been designated for legally enforceable contracts but not yet spent. This includes multi-year contracts.

- **Committed –**
  Two criteria determine the Committed fund balance:

  1. Use of funds is constrained by limits imposed by the government's highest level of decision making. The highest level of decision making for Proposition 10 funds is the Sutter County Children and Families Commission.

  2. Removal or modification of use of funds can be accomplished only by formal action of the authority (i.e., Commission) that established the constraints.

  Both commitments and modifications or removal must occur prior to the end of reporting period; that is, the fiscal year being reported upon. For First 5 organizations, resources in this category would include:
  - Resources committed for a future initiative as long as commission action is also required to remove this commitment.
  - Resources that have been committed by a commission for specific agreements that have not yet been executed, where commission action is also required to remove this commitment.
  - Resources committed as the local match for a State Commission initiative.

- **Assigned –**
  The assigned portion of the fund balance reflects a commission's intended use of resources, which is established either by the county First 5 Commission, a body created by the commission, such as a commission finance committee, or an official designated by the commission (e.g., an Executive Director). The "assigned" component is similar to the "committed" component, with two essential differences, shown in the following table:

Key Differences Between Committed and Assigned Fund Balance		
	Committed	Assigned
A decision to use funds for a specific purpose requires action of First 5 Commission	Yes	No
Formal action of Commission is necessary to impose, remove or modify this constraint and formal action has taken place before end of reporting period	Yes	No

Note 2: Summary of Significant Accounting Policies (continued)

- **Assigned (continued)**
  Another key difference is that the purpose of the assignment must be narrower than the fund itself. Consequently, tobacco tax revenues would not automatically be placed in the "committed" component Resources that fit into this category include:
  - Appropriation of a portion of existing fund balance sufficient to eliminate a projected deficit in the subsequent year's budget, where the Executive Director may decide whether to use the entire amount.
  - Resources assigned to a specific program or project or organization for which the commission has approved a plan or budget
  - Resources approved by a commission for a long range financial plan where formal approval is not required to modify the amount.

  Sutter County Children and Families Commission can assign amounts under this category, and may also authorize the Executive Director to assign amounts under this category when that decision is consistent with the approved long term financial plan.

- **Unassigned –**
  This category includes the fund balance that cannot be classified into any of the other categories.

  If situations arise where there is a possibility of assignment into more than one category, the committed amount will be reduced first, followed by assigned amounts and then unassigned amounts.

G. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain unreported amounts and disclosures. Actual results could differ from those estimates.

Note 3: Credit Risk, Carrying Value and Market Value of Investments And Prior Period Adjustment

At June 30, 2015, all cash is pooled for investment purposes and held by the County of Sutter. The Sutter County Treasury is an external investment pool for the Commission and the Commission is considered an involuntary participant. The investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy.

Note 3: Credit Risk, Carrying Value and Market Value of Investments And Prior Period Adjustment (continued)

The County established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasury is accountable to the County Treasury Oversight Committee. The Commission's fair value portion in the pool is the same as the Commission's pool share.

The difference between the fair value and carrying value of cash and investments at June 30, 2015, was not material, $(1,094), but was adjusted by the County of Sutter; therefore, an adjustment was made for GASB 31 compliance.

The County reversed an adjustment to the Cash and fund balance of the Commission that was made in June 2014 for the GASB 31 adjustment for the fiscal year 2012-2013. This reversal of the prior adjustment creates a positive adjustment to the fund balance/net position and is reflected as a prior period adjustment on the financial statements. See Note 11 below for additional information on the prior period adjustments.

The balance of the cash at the County is therefore adjusted for the fluctuation of the market as adjusted for June 30, 2015 as follows:

	Carrying Cost	Adjusted FMV	Difference
Cash	$2,908,780	$2,907,686	($1,094)

The Commission deposits funds in interest bearing accounts with Sutter County. The Commission does not own any specific identifiable investments in the pool. Information regarding categorization of cash and investments held in the County can be found in the County of Sutter's financial statements. Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

Notes 4: Capital Assets

A summary of changes in Capital Assets for the year ended June 30, 2015, was as follows:

	July 1, 2014	Additions	Retirements	June 30, 2015
Equipment	$ 345,745	$ --	$ --	$ 345,745
Less accumulated depreciation	(345,745)	--	--	(345,745)
Capital assets, net	$ --	$ --	$ --	$ --

Note 5: Leases

The Commission entered into a new lease for office space during the fiscal year ended June 30, 2015. The lease began November 1, 2013 and extends through December 31, 2018 and may be extended for an additional five year term. The following is the minimum lease requirements:

Year ending June 30,	Amounts
2016	$ 23,523
2017	$ 24,228
2018	$ 24,955
2019	$ 12,662

Note 6: Employees

The Commission contracts with the County of Sutter for Human Resources and Personnel Services for the Commission. As such, the County of Sutter acts as the employer of the employees working at the Commission. The contract with the County of Sutter allows the employees to receive the rights and benefits of all other County employees. The Commission reimburses the County for costs associated with the employees in the Commission. The Commission paid the County the following amounts for personnel costs for the year ended June 30, 2015.

Salaries	$ 162,707
Retirement Benefits - CalPERS	27,494
Health Benefits	34,669
Taxes and Workers' Compensation and other benefits	16,732
Governmental Fund Total	$ 241,602
Change in Accrued Payroll	2,165
Government-Wide Total	$ 243,767

As employees of the County of Sutter, the Commission employees participate in the retirement benefits of the County of Sutter as follows:

Plan Description -
The Commission reimburses the County for contributions to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute. PERS issues a separate comprehensive financial report. Copies of

Note 6: Employees (continued)

PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy -
Active plan members in the PERS are required to contribute 7 or 8% of their annual covered salary depending on their position with the Commission. The Commission is required to reimburse the County for the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The Commission reimburses the County for both the employee and employer portion which was paid by the County to PERS.

Note 7: Related Party Transactions

During the fiscal year ended June 30, 2015, the Commission paid the County of Sutter, a related party, $20,724, for accounting and risk management services.

Notes 8: Program Evaluation

The Commission spent $84,692 on program evaluation during the fiscal year ended June 30, 2015.

Notes 9: Risk Management

The Commission is exposed to various risks of loss related to general liability and workers' compensation. Insurance for the Commission is secured through commercial lines for both general liability and workers' compensation coverage.

Note 10: Section 30131.4 of the California Tax & Revenue Code Certification

The Commission has certified that the supplant requirement stated in Section 30131.4 of the California Tax & Revenue Code has been met.

Note 11: Prior Period Adjustments

As noted above in Note 3, the County reversed an adjustment to the Cash and fund balance of the Commission that was made at June 2014 for the GASB 31 adjustment for the fiscal year 2012-2013. This reversal of the prior adjustment creates a positive adjustment to the fund balance/net position and is reflected as a prior period adjustment on the financial statements of $34,494.

Note 11: Prior Period Adjustments (Continued)

In the government-wide financial statements for the year ended June 30, 2014, an accrual of a receivable for the State funded CARES program was recorded in error. This receivable was a receivable for the Sutter County Office of Education and not the Sutter County Children and Families Commission. If this error had not been made the receivables, net position and revenues at June 30, 2014 would have been reduced by $14,532. The correction of the error created a negative adjustment to the net position of the Commission at June 30, 2015 and recorded as a prior period adjustment.

Summary of Prior Period Adjustments:

	Fund Balance	Net Position
County Adjustment	$ 34,494	$ 34,494
Receivable	-	(14,532)
Net Adjustment	$ 34,494	$ 19,962

Note 12: Subsequent Events

Events subsequent to June 30, 2015 have been evaluated through October 15, 2015, the date at which the Commission's audited financial statements were available to be issued. No events requiring disclosure have occurred through this date.

REQUIRED SUPPLEMENTARY INFORMATION

SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original and Final Budget	Actual Amount	Variance With Final Budget
Resources (Inflows)			
Operating Grants and contributions:			
Prop 10 Apportionment	$ 925,131	$ 854,687	$ (70,444)
Surplus Money Investment Funds	530	266	(264)
Child Signature Program #2	150,000	53,851	(96,149)
Other Miscellaneous Income	-	1,348	1,348
Interest Income	90,663	27,475	(63,188)
Total Revenues	1,166,324	937,627	(228,697)
Charges to Appropriations (Outflows)			
Administrative Costs			
General Administration	228,238	204,747	23,491
Program Costs			
Improved Family Functioning	203,060	201,917	(1,143)
Improved Child Development	749,349	670,220	(79,129)
Improved Health	264,354	246,953	(17,401)
Improved Systems of Care	131,775	130,792	(983)
Program Evaluation	84,584	84,692	(169,276)
Total Expenses	1,661,360	1,539,321	(122,039)
Net Change in Fund Balance	(495,036)	(601,694)	106,658
Fund Balance - Beginning of Year	3,332,909	3,332,909	
Prior Period Adjustment	-	34,494	
Fund Balance - End of Year	$ 2,837,873	$ 2,765,709	

See Accompanying Notes and Auditor's Report.

BUDGET AND BUDGETARY ACCOUNTING

The Commission prepares and legally adopts a final budget on or before June 30th of each fiscal year. The Commission operation, commencing July 1st, is governed by the proposed budget, adopted by the Board of Commissioners in June of the prior fiscal year.

After the budget is approved, the appropriations can be added to, subtracted from or changed only by Commission resolution. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the Commission.

An operating budget is adopted each fiscal year on the modified accrual basis. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year-end are completed or purchase commitments satisfied. Such year-end encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent years and included in the subsequent years' budgets. Unencumbered appropriations lapse at year-end.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the object level. Object levels of expenditures are as follows: salaries and benefits, services and supplies, rent and utilities, school readiness program expenditures, retention incentive expenditures, and other program expenditures.

OTHER SUPPLEMENTARY INFORMATION

SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
Schedule of Expenditures by Fund Source and
Net Position of California Children and Families Commission Funds
For First 5 Programs and Activities
For the Year Ended June 30, 2015

		Revenue CCFC Funds	Expenditures	Change in Net Position	Net Position Beginning of Year	Net Position End of Year
Child Signature Program	CCFC Funds*	$ 53,851	$ 123,963	$ (70,112)	$ -	$ (70,112)
CARES Plus	CCFC Funds**	$ --	$ --	$ 14,532	$ (14,532)	$ --
	Local match	--	--	--	--	--
	TOTAL CCFC Funds	$ 53,851	$ 123,963	$ (55,580)	$ (14,532)	$ (70,112)

* $70,112 of the expenses reported in fiscal year 2014-2015 will be reimbursed by the CCFC more than 90 days after the fiscal year end and therefore the revenues are not reportable in the these financial statements. The revenue to reimburse these expenses will be reported in the 2015-2016 fiscal year.

** $14,532 – This was a receivable from the fiscal year 2013-2014 that was received by the Yuba County Office of Education more than 90 days after the fiscal year end. This is funded from CCFC directly to the Yuba County Office of Education and not to the local Commission and therefore should not be reported in the Commission's financial statements. This adjustment to the Change in Net Position reflects a prior period adjustment to remove this receivable from the records of the Commission. The Commission provides the match funds used by the County Office of Education.

SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015

2008-1 to 2014-1 Reliance upon Auditor for Reporting and Footnote Disclosures.

Condition: Management relies on the auditor to suggest and draft the footnote disclosures for the financial statements.

Recommendation: We recommend that management consider the cost benefit of hiring an accountant familiar with generally accepted accounting principles or hiring an independent CPA firm to compile full disclosure financial statements whenever it is necessary to issue financial statements to third party users that require this conformity prior to the audit of those financial statements.

Response: The Commission has determined there is no cost-benefit to hiring an accountant familiar with generally accepted accounting principles or hiring an independent CPA firm with such experience to compile full disclosure financial statements for the purpose of avoiding a significant deficiency and material weakness under Statement on Auditing Standard SAS No. 115 (formally SAS 112). The Commission feels that management provides reliable financial statements for board decision-making and reliance upon the auditor for foot note disclosures is cost effective. This is consistent with the GFOA's (Government Finance Officers Association) Recommended Practice - Mitigating the Negative Effects of Statement on Auditing Standards No. 112 (2007)(CAAFR): "The GFOA does *not* recommend that governments engage the services of a second accounting firm to assist in preparing its financial statements solely to avoid having a significant deficiency or material weakness reported." The commission staff will continue to reconcile internal records against the Sutter County Auditor-Controller's financial statements. However, should the need arise for issuing financial statements to third-party users prior to the annual audit, management will consider the cost benefit of hiring an accountant familiar with generally accepted accounting principles or hiring an independent CPA firm to compile full disclosure financial statements.

Status: Uncorrected

Jensen Smith
CERTIFIED PUBLIC ACCOUNTANTS, INC.

Making a Lasting Contribution
To our Clients, To our Community, To our Profession

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Sutter County Children and Families Commission
Yuba City, 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 the governmental activities and each major fund of Sutter County Children and Families Commission (Commission) as of and for the year ended June 30, 2015 and the related notes to the financial statements which collectively comprise the Commission's basis financial statements and have issued our report thereon dated October 15, 2015.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described below as 15-01 that we consider to be significant deficiency.

2015-01 Reliance upon Auditor for Footnote Disclosures – uncorrected from prior years

Condition: Management relies on the auditor to suggest and draft the footnote disclosures for the financial statements.

Criteria: Auditing Standards state that the auditor may not be part of the Commission's internal control system; specifically someone from the Commission or contracted by the Commission must be sufficiently knowledgeable in generally accepted accounting principles (GAAP) to draft financial statement disclosures in compliance with GAAP including pronouncements from the Government Accounting Standards Board (GASB).

Cause: The Commission does not have an employee familiar with either the disclosure requirements for generally accepted accounting principles or GASB Statements.

Effect: It was necessary for the Commission to rely upon the auditor for adequate disclosures.

Recommendation: We recommend that management consider the cost benefit of hiring an accountant familiar with generally accepted accounting principles or hiring an independent CPA firm to compile full disclosure financial statements whenever it is necessary to issue financial statements to third party users that require this conformity prior to the audit of those financial statements.

Response: The Commission has determined there is no cost-benefit to hiring an accountant familiar with generally accepted accounting principles or hiring an independent CPA firm with such experience to compile full disclosure financial statements for the purpose of avoiding a significant deficiency and material weakness under Statement on Auditing Standard (SAS) No. 115 (formerly SAS No.112). The Commission feels that management provides reliable financial statements for board decision-making and reliance upon the auditor for footnote disclosures is cost effective. This is consistent with the GFOA's (Government Finance Officers Association) Recommended Practice - Mitigating the Negative Effects of Statement on Auditing Standards No. 112 (2007)(CAAFR): "The GFOA does *not* recommend that governments engage the services of a second accounting firm to assist in preparing its financial statements solely to avoid having a significant deficiency or material weakness reported." The commission staff will continue to reconcile internal records against the Sutter County Auditor-Controller's financial statements. However, should the need arise for issuing

financial statements to third-party users prior to the annual audit, management will consider the cost benefit of hiring an accountant familiar with generally accepted accounting principles or hiring an independent CPA firm to compile full disclosure financial statements.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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*.

Sutter County Children and Families Commission's Response to Findings

The Commission's response to the finding identified in our audit is described above. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Jensen Smith

Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
October 15, 2015

Jensen Smith
CERTIFIED PUBLIC ACCOUNTANTS, INC.

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Commissioners
Sutter County Children and Families Commission
Yuba City, California

Compliance

We have audited the Sutter County Children and Families Commission's (Commission) compliance with the requirements specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act,* issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2015.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the Commission's management.

Auditor's Responsibility

Our responsibility is to express an opinion on the Commission's compliance with the requirements referred to above, 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 the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act,* issued by the State Controller's Office. Those standards and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on the statutory requirements listed below occurred. An audit includes examining on a test basis, evidence about the Commission'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. However, our audit does not provide a legal determination of the Commission's compliance with those requirements. In connection with the audit referred to above, we selected and tested transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

Description	Audit Guide Procedures	Procedures Performed
Contracting and Procurement	6	Yes
Administrative Costs	3	Yes
Conflict of Interest	3	Yes
County Ordinance	4	Yes
Long-range Financial Plans	2	Yes
Financial Condition of the Commission	1	Yes
Program Evaluation	3	Yes
Salaries and Benefit Policies	2	Yes

Opinion

In our opinion, Sutter County Children and Families Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2015.

Jensen Smith

Certified Public Accountants, Inc.
Lincoln, California
October 15, 2015

Jensen Smith
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October 15, 2015

Board of Commissioners
Sutter County Children and Families Commission
Yuba City, California

Dear Ladies and Gentlemen,

The audit went very smoothly. As you can see from the reports, the finding from the prior audits is repeated in this year's audit. We expect this finding to continue until the Commission determines it is financially beneficial to hire someone to prepare the disclosures prior to audit.

In planning and performing our audit of the financial statements of Sutter County Children and Families Commission for the year ended June 30, 2015, we considered Sutter County Children and Families Commission's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

We previously reported on Sutter County Children and Families Commission's internal control in our report dated October 15, 2015. This letter does not affect our report dated October 15, 2015, on the financial statements or internal control of Sutter County Children and Families Commission

We want to thank the staff for assisting us with the audit and for quickly responding to our inquiries. We wish you success in the next fiscal year.

Jensen Smith

Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California