

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED UPON PROCEDURES
FOR SERVICES PROVIDED BY CHILDREN'S
CREATIVE LEARNING CENTER FOR THE
CITY OF MOUNTAIN VIEW
FOR THE PERIOD JULY 1, 2011 TO FEBRUARY 14, 2014**

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Ms. Patty Kong
City Auditor
City of Mountain View
500 Castro Street
Mountain View, California 94039-7540

Dear Patty:

We have performed the procedures described below, which were agreed to by the management of the City of Mountain View (City), California, solely to assist you in assessing the reasonableness of the Net Surplus paid to the City and Management Fees charged to the City by Children's Creative Learning Center, Inc. (CCLC) for the period July 1, 2011 to February 14, 2014. The City and CCLC is responsible for the financial statements, accounting records and other items provided by this engagement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the City's management. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Background Information

On December 7, 2007 the City entered into an agreement with CCLC to develop and operate a childcare center on City property for eight consecutive years unless terminated earlier. CCLC is entitled to a Management Fee of six percent (6%) of annual revenues after deducting operating expenses. Any resulting Net Surplus, after the Management Fee is calculated, is otherwise due to the City. However, if in any given fiscal year the profit is insufficient to achieve the 6% Management Fee, CCLC may deduct the unpaid portion of the prior fiscal year's deficient Management Fee (up to 100%) against the following year's (one year only) Net Surplus, otherwise due to City.

Procedures and Findings

The procedures we performed and associated findings are as follows:

1. General

We read the Agreement between the City of Mountain View and CCLC, dated December 7, 2007 (referred to as “Agreement” below) to gain an understanding of compensation of fees.

2. Analytical Review

We performed analytical procedures on revenues and expenditures for the period July 1, 2011 to February 14, 2014 and compared revenues trends to attendance statistics.

3. Management Fee

For the period July 1, 2011 to February 14, 2014, we selected 10 cash receipts from CCLC's accounting record for each fiscal year. For each receipt, we traced to billing file, deposit slip and bank statements.

4. Net Surplus Testing

To test for the understatement of revenues, we selected 8 students (the lessor of 30 participants or 5% of total student population of 157 for the period July 1, 2011 to February 14, 2014) from rosters and traced them to parent files and revenue collections for six different months. We found no exceptions.

To test for the overstatement of expenses, we selected 30 expense entries from CCLC's general ledger and vouched them. We also verified the purpose of the expenses to determine if they are necessary and reasonable. We found no exceptions.

5. Net Surplus Testing

For fiscal years 2011-12 and 2012-13 and the partial fiscal year of 2013-14, we obtained from the City the annual standalone financial statements submitted by CCLC as required by Section 12.3 of the Agreement. We compared revenue and expenses stated on the financial statements to the accounting records of CCLC. We noted that \$36,535 of net surplus was due to the City at February 14, 2014. We found no exceptions.

6. Management Fee Recalculation

For fiscal years 2011-12 and 2012-13 and the partial fiscal year of 2013-14, we recalculated the management fees as defined in Section 10.1 of the Agreement. We performed the recalculation as follows:

- Using the annual standalone financial statements for the Center prepared by the CCLC as required by Section 12.3, we re-calculated the revenue as defined in Section 8.4 of the Agreement without exception.
- Using the annual standalone financial statements for the Center prepared by the CCLC as required by Section 12.3, we re-calculated the operating expenses as defined in Section 8.5 of the Agreement without exception.
- We recalculated the management fees based on the Agreement and compared our recalculated results with the management fees paid by the City for the fiscal years and noted the following exception:
 - A. According to our recalculation of the management fee for fiscal years 2011-2012 and 2012-2013, it appears CCLC undercharged its management fee by \$346. In fiscal year 2013-2014, the management fee was calculated correctly.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the financial statements, accounting records and other items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Management of the City of Mountain View and is not intended to be used and should not be used by anyone other than the specified parties. This report is a matter of public record and this does not limit the distribution of this report.

Maze & Associates

October 15, 2014