

COMMUNITY HUMAN SERVICES

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

COMMUNITY HUMAN SERVICES

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COMMUNITY HUMAN SERVICES

BOARD OF DIRECTORS

JUNE 30, 2013

<u>Agencies</u>	<u>Primaries</u>	<u>Alternates</u>
City of Carmel	Deborah Smith	Paul Tomasi
City of Del Rey Oaks	Mike Ventimiglia	Jeff Cecilio
City of Marina	Nancy Amadeo	Gail Morton
City of Monterey	Alan Haffa	Mike Aspland
City of Pacific Grove	Alan Cohen	Vacant
City of Salinas	Aaron Thornton	Vacant
City of Sand City	Mary Ann Carbone, Board Chair	Linda Scholink
City of Seaside	Mary Mitchell	Dave Pacheco
Carmel Unified School District	Annette Yee Steck, Finance Committee Chair	Dr. John Ellison
Monterey Peninsula Unified School District	Curt Parker, Vice Chair	Helen Rucker
Pacific Grove Unified School District	Vacant	Vacant
Monterey Peninsula Community College District	Loren Steck	Marilynn Gustafson
North Monterey County Unified School District	Claire Davies	Dr. Richard Diaz
Monterey County Office of Education	Harvey Kuffner	Mary Claypool
Santa Rita Union School District	Mike Xavier	Debbie Bradford

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Community Human Services
Monterey, California

Report on the Financial Statements

We have audited the accompanying financial statements of the enterprise fund activities, each major fund and the aggregate remaining fund information of Community Human Services (a Joint Powers Agency of California local governments) (the Agency) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency'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; and the guidance provided in the audit guide titled "Audits of State and Local Government Units" issued by the American Institute of Certified Public Accountants dated March 1, 2013. 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 Agency'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 Agency'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the enterprise fund activities, each major fund, and the aggregate remaining fund information of the Community Human Services, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows 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 management's discussion and analysis 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 Agency's basic financial statements. The accompanying supplementary information such as the schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the other information, such as the schedule of functional revenues and expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and schedule of functional revenues and expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of functional revenues and expenses are 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 2, 2013, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.



Palo Alto, California
October 2, 2013

COMMUNITY HUMAN SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

This section of Community Human Services' (the Agency) annual financial report presents our discussion and analysis of the Agency's financial performance during the year ended on June 30, 2013. Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and currently known facts, please read it in conjunction with the Agency's basic financial statements, which begin on page 12. Comparisons to and analysis of the prior year are incorporated where appropriate.

FINANCIAL HIGHLIGHTS

- The Agency's net position increased by \$97,017 (or 4.3%) during 2013. Since the Agency engages only in business type activities, the increase is all in the category of business-type net position. Net position was \$2,330,666 and \$2,233,649 for 2013 and 2012, respectively.
- The Agency's return on total ending net position was 4.3%.
- Total cost of all the Agency's programs was \$3,585,577 and \$3,426,763 for 2013 and 2012, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements include a Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, Combining Statement of Net Position, Combining Statement of Revenues, Expenses, and Changes in Fund Net Position, Combining Statement of Cash Flows, notes to the basic financial statements, an Independent Auditor's Report thereon and this Management's Discussion and Analysis. Readers of these financial statements are encouraged to consider the report as a whole to obtain a complete understanding of the Agency's financial condition.

Statement of Net Position

The Statement of Net Position is a report of the Agency's assets, liabilities and net position. Assets and liabilities are reported at book value, on an accrual basis of the statement date. Assets and liabilities have been segregated between current (expected to be liquidated or paid within one year) and noncurrent. Net Position is reported in major categories reflecting any restrictions thereon.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position presents the Agency's revenue earned and expenses incurred during the period on an accrual basis. The Statement has been segregated into operating and nonoperating sections.

Statement of Cash Flows

The Statement of Cash Flows presents the source and uses of cash and is segregated into operating, capital and related financing, noncapital financing and investing activities. The direct method of cash flows reporting has been used and the indirect method of calculating cash provided (used) by operations is also presented.

COMMUNITY HUMAN SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Fund Financial Statements

The fund financial statements provide more detailed information about the Agency's most significant funds. The Agency consists of exclusively Enterprise Funds, but the focus now is on Major Funds, rather than fund types. In order to be selected as major fund, the fund's assets, liabilities, revenues, or expenses should be at least 10% or more of the fund type's total assets, liabilities, revenues or expenses and at least 5% or more of the Agency's total assets, liabilities, revenues or expenses. Since the Agency has only one fund type, the 10% criteria is used to determine major funds. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting.

THE AGENCY'S FUNDS

Business Type Funds

Operating Fund – This is the Agency's main operating fund. It is always classified as major in accordance with GASB 34.

Prevention and Treatment of Substance Abuse Program – Under the Prevention and Treatment of Substance Abuse Program Fund, the Agency provides residential drug and alcohol treatment services, affordable transitional housing and supportive services as well as education and counseling services. The Fund consists of four programs: Genesis House Perinatal Program, Genesis House Residential Drug Program, Elm House and Drug and Alcohol Intervention Services for Youth (DAISY) Program.

Narcotics Treatment Program Fund – Under the Narcotics Treatment Program Fund, the Agency operates Off Main Clinic Methadone Program. The Clinic offers a closely monitored methadone administration program under a contract with the County of Monterey. Private paying patients are also served under this program.

Counseling Services – Under the Counseling Services, the Agency provides parents education and other counseling services. The Fund consists of five programs: Family to Family (to facilitate change in the foster care system), Education & Counseling Services under the Mental Health Services Act, the Outpatient Mental Health program, Family Service Centers in Salinas and Seaside, and Self Referral program.

Other Non-major Funds – In addition to the major funds above, the Agency also maintains the following non-major funds:

- Runaway Youth Program
- Schools and Superkids
- Supervised Visitation
- Domestic Violence
- Street Outreach Services
- Safe Passages

COMMUNITY HUMAN SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

COMPARATIVE ANALYSIS

Statement of Net Position

A comparative summary of the Agency's Statement of Net Position as of June 30, which generally reflects its financial condition, is as follows:

	<u>2013</u>	<u>2012</u>
Assets		
Current assets	\$ 732,424	\$ 753,826
Capital and other assets	2,894,486	2,946,434
Total Assets	<u>3,626,910</u>	<u>3,700,260</u>
Liabilities		
Current liabilities	230,369	324,797
Long-term obligations	1,065,875	1,141,814
Total Liabilities	<u>1,296,244</u>	<u>1,466,611</u>
Net Position		
Net investment in capital assets	1,757,379	1,675,131
Restricted	507,694	510,484
Unrestricted	65,593	48,034
Total Net Position	<u>\$ 2,330,666</u>	<u>\$ 2,233,649</u>

Major Factors Affecting the Statement of Net Position

Current year's net position increased by \$97,017 over the prior year. Current year's increase is due to continued savings from a 2.5% reduction to hourly employee wages and a 2.5% reduction to salaried employee retirement benefits. These savings helped offset overall agency operating cost increase and facility improvements at our residential drug-free treatment center and increased technology costs.

COMMUNITY HUMAN SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Statement of Revenue, Expenses and Changes in Net Position

A comparative summary of the Agency's Statement of Revenues, Expenses and Changes in Net Position, which generally reflects its results of operations as of June 30, is as follows:

	<u>2013</u>	<u>2012</u>
Revenues		
Program revenues:		
Grants	\$ 2,686,522	\$ 2,614,440
Charges and fees	435,468	463,764
Contributions	432,312	320,333
Joint Powers Agency support	123,593	158,093
Other revenue	1,699	20,878
Total Revenues	<u>3,679,594</u>	<u>3,577,508</u>
Expenses		
General	724,572	697,517
Off Main Clinic Methadone program	681,266	663,710
Genesis House Residential Drug program	556,651	494,016
Counseling under Mental Health Services Act	196,627	196,899
Genesis House Perinatal program	229,712	245,807
Family to Family	161,990	158,551
Outpatient Mental Health Managed Care	244,883	215,468
Runaway	178,656	170,627
Safe Passage	128,121	109,304
Street Outreach Services	112,767	102,963
DAISY Program	98,617	85,565
Elm House	76,383	78,175
FSC - Supervised Visitation	63,066	62,771
Schools	32,972	44,956
FSC - Self Referral	44,498	46,820
FSC - Domestic Violence	47,018	49,011
DSS-FSC	4,778	4,603
Total Expenses	<u>3,582,577</u>	<u>3,426,763</u>
Change in Net Position	<u>\$ 97,017</u>	<u>\$ 150,745</u>

Major Factors Affecting the Statement of Revenues, Expense and Changes in Net Position

Current year's revenue increased by \$102,086 as current year grant revenues and contributions increased over the prior year. Current year's expenses increased due to the growth in services, primarily in new personnel/benefit costs required to meet the expanded service needs.

COMMUNITY HUMAN SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2013, the Agency had \$2,894,486 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease, including additions, deductions and depreciation, of 1.6% or \$48,115 from the prior year.

	2013	2012
Capital assets, not being depreciated - land	\$ 486,495	\$ 486,495
Capital assets, being depreciated		
Buildings and improvements	3,262,569	3,206,079
Office equipment	293,382	293,382
Transportation equipment	199,655	199,656
Furniture and fixtures	127,592	127,591
Leasehold improvements	86,222	86,222
Operating and other equipment	78,059	77,105
Total capital assets, being depreciated	4,047,479	3,990,035
Less accumulated depreciation	1,639,488	1,533,929
Total capital assets, being depreciated - net	2,407,991	2,456,106
Capital assets - net	\$ 2,894,486	\$ 2,942,601

Debt Outstanding

Long-term debt obligations at June 30, 2012 and 2013 consist of the following:

	2013	2012
Note payable to Santa Barbara Bank & Trust Collateralized by Sonoma Avenue property	\$ 786,636	\$ 815,064
Note payable to Santa Barbara Bank & Trust Collateralized by Sonoma Avenue property	321,058	333,600
Note payable to California Department of Housing and Community Development Collateralized by Elm Avenue property	27,220	92,547
Note payable to Santa Barbara Bank & Trust Collateralized by Pearl Street property	2,193	21,359
Note payable to Santa Barbara Bank & Trust Collateralized by Broadway Avenue property	-	4,900
Total	1,137,107	1,267,470
Less current portion	71,232	125,656
Total long-term debt	\$ 1,065,875	\$ 1,141,814

Net decrease of \$130,363 is a result of principal payments during the year.

COMMUNITY HUMAN SERVICES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

FACTORS AFFECTING FUTURE PERIODS

Significant factors affecting the Agency are as follows:

There was an expansion in service needs occurring in FY 2012/2013, particularly related to California's Criminal Justice and Rehabilitation programs (AB109) early release of non-violent, non-serious, or non-sex related offenses in our substance abuse programs. Our mental health managed care programs also saw an increase in services to address counseling needs of the County's Medi/Cal population. The agency also received a 3-year accreditation in our residential drug-free treatment facility in July 2013 from the Commission on Accreditation of Rehabilitation Facilities (CARF) indicating that the program meets a high standard for treatment programs and will help the agency attract new funding streams. CHS will seek CARF accreditation for our outpatient mental health programs in FY 2013/2014 as a continuation of quality programs improvements.

CHS also began an agency-wide investment in upgrading our technology structure in FY 2012/2013 with plans to integrate our clinical record keeping systems into fully electronic medical records system. We have also been working with our health insurance broker to prepare for employee benefit changes related to the Affordable Care Act anticipating that the changes would take place in 2014 but has since been moved back to 2015.

REQUESTS FOR INFORMATION

The financial report has been designed to provide a general overview of the Agency's accounting for anyone interested in its finances. Questions concerning any of the information should be addressed to the attention of the Chief Financial Officer, Community Human Services, PO Box 3076, Monterey, CA 93942.

COMMUNITY HUMAN SERVICES

STATEMENT OF NET POSITION JUNE 30, 2013

ASSETS

Current Assets

Cash and cash equivalents	\$	26,983
Grants receivable		466,232
Prepaid expenses		28,061
Marketable securities		210,957
Other current assets		191
Total Current Assets		<u>732,424</u>

Noncurrent Assets

Capital assets, net of depreciation		<u>2,894,486</u>
Total Assets		<u>3,626,910</u>

LIABILITIES

Current Liabilities

Accounts payable		66,665
Accrued vacation payable		76,227
Accrued retirement payable		16,245
Current portion of long-term debt		<u>71,232</u>
Total Current Liabilities		230,369

Noncurrent Liabilities

Noncurrent portion of long-term debt		<u>1,065,875</u>
Total Liabilities		<u>1,296,244</u>

NET POSITION

Net investment in capital assets		1,757,379
Restricted		507,694
Unrestricted		<u>65,593</u>
Total Net Position	\$	<u>2,330,666</u>

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

COMMUNITY HUMAN SERVICES

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES

Grants	\$ 2,686,522
Charges and fees	435,468
Total Operating Revenues	<u>3,121,990</u>

OPERATING EXPENSES

Salaries	1,849,448
Employee benefits	556,724
Facilities rental	152,055
Professional fees	185,382
Utilities and maintenance	218,341
Operating supplies	93,881
Medical supplies and laboratory fees	45,624
Food	69,296
Insurance	51,416
Auto and travel	34,812
Telephone	47,736
Fees and licenses	19,326
Conferences and meetings	24,067
Copy machines	22,519
Advertising	16,318
Equipment rental	3,806
Miscellaneous	4,418
Dues	3,386
Client costs	1,155
Printing and publications	4,927
Development	3,706
Depreciation and amortization	109,206
Total Operating Expenditures	<u>3,517,549</u>
Operating Loss	<u>(395,559)</u>

NONOPERATING INCOME (EXPENSE)

Joint Powers Agency support	123,593
United Way funding	47,755
Contributions	384,557
Miscellaneous income	1,699
Interest income (expense) - net	(65,028)
Total non operating income	<u>492,576</u>

CHANGE IN NET POSITION

97,017	
NET POSITION, BEGINNING OF YEAR	<u>2,233,649</u>
NET POSITION, END OF YEAR	<u>\$ 2,330,666</u>

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

COMMUNITY HUMAN SERVICES

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Cash receipts from clients	\$ 435,468
Cash receipts from government agencies	2,531,193
Cash payments to suppliers and employees	(3,466,686)
Operating transfers	105,559
Net Cash Used for Operating Activities	<u>(394,466)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Interest paid on debt	(5,956)
Principal payments on long-term debt	(130,363)
Cash payments for acquisition of fixed assets	(57,444)
Net Cash Used for Capital and Related Financing Activities	<u>(193,763)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment earnings	10,088
Investment earnings reinvested	(177,438)
Net Cash Used for Investing Activities	<u>(167,350)</u>

CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES

Joint Powers Agency Support	123,593
United Way funding	47,755
Contributions	330,995
Miscellaneous income	1,699
Net Cash Provided By Non Capital Financing Activities	<u>504,042</u>

Net Decrease in Cash and Cash Equivalents	(251,537)
Cash and Cash Equivalents - Beginning of year	278,520
Cash and Cash Equivalents - Ending of year	<u>\$ 26,983</u>

Non-Cash Operating and Financing Activities	
Grant - note payable forgiven	<u>\$ 65,327</u>

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

COMMUNITY HUMAN SERVICES

STATEMENT OF CASH FLOWS (Continued) FOR THE YEAR ENDED JUNE 30, 2013

RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES

Operating loss	\$ (395,559)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation and amortization	109,206
Grant - note payable forgiven	(65,327)
(Increase) decrease in:	
Grants receivable	41,398
Prepaid expenses	(94,095)
Increase (decrease) in:	
Accounts payable	21,928
Accrued vacation payable	(7,475)
Accrued retirement payable	(895)
Operating transfers in (out)	(3,647)
Total adjustments	<u>1,093</u>
Net Cash Used for Operating Activities	<u><u>\$ (394,466)</u></u>

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

COMMUNITY HUMAN SERVICES

COMBINING STATEMENT OF NET POSITION

ENTERPRISE FUNDS

JUNE 30, 2013

	Operating Fund	Prevention and Treatment of Substance Abuse Program	Narcotics Treatment Program
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 26,983	\$ -	\$ -
Grants receivable	-	144,290	123,381
Prepaid expenses	28,061	-	-
Marketable securities	210,957	-	-
Due from other funds	1,018,095	57,293	269,369
Other current assets	191	-	-
Total Current Assets	<u>1,284,287</u>	<u>201,583</u>	<u>392,750</u>
Noncurrent Assets			
Capital assets, net of depreciation	2,894,486	-	-
Total Assets	<u>4,178,773</u>	<u>201,583</u>	<u>392,750</u>
LIABILITIES			
Current Liabilities			
Accounts payable	66,665	-	-
Accrued vacation payable	76,227	-	-
Accrued retirement payable	16,245	-	-
Due to other funds	372,311	144,290	22,740
Current portion of long-term debt	71,232	-	-
Total Current Liabilities	<u>602,680</u>	<u>144,290</u>	<u>22,740</u>
Noncurrent Liabilities			
Noncurrent portion of long-term debt	1,065,875	-	-
Total Liabilities	<u>1,668,555</u>	<u>144,290</u>	<u>22,740</u>
NET POSITION			
Net investment in capital assets	1,757,379	-	-
Restricted	687,246	57,293	370,010
Unrestricted	65,593	-	-
Total Net Position	<u>\$ 2,510,218</u>	<u>\$ 57,293</u>	<u>\$ 370,010</u>

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

Counseling Services	Other Non-Major Funds	Total
\$ -	\$ -	\$ 26,983
102,745	95,816	466,232
-	-	28,061
-	-	210,957
-	45,649	1,390,406
-	-	191
<u>102,745</u>	<u>141,465</u>	<u>2,122,830</u>
-	-	2,894,486
<u>102,745</u>	<u>141,465</u>	<u>5,017,316</u>
-	-	66,665
-	-	76,227
-	-	16,245
789,991	61,074	1,390,406
-	-	71,232
<u>789,991</u>	<u>61,074</u>	<u>1,620,775</u>
-	-	1,065,875
<u>789,991</u>	<u>61,074</u>	<u>2,686,650</u>
-	-	1,757,379
(687,246)	80,391	507,694
-	-	65,593
<u>\$ (687,246)</u>	<u>\$ 80,391</u>	<u>\$ 2,330,666</u>

COMMUNITY HUMAN SERVICES

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Operating Fund	Prevention and Treatment of Substance Abuse Program	Narcotics Treatment Program
OPERATING REVENUES			
Grants	\$ -	\$ 890,047	\$ 742,990
Charges and fees	-	106,121	189,177
Total Operating Revenues	<u>-</u>	<u>996,168</u>	<u>932,167</u>
OPERATING EXPENSES			
Salaries	365,481	432,361	330,225
Employee benefits	152,843	115,162	95,695
Facilities rental	56,610	468	58,035
Professional fees	35,982	17,272	69,815
Utilities and maintenance	30,593	106,009	28,085
Operating supplies	15,391	28,149	17,357
Medical supplies and laboratory fees	-	3,165	41,550
Food	33	61,025	188
Insurance	10,285	11,086	8,904
Auto and travel	4,926	12,852	567
Telephone	9,401	10,330	7,069
Fees and licenses	370	9,549	8,097
Conferences and meetings	11,377	4,588	3,835
Copy machines	10,177	8,362	2,748
Advertising	9,484	2,366	309
Equipment rental	2,706	1,100	-
Miscellaneous	2,416	1,334	211
Dues	3,005	111	-
Client costs	-	566	18
Printing and publications	3,218	386	267
Development	3,417	46	-
Depreciation	4,861	59,937	8,291
Total Operating Expenses	<u>732,576</u>	<u>886,224</u>	<u>681,266</u>
Operating Income (Loss)	<u>(732,576)</u>	<u>109,944</u>	<u>250,901</u>
NONOPERATING INCOME (EXPENSE)			
Joint Powers Agency support	123,593	-	-
United Way funding	2,754	23,499	4,599
Contributions	123,355	107,740	1,750
Miscellaneous income	344	204	611
Interest income (expense) - net	8,004	(75,139)	-
Total Nonoperating Income (Expense)	<u>258,050</u>	<u>56,304</u>	<u>6,960</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(474,526)</u>	<u>166,248</u>	<u>257,861</u>
Transfers from (To) other funds	717,120	(241,531)	(170,742)
CHANGES IN NET POSITION	<u>242,594</u>	<u>(75,283)</u>	<u>87,119</u>
NET POSITION - BEGINNING OF YEAR	<u>2,267,624</u>	<u>132,576</u>	<u>282,891</u>
NET POSITION - END OF YEAR	<u>\$ 2,510,218</u>	<u>\$ 57,293</u>	<u>\$ 370,010</u>

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

Counseling Services	Other Non-Major Funds	Total
\$ 639,111	\$ 414,374	\$ 2,686,522
17,538	122,632	435,468
<u>656,649</u>	<u>537,006</u>	<u>3,121,990</u>
391,182	330,199	1,849,448
119,059	73,965	556,724
29,979	6,963	152,055
36,468	25,845	185,382
27,813	25,841	218,341
4,756	28,228	93,881
-	909	45,624
66	7,984	69,296
10,223	10,918	51,416
11,138	5,329	34,812
10,695	10,241	47,736
692	618	19,326
763	3,504	24,067
512	720	22,519
3,262	897	16,318
-	-	3,806
259	198	4,418
270	-	3,386
-	571	1,155
700	356	4,927
135	108	3,706
5,885	30,232	109,206
<u>653,857</u>	<u>563,626</u>	<u>3,517,549</u>
<u>2,792</u>	<u>(26,620)</u>	<u>(395,559)</u>
-	-	123,593
14,401	2,502	47,755
2,550	149,162	384,557
5	535	1,699
1,081	1,026	(65,028)
<u>18,037</u>	<u>153,225</u>	<u>492,576</u>
20,829	126,605	97,017
(163,616)	(141,231)	-
(142,787)	(14,626)	97,017
(544,459)	95,017	2,233,649
<u>\$ (687,246)</u>	<u>\$ 80,391</u>	<u>\$ 2,330,666</u>

COMMUNITY HUMAN SERVICES

**COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Operating Fund	Prevention and Treatment of Substance Abuse Program	Narcotics Treatment Program
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from clients	\$ -	\$ 106,121	\$ 189,177
Cash receipts from government agencies	-	755,169	681,141
Cash payments to suppliers and employees	(681,713)	(886,224)	(681,266)
Operating transfers	105,559	-	-
Net Cash Provided by (Used for) Operating Activities	<u>(576,154)</u>	<u>(24,934)</u>	<u>189,052</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid on debt	1,749	(9,812)	-
Principal payments on long-term debt	(130,363)	-	-
Cash payments for acquisition of capital assets	(57,444)	-	-
Net Cash Provided (Used) By Capital And Related Financing Activities	<u>(186,058)</u>	<u>(9,812)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	10,088	-	-
Investment earnings reinvested	(177,438)	-	-
Net Cash Used For Investing Activities	<u>(167,350)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES			
Joint Powers Agency Support	123,593	-	-
United Way funding	2,754	23,499	4,599
Contributions	69,793	107,740	1,750
Miscellaneous income	344	204	611
Due to (from) other funds	717,120	(241,531)	(170,742)
Transfers to (from) other funds	(235,579)	144,834	(25,270)
Net Cash Provided by (Used for) Non Capital Financing Activities	<u>678,025</u>	<u>34,746</u>	<u>(189,052)</u>
Net Decrease in Cash and Cash Equivalents	(251,537)	-	-
Cash and Cash Equivalents - Beginning of year	278,520	-	-
Cash and Cash Equivalents - Ending of year	<u>\$ 26,983</u>	<u>\$ -</u>	<u>\$ -</u>
Non-Cash Operating and Financing Activities			
Grant - note payable forgiven	<u>\$ -</u>	<u>\$ 65,327</u>	<u>\$ -</u>

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

Counseling Services	Other Non-Major Funds	Total
\$ 17,538	\$ 122,632	\$ 435,468
703,783	391,100	2,531,193
(653,857)	(563,626)	(3,466,686)
-	-	105,559
<u>67,464</u>	<u>(49,894)</u>	<u>(394,466)</u>
1,081	1,026	(5,956)
-	-	(130,363)
-	-	(57,444)
<u>1,081</u>	<u>1,026</u>	<u>(193,763)</u>
-	-	10,088
-	-	(177,438)
-	-	(167,350)
-	-	123,593
14,401	2,502	47,755
2,550	149,162	330,995
5	535	1,699
(163,616)	(141,231)	-
78,115	37,900	-
<u>(68,545)</u>	<u>48,868</u>	<u>504,042</u>
-	-	(251,537)
-	-	278,520
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,983</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,327</u>

COMMUNITY HUMAN SERVICES

**COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Operating Fund	Prevention and Treatment of Substance Abuse Program	Narcotics Treatment Program
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH			
Operating income (loss)	\$ (732,576)	\$ 109,944	\$ 250,901
Adjustments to reconcile operating income (loss) to net cash			
provided (used) by operating activities:			
Depreciation and amortization	4,861	59,937	8,291
Grant - note payable forgiven	-	(65,327)	-
(Increase) decrease in:			
Grants receivable	-	-	-
Prepaid expenses	37,305	(69,551)	(61,849)
Increase (decrease) in:			
Accounts payable	21,928	-	-
Accrued vacation payable	(7,475)	-	-
Accrued retirement payable	(895)	-	-
Operating transfers in (out)	100,698	(59,937)	(8,291)
Total adjustments	<u>156,422</u>	<u>(134,878)</u>	<u>(61,849)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (576,154)</u>	<u>\$ (24,934)</u>	<u>\$ 189,052</u>

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

Counseling Services	Other Non-Major Funds	Total
\$ 2,792	\$ (26,620)	\$ (395,559)
5,885	30,232	109,206
-	-	(65,327)
64,672	(23,274)	41,398
-	-	(94,095)
-	-	21,928
-	-	(7,475)
-	-	(895)
(5,885)	(30,232)	(3,647)
<u>64,672</u>	<u>(23,274)</u>	<u>1,093</u>
<u>\$ 67,464</u>	<u>\$ (49,894)</u>	<u>\$ (394,466)</u>

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description

Community Human Services (the Agency) is both a California not-for-profit corporation exempt from taxation under Internal Revenue Service Code Section 501(c)(3) and a Joint Powers Agency. The Board of Directors is made up of representatives from local governmental entities comprising the Joint Powers Agency.

The Agency, under annual contracts with government agencies, provides a variety of services including outpatient counseling and therapy for people with drug or alcohol problems, an in-house recovery center for addicted persons, and other counseling and educational programs.

Reporting

Although the Agency is a not-for-profit corporation, it presents its financial statements on a governmental accounting unit basis, rather than as a not-for-profit organization, due to special requirements of the State Controller's Office for not-for-profit organizations receiving joint powers funding.

Reporting Entity

The financial statements of the Agency, in accordance with governmental accounting and financial reporting standards, include funds and account groups that are controlled by or dependent on the Agency. Control or dependence is determined on the basis of budget adoption, designation of management, and ability to significantly influence operations. All known activities of the Agency have been included in these financial statements. There are no known potential component units that have been excluded.

Basis of Accounting and Financial Statement Presentation

In accordance with generally accepted accounting principles (GAAP) applicable to governmental units, the accounts of the Agency are organized into one proprietary type fund, the Enterprise Fund.

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Enterprise Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Agency's enterprise funds are service charges to clients and grants and contract fees from government agencies. Operating expenses for enterprise funds include the cost of operating the primary activities of funds, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

The Agency has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting." Accordingly, the Agency has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's discussion and Analysis – for State and Local Governments*. This statement provided for the most significant change in financial reporting in over twenty years and called for a phased implementation based on size of government starting with the year ending June 30, 2002. The Agency implemented the basic model for the year ending June 30, 2004.

The financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Description of Funds

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity, revenues, and expenses. Resources are allocated to and accounted for in proprietary funds based upon the purposes for which spending activities are controlled.

Cash and Cash Equivalents

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

Receivables from grantor agencies are recorded when the revenues are earned under the accrual method of accounting and accounted for using the allowance method. At year-end the allowance for doubtful accounts is zero as all receivables are expected to be collectible.

Prepaid Expenses

Prepaid amounts have been allocated to expense pro-rata in the periods in which the benefits were received.

Investments

Marketable debt and equity securities are stated at fair market value. Increases or decreases in market value are recognized in the period in which they occur. Certificates of deposit with an original maturity of greater than 90 days are classified as investments.

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Capital Assets

Purchased capital assets are presented at cost. Donated assets are presented at fair market value as of the date of donation.

Depreciation

Depreciation is computed using the straight-line method based on the estimated useful life of the assets as follows:

Buildings and improvements	3-35	Years
Office equipment	3-10	Years
Furniture and fixtures	3-5	Years
Operating and other equipment	3-8	Years
Leasehold improvements	4-5	Years
Transportation equipment	5	Years

Interfund Balances

On combining Statement of Net Position, receivables and payables resulting from short-term interfund loans are classified as "due to/from other funds". These amounts are eliminated in the combined Statement of Net Position.

Grants and Fees

Except for grants from Joint Powers Agency members, all government grants and fees are applicable to specific programs and are considered restricted funds. Program service expenses that apply to these same specific programs are considered restricted. All expenses for administration and fund raising are treated separately and considered unrestricted. (For grant reimbursement purposes, administrative expenses are in fact reimbursable under allocation formulas contained in each contract. However, for financial statement purposes, no such allocation is made.)

Accrued Compensated Absences

Vacation compensation earned is recorded as an expense and liability each month. Paid vacation for the month is recorded against the liability. The unpaid amount will be paid from available resources.

Estimates

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

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Net Position

Net position represent the difference between assets and liabilities and are classified into the following net asset categories:

- **Net investment in Capital Assets** – Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds.
- **Restricted** – Restricted component of net position are reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.
- **Unrestricted** – Unrestricted component of net position consists of amounts that do not meet the definition of “net investment in capital assets” or “restricted”.

Subsequent Events

The Agency's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through October 2, 2013, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

Income Taxes

The Agency is exempt from Federal and State taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

Management evaluated the Agency's tax positions and concluded that the Agency had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Agency is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2007.

Fair Value Measurements

The Agency measures its assets and liabilities at fair value in accordance with the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. This guidance defines fair value as the price that would be received to sell as asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value.

The guidance establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The guidance expands disclosures about instruments measured at fair value. The guidance applies to other accounting pronouncements that require or permit fair value measurements and, accordingly, the guidance does not require any new fair value measurements.

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

As noted above, the guidance establishes a three level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial statement.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurements.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The Agency has \$210,957 level 1 financial instruments carried at fair market value as of June 30, 2013, by caption on the statement of financial position by the SFAS 157 valuation hierarchy defined above.

Fair value for Level 1 is based upon quoted market price. Inputs are obtained from various sources including market participants, dealers, brokers and financial institutions. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Changes in Accounting Principles

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The Agency has implemented the provisions of this Statement for the year ended June 30, 2013.

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2014. Adoption of this statement is not expected to materially impact the Agency's financial statement.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2013, consist of the following:

Checking and savings	\$ 26,983
Investments - marketable securities	210,957
Total Deposits and Investments	<u>\$ 237,940</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Agency's deposits might not be recovered. The Agency does not have a deposit policy for custodial credit risk. As of June 30, 2013, none of the Agency's bank balances of \$44,237 were exposed to custodial credit risk.

Custodial Credit Risk - Investments

The custodial credit risk for investments is the risk that an entity will not be able to recover the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails. The Agency does not have an investment policy for custodial credit risk.

As of June 30, 2013, the Agency has investment balance of \$210,957 that is insured or registered or securities held by the entity or its agent, therefore, were not exposed to custodial credit risk.

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Concentration of Credit Risk

There is a concentration of credit risk when the amount of investment in any one entity is at least 5% of total investments except investments held in the U.S. Government or investments guaranteed by the U.S. Government. As of June 30, 2013, the Agency holds its 75% investment in Fidelity mutual funds and 25% in Community Human Services Stewardship Fund.

NOTE 3 – GRANTS RECEIVABLE

Grants receivable are amounts due to the Agency at the end of each fiscal year from governmental entities. Payments for grants receivable as of June 30 will be contingent upon final approval by the funding agencies after their review of year-end cost reports.

Grants receivable at June 30, 2013 consist of the following:

DAISY program	\$	5,793
Department of Social Services - CAP		1,213
Department of Social Services - Family Service Center		6,525
Family to Family		30,126
Genesis House		138,497
Off Main Clinic Methadone program		123,381
Monterey County (Mental Health Services Act)		21,856
Outpatient mental health		43,025
Runaway		2,957
Street outreach program		62,957
Safe Passage		15,183
Superkids contract		13,621
Supervised visitations		1,098
Total	\$	<u>466,232</u>

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 4 – CAPITAL ASSETS

Capital assets at June 30, 2013 were summarized as follows:

	Balance July 1, 2012	Additions	Balance June 30, 2013
Capital Assets Not Being Depreciated:			
Land	\$ 486,495	\$ -	\$ 486,495
Capital Assets Being Depreciated:			
Buildings and improvements	3,206,079	56,490	3,262,569
Office equipment	293,382	-	293,382
Transportation equipment	199,655	-	199,655
Furniture and fixtures	127,592	-	127,592
Leasehold improvements	86,222	-	86,222
Operating and other equipment	77,105	954	78,059
Subtotal	3,990,035	57,444	4,047,479
Less Accumulated Depreciation	1,533,929	105,559	1,639,488
Total capital assets, being depreciated	2,456,106	(48,115)	2,407,991
Capital Assets - Net	\$ 2,942,601	\$ (48,115)	\$ 2,894,486

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 5 – NOTES PAYABLE

Notes payable at June 30, 2013 consist of the following:

Note payable to Santa Barbara Bank & Trust, interest at 6.75%, due in monthly installments of \$6,849, including interest through December 2013, at which time all outstanding principal and interest are due and payable. Collateralized by Sonoma Avenue property.	\$ 786,636
Note payable to Santa Barbara Bank & Trust, interest at 7.00%, due in monthly installments of \$2,500, including interest, through July 30, 2030. Collateralized by Sonoma Avenue property.	321,058
Note payable to California Department of Housing and Community Development (HCD), interest at 3% per annum until 2013, repayment deferred as long as the financed property is used as an emergency shelter, a transitional housing facility, Elm House or a safe haven. The Note will be forgiven after 7 years, however, a transfer or conveyance of the property within 10 years after such forgiveness will result in immediate repayment of the loan, including all outstanding.	27,220
Note payable to Santa Barbara Bank & Trust, variable interest (7.23% at June 30, 2012), due in monthly installments of \$1,353, including interest, through September 2013. Collateralized by Pearl Street property.	2,193
Total	1,137,107
Less current portion	71,232
Total Noncurrent Portion of Notes Payable	\$ 1,065,875

Total interest charged to expense during the year ended June 30, 2013 amounted to \$79,734.

Long-term debt repayments for years ending June 30 are approximately as follows:

Fiscal Year	Principal	Interest
2014	\$ 71,232	\$ 74,307
2015	44,772	71,337
2016	47,922	68,186
2017	51,296	64,813
2018	54,906	61,203
2019-2023	338,238	242,306
2024-2028	475,268	105,276
2029	53,473	1,035
Total	\$ 1,137,107	\$ 688,463

COMMUNITY HUMAN SERVICES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 6 – LEASE COMMITMENTS

During the fiscal year ended June 30, 2013 the Agency leased buildings for its Off Main Clinic Methadone program and FSC-Salinas counseling office as well as its administrative office.

The minimum future net lease commitments for the year ending June 30 is approximately as follows:

Year Ending June 30,	Lease Payment
2014	\$ 152,681
2015	108,155
2016	58,091
2017	4,841
Total	<u>\$ 323,768</u>

NOTE 7 – DEFINED CONTRIBUTION PENSION PLAN

In lieu of Social Security, the Agency maintains a contributory defined contribution pension plan for its employees. During the current year, the agency contributed 2.5% of gross wages for eligible employees (those who work at least 30 hours per week on a permanent basis) for every month of the year. Eligible employees must also contribute a minimum of 5.0% of their gross pay, but may contribute up to 15%. Ineligible employees must contribute 7.5% of their gross pay.

The Agency contracts with the Nationwide Trust Company to purchase a group annuity contract which is individually allocated. Under this contract, a provision is made for the accumulation of contract values for the Agency to provide fixed annuity accumulation and benefits to the individual participants.

Actual annuity payments commencing on retirement may be on a variable basis or on a fixed basis as determined by each individual contract owner. The amount available in each participant's account at the time of his or her retirement is the total of the amounts contributed by both the employer and employee, plus returns on the investments of those contributions.

The Agency's contribution to the plan amounted to \$44,945 for the year ended June 30, 2013. Total payroll was \$1,946,325 and covered payroll was \$1,577,227.

COMMUNITY HUMAN SERVICES

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 – JOINT POWERS AGENCY MEMBERS

The Agency’s Board of Directors is made up of representatives from the following agencies:

City of Carmel	City of Del Rey Oaks
City of Marina	City of Monterey
City of Pacific Grove	City of Salinas
City of Seaside	City of Sand City
Carmel Unified School District	Pacific Grove Unified School District
Monterey County Office of Education	Monterey Peninsula Community College District
Monterey Peninsula Unified School District	North Monterey County Unified School District
Santa Rita Union School District	

SUPPLEMENTAL INFORMATION

COMMUNITY HUMAN SERVICES

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through:			
County of Monterey, California			
Bock Grants for Prevention and Treatment of Substance Abuse	93.959	A-11498	
Residential Program			\$ 372,012
Perinatal Program			95,407
Youth Treatment Program			34,348
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Program:			
Administration for Children, Youth and Families - Runaway and Homeless Youth	93.623	9OCY258001	183,895
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557	9OYO005503	25,000
Pass Through:			
County of Monterey, California			
CSAT Adult Drug Court Grant	93.243	[1]	46,964
U.S. HOUSING AND URBAN DEVELOPMENT			
Direct Program:			
Supportive Housing Program Transitional Housing	14.235	[1]	63,932
Pass Through:			
Cities of Salinas, Seaside and Monterey, California			
Community Development Block Grant	14.218	[1]	42,000
Pass Through:			
Department of Housing and Community Development of the State of California			
Emergency Shelter Grant Program	14.231	[1]	95,736
Total Expenditures of Federal Awards			<u>\$ 959,294</u>

[1] Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.

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COMMUNITY HUMAN SERVICES

SCHEDULE OF FUNCTIONAL REVENUES AND EXPENSES FOR THE YEAR ENDED JUNE 30, 2013

	Counseling Services								Methadone Maintenance and Detox	
	MHSA		Outpatient			MHSA HIV/AIDS	MHSA GLBT	DSS FSC		Self Referral
	General	Parent Education	Family to Family	Mental Health Managed Care						
REVENUES										
Grants	\$ -	\$ 165,000	\$ 197,790	\$ 217,635	\$ 10,090	\$ 32,190	\$ 1,820	\$ 14,586	\$ 742,990	
Charges and Fees	-	332	-	95	-	-	-	17,111	189,177	
Joint Powers Agency	123,593	-	-	-	-	-	-	-	-	
United Way funding	2,754	-	-	9,401	2,502	2,498	-	-	4,599	
Contributions	123,355	120	375	1,650	-	-	105	300	1,750	
Other local sources	344	-	-	5	-	-	-	-	611	
Total Revenues	250,046	165,452	198,165	228,786	12,592	34,688	1,925	31,997	939,127	
EXPENDITURES										
Salaries	365,481	64,992	96,303	156,058	19,784	22,586	1,331	30,128	330,225	
Employee benefits	152,843	20,189	32,409	45,371	6,909	7,847	352	5,982	95,695	
Facilities rental	56,610	4,769	9,799	10,736	1,458	-	764	2,453	58,035	
Professional fees	35,982	21,233	2,290	5,859	698	5,916	81	391	69,815	
Utilities and maintenance	30,593	4,435	4,433	11,581	1,307	3,134	995	1,928	28,085	
Operating supplies	15,391	698	746	2,411	19	276	148	458	17,357	
Medical supplies and laboratory fees	-	-	-	-	-	-	-	-	41,550	
Food	33	2	21	33	-	-	2	8	188	
Insurance	10,285	1,689	3,009	2,845	924	1,207	87	462	8,904	
Auto and travel	4,926	932	7,124	2,022	256	345	126	333	567	
Telephone	9,401	1,754	2,559	4,092	574	667	349	700	7,069	
Fees and licenses	370	38	134	411	16	21	18	54	8,097	
Conferences and meetings	11,377	121	222	224	65	85	8	38	3,835	
Copy machines	10,177	79	121	211	23	26	19	33	2,748	
Advertising	9,484	77	1,189	1,362	151	152	87	244	309	
Equipment rental	2,706	-	-	-	-	-	-	-	-	
Miscellaneous	2,416	56	64	94	-	-	8	37	211	
Dues	3,005	-	270	-	-	-	-	-	-	
Client costs	-	-	-	-	-	-	-	-	18	
Printing and publications	3,218	19	396	221	3	4	13	44	267	
Development	3,417	-	135	-	-	-	-	-	-	
Interest - Net	(8,004)	-	-	(1,081)	-	-	-	-	-	
Total before depreciation	719,711	121,083	161,224	242,450	32,187	42,266	4,388	43,293	672,975	
Depreciation	4,861	1,091	766	2,433	-	-	390	1,205	8,291	
Total Expenditures	724,572	122,174	161,990	244,883	32,187	42,266	4,778	44,498	681,266	
Net income before distribution	(474,526)	43,278	36,175	(16,097)	(19,595)	(7,578)	(2,853)	(12,501)	257,861	
Management distribution	(717,120)	29,888	40,689	62,246	7,885	10,352	1,184	11,372	170,742	
NET INCOME (LOSS)	\$242,594	\$ 13,390	\$ (4,514)	\$ (78,343)	\$(27,480)	\$(17,930)	\$ (4,037)	\$(23,873)	\$ 87,119	

See accompanying note to supplementary information.

Prevention and Treatment of Substance Abuse										
Perinatal	Genesis House	Elm House	DAISY Program	Runaway	Schools and Superkids	Supervised Visitation	Domestic Violence	Street Outreach Services	Safe Passage	Total
\$269,232	\$499,039	\$ 6,428	\$115,348	\$183,895	\$ 22,485	\$ -	\$ -	\$ 85,000	\$122,994	\$2,686,522
14,161	80,580	11,380	-	306	-	63,233	53,851	-	5,242	435,468
-	-	-	-	-	-	-	-	-	-	123,593
-	10,499	13,000	-	-	-	-	-	2,502	-	47,755
2,687	28,511	75,542	1,000	46,371	20,000	11,967	150	43,674	27,000	384,557
51	153	-	-	(6)	-	-	-	300	241	1,699
286,131	618,782	106,350	116,348	230,566	42,485	75,200	54,001	131,476	155,477	3,679,594
104,234	235,771	26,174	66,182	97,797	22,715	44,037	33,819	70,413	61,418	1,849,448
25,905	58,178	8,493	22,586	30,731	6,289	4,230	3,525	17,469	11,721	556,724
35	106	326	1	-	-	3,475	3,426	-	62	152,055
4,075	11,458	508	1,231	19,162	1,250	1,128	1,063	1,481	1,761	185,382
22,771	68,750	14,488	-	6,953	3	2,844	1,592	6,129	8,320	218,341
4,511	13,427	6,162	4,049	1,238	53	474	283	596	25,584	93,881
791	2,374	-	-	-	-	-	-	-	909	45,624
15,309	45,648	68	-	7,230	3	8	8	507	228	69,296
2,444	6,131	796	1,715	2,367	1,494	1,474	1,428	1,849	2,306	51,416
2,985	9,146	402	319	1,013	799	1,862	373	866	416	34,812
2,096	6,288	849	1,097	3,283	203	1,113	703	4,090	849	47,736
2,360	7,080	89	20	70	43	67	288	70	80	19,326
806	2,333	102	1,347	1,305	105	109	269	1,436	280	24,067
2,091	6,271	-	-	323	-	50	24	323	-	22,519
457	1,372	533	4	261	8	247	143	171	67	16,318
275	825	-	-	-	-	-	-	-	-	3,806
328	983	23	-	38	-	37	42	38	43	4,418
28	83	-	-	-	-	-	-	-	-	3,386
127	439	-	-	-	-	-	-	433	138	1,155
80	240	-	66	135	7	47	32	135	-	4,927
-	-	46	-	9	-	-	-	20	79	3,706
18,785	56,354	-	-	(513)	-	-	-	(513)	-	65,028
210,493	533,257	59,059	98,617	171,402	32,972	61,202	47,018	105,513	114,261	3,473,371
19,219	23,394	17,324	-	7,254	-	1,864	-	7,254	13,860	109,206
229,712	556,651	76,383	98,617	178,656	32,972	63,066	47,018	112,767	128,121	3,582,577
56,419	62,131	29,967	17,731	51,910	9,513	12,134	6,983	18,709	27,356	97,017
57,482	139,387	19,353	25,309	45,400	8,154	15,787	11,796	28,547	31,547	-
\$ (1,063)	\$ (77,256)	\$ 10,614	\$ (7,578)	\$ 6,510	\$ 1,359	\$ (3,653)	\$ (4,813)	\$ (9,838)	\$ (4,191)	\$ 97,017

COMMUNITY HUMAN SERVICES

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statement.

Schedule of Functional Revenues and Expenses

This schedule provides the Agency the comparison of revenues and expenses by each program function.

INDEPENDENT AUDITOR'S REPORTS

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

Board of Directors
Community Human Services
Monterey, 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 Community Human Services (a Joint Powers Agency of California local governments) (the Agency) as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated October 2, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, see 2013-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 and other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Vassinek, Trine, Day & Co., LLP".

Palo Alto, California
October 2, 2013



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

Board of Directors
Community Human Services
Monterey, California

Report on Compliance for Each Major Federal Program

We have audited Community Human Services' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Community Human Services' (the Agency) major Federal programs for the year ended June 30, 2013. The Agency's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, Community Human Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Community Human Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Palo Alto, California
October 2, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COMMUNITY HUMAN SERVICES

**SUMMARY OF AUDITOR’S RESULTS
FOR THE YEAR ENDED JUNE 30, 2013**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	<u>No</u>

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>93.959</u>	<u>Block Grant for Prevention and Treatment of Substance Abuse</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

COMMUNITY HUMAN SERVICES

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Financial Statement Findings

2013-1 Lack of Timely Reconciliations

Condition:

Certain reconciliations were not being prepared timely and accurately. Maintaining accurate financial information is important in making sound management decisions. It takes not only accurate posting of daily transactions, but also requires consistent and periodic reconciliations of actual balances to the general ledger to timely detect any errors and omissions. We noted certain balance sheet accounts which needed additional reconciliation procedures or adjustments.

Criteria:

Sufficient and timely closing procedures are a key factor in early detection of errors because they:

- ensure that transactions have been recorded completely and accurately;
- ensure there is underlying documentation to support amounts recorded in the general ledger; and
- reassesses the reliability of assumptions and estimates used to record older balances in the general ledger.

Effect:

Although we do not believe any of these conditions resulted in less than sound financial decisions by management and the Board, there certainly is a potential for errors that could go unnoticed unless a conscientious effort is made to strictly reinforce this procedure.

Recommendation

We recommend that Management evaluate the periodic reconciliation of significant account balances and year-end procedures and modify them as necessary to ensure that they are carried out regularly and consistently. The procedures should include an overall reconciliation and evaluation on the status of cash, accounts receivable and accounts payable within the Peachtree accounting system. We recommend that all accounts be reconciled and reviewed on a monthly basis as part of the Agency's routine closing schedule. The focus of this procedure should be:

- to verify amounts have been accurately reflected in the general ledger;
- to reassess the collectability and appropriateness of older balances;
- to evaluate the status of programs and grants;
- to reassess estimates and assumptions used in recording certain balances; and
- to identify and resolve account discrepancies.

Agency's Responses

The agency's finance department has been continuously functioning with less than a full complement of staff. We are constantly refocusing efforts on accounting functions and will allocate more accounting time to the functions of the general ledger and focus more attention on the accuracy of accounting entries and timely reconciliation of accounts. The focus in the prior year was accomplishing the reconciliation of the cash account in Peachtree which was done. Additional work will be done with the two small food accounts and the receivable/payable systems in the upcoming year.

COMMUNITY HUMAN SERVICES

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

Compliance Findings

There are no compliance findings.

Findings and Questioned Costs for Federal Awards

There are no findings and questioned costs.

COMMUNITY HUMAN SERVICES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2013

Financial Statement Findings

2012-1 Lack of Timely Reconciliations

Finding

Certain reconciliations were not being prepared timely and accurately. Maintaining accurate financial information is important in making sound management decisions. It takes not only accurate posting of daily transactions, but also requires consistent and periodic reconciliations of actual balances to the general ledger to timely detect any errors and omissions. We noted certain balance sheet accounts which needed additional reconciliation procedures or adjustments.

Recommendation

Although the Agency is limited by available resources, we recommend that Management evaluate the periodic reconciliation of significant account procedures and year-end procedures and modify them as necessary to ensure that they are carried out regularly and consistently. The procedures should include an overall reconciliation and evaluation on the status of cash, accounts receivable and accounts payable within the Peachtree accounting system. We recommend that all accounts be reconciled and reviewed on a monthly basis as part of the Agency's routine closing schedule.

Current Status

Not implemented, see current year finding 2013-1.