

**FIRST 5 YUBA COMMISSION**

**Financial Statements  
Year Ended June 30, 2008**

**FIRST 5 YUBA COMMISSION**  
June 30, 2008

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P.O. Box 160  
661 5th Street, Suite 103  
Lincoln, CA 95648  
Office (916) 434-1662  
Fax (916) 434-1090

## INDEPENDENT AUDITOR'S REPORT

Commissioners  
First 5 Yuba Commission  
1114 Yuba Street, Suite 121  
Marysville, CA 95901

We have audited the accompanying financial statements of the governmental activities, and each major fund of the First 5 Yuba Commission (Commission), as of and for the year ended June 30, 2008, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

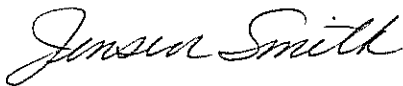
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2008 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2008, on our consideration of the Commission's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and

compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Jensen Smith  
Certified Public Accountants  
Lincoln, California 95648  
October 15, 2008



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Fiscal Year 2007-2008

In November 1998, voters passed a statewide ballot initiative to add a surtax to tobacco products (Proposition 10). The monies collected are to be used to fund programs that promote early childhood development, from prenatal to age five. The intent is for all California children to be healthy, to live in a healthy and supportive environment, and to enter school ready to learn.

As management of the First 5 Yuba Commission, we offer readers this overview of the Commission's financial activities for the fiscal year ended June 30, 2008.

#### Financial Highlights

- The commission earned \$1,200,867 from the State of California from revenues collected under the California Children and Families Act (Proposition 10).
- During the current fiscal year, the commission disbursed \$1,293,045 in grants to various service providers, and has designated \$4,970,493 to be distributed over the next five years.
- The assets of the First 5 Yuba Commission exceeded its liabilities at the close of the most recent fiscal year by \$3,637,513 (*net assets*).
- As of the close of the current fiscal year, First 5 Yuba Commission's governmental funds reported combined ending fund balances of \$3,612,783, a net decrease of \$349,747 in comparison with the prior year. Approximately 23% is available for spending at the commission's discretion (*unreserved, undesignated fund balance*).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$822,374, or 52% of total general fund expenditures.

#### Overview of the Financial Statements

The discussion and analysis area intended to serve as an introduction to the First 5 Yuba Commission's basic financial statements. The First 5 Yuba Commission's basic financial statements comprise three components: 1) government-wide financial statements. 2) fund financial statements and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the First 5 Yuba Commission's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the First 5 Yuba Commission's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the First 5 Yuba Commission is improving or deteriorating.

The *statement of activities* presents information showing how the First 5 Yuba Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flow.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

**Fund financial statements.** A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The First 5 Yuba Commission, like local governments, uses fund accounting to ensure 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, 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.

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on page 9 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the First 5 Yuba Commission’s finances. Required supplementary information can be found on page 23 of this report.

The Government-Wide and Fund financial statements have been combined for presentation purposes.

**Commission-Wide Financial Analysis**

**Net assets.** Net assets may serve over time as a useful indicator of a commission’s financial position. In the case of First 5 Yuba Commission, assets exceeded liabilities by \$3,637,513 at the close of the most recent fiscal year. However, financial statement users need to consider other factors, both financial and non-financial, in assessing the commission’s financial position. These factors include changes in services, changes in state funding, and changes in the economy.

Changes in the commission’s net assets were as follows:

	<u>2007-2008</u>	<u>2006-2007</u>	<u>Change</u>	<u>%</u>
Current and other assets	\$3,942,899	\$4,086,017	\$(143,118)	-3.50%
Capital Assets	<u>\$706</u>	<u>\$1,524</u>	<u>\$(818)</u>	<u>-53.67%</u>
Total Assets	\$3,943,605	\$4,087,541	\$(143,936)	-3.52%
Long-term liabilities	0	0	0	0
Other liabilities	<u>\$306,092</u>	<u>\$129,020</u>	<u>\$177,072</u>	<u>137.24%</u>
Total Liabilities	\$306,092	\$129,020	\$177,072	137.24%
Net assets:				
Invested in capital assets, net of related debt	\$706	\$1,524	\$(818)	-53.67%
Restricted	<u>\$3,636,807</u>	<u>\$3,956,997</u>	<u>\$(320,190)</u>	<u>-8.09%</u>
Total Net Assets	<u><u>\$3,637,513</u></u>	<u><u>\$3,958,521</u></u>	<u><u>\$(321,008)</u></u>	<u><u>-8.11%</u></u>

Total Assets decreased because of a slight decline in overall funding from First 5 CA and therefore a slight decline in interest. Total Liabilities were increased as more new grants and contracts were awarded by the Commission.

Net assets are reported in three different categories. Invested in capital assets, net of related debt, relates to the portion of the Commission’s equity that is comprised of capital assets, net of any outstanding debt related to those assets. The remainder of the First 5 Yuba Commission’s net assets, \$3,636,807, represents resources that are subject to external restrictions on how they may be used. The Commission’s net assets decreased by net \$321,008 (2007-2008 \$(210,468) and prior period adjustment \$(139,279)).

**Revenues.** The commission receives virtually all of its revenue from the state allocation of Proposition 10 funds or from interest earned from its investments. In the fiscal year ending June 30, 2008, the \$1,200,867 earned from the state was a decrease of \$66,974 compared to the prior fiscal year. The commission invests all of its monthly tobacco tax funds with the Yuba County Treasurer and returned \$188,666 for fiscal year 2007-2008. An additional \$5,434 of interest income was earned on funds temporarily held by First 5 CA and later disseminated to counties. This interest is referred to by First 5 CA as SMIF (Surplus Money Investment Fund.)

Changes in the commission’s revenues were as follows:

	<u>2007-2008</u>	<u>2006-2007</u>	<u>Change</u>	<u>%</u>
Program revenue:				
Prop. 10 allocation	\$1,027,645	\$1,057,509	\$(29,864)	-2.82%
Foundation and state matching grants	\$173,222	\$204,365	\$(31,143)	-15.24%
Other revenue	\$5,434	\$5,967	\$(533)	-8.93%
Total program revenue	<u>\$1,206,301</u>	<u>\$1,267,841</u>	<u>\$(61,540)</u>	<u>-4.85%</u>
General revenue - investment income	<u>\$188,666</u>	<u>\$160,198</u>	<u>\$28,468</u>	<u>17.77%</u>
Total revenue	<u>\$1,394,967</u>	<u>\$1,428,039</u>	<u>\$(33,072)</u>	<u>-2.32%</u>

There was a slight decrease in total revenue in fiscal year 2007-2008.

**Expenses.** During fiscal year 2007-2008, the commission expensed \$1,293,045, including prior year encumbrances, to various service providers within Yuba County. This represents an increase of \$822,866 over the prior fiscal year.

Changes in the commission’s expenses were as follows:

	<u>2007-2008</u>	<u>2006-2007</u>	<u>Change</u>	<u>%</u>
Grant expenditures	\$1,293,045	\$470,179	\$822,866	175.01%
Salaries and benefits	\$190,095	\$190,996	\$(901)	-0.47%
Evaluation/planning	\$34,962	\$38,100	\$(3,138)	-8.23%
Professional fees	\$16,598	\$32,976	\$(16,378)	-49.67%
Rent/utilities	\$12,209	\$11,553	\$656	5.68%
Administrative expenses	\$22,118	\$13,237	\$8,881	67.09%
Training and conferences	\$5,823	\$4,217	\$1,606	38.08%
Insurance	\$1,183	\$1,455	\$(272)	-18.69%
Total expenses	<u>\$1,576,033</u>	<u>\$762,713</u>	<u>\$813,320</u>	<u>106.64%</u>

The increase in Grant expenditures is a result of the Commission awarding more funding to service organizations in the community during 2007-2008. This also results in increased evaluation expenditures. A decrease in Professional fees is due to a one time audit of grantees which was conducted in 2006-2007 only. Administrative expenses increased because of the need to advertise for a new Executive Director, an increase in outreach activities, county interest expenses, and county administrative expenses. The increase in Training and conferences was due to the attendance of Advisory Committee members at the First 5 CA Annual Conference.

**Capital assets.** During the fiscal year, the Commission's capital assets, net of accumulated depreciation, decreased by \$818.

**Long-term liabilities.** The Commission does not have any Long-Term Liabilities.

**Requests for information.** This financial report is designed to provide a general overview of the First 5 Yuba Commission's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: First 5 Yuba Commission, 1114 Yuba Street, Suite 121, Marysville, CA, 95901.



**FIRST 5 YUBA COMMISSION  
GOVERNMENTAL FUNDS BALANCE SHEET AND  
STATEMENT OF NET ASSETS  
June 30, 2008**

	<b>General Fund</b>	<b>Total</b>	<b>Adjustments</b>	<b>Statement of Net Assets</b>
<b>ASSETS</b>				
Cash	\$ 3,705,884	\$ 3,705,884	\$ -	\$ 3,705,884
State Grants Receivable	178,130	178,130	29,402 <sup>(1)</sup>	207,532
Interest Receivable	29,483	29,483	-	29,483
Capital Assets				
Net of Accumulated Depreciation	-	-	706 <sup>(2)</sup>	706
<b>Total Assets</b>	<b>\$ 3,913,497</b>	<b>\$ 3,913,497</b>	<b>\$ 30,108</b>	<b>\$ 3,943,605</b>
<b>LIABILITIES</b>				
Liabilities				
Payroll Payable	\$ 14,601	\$ 14,601	\$ -	\$ 14,601
Grants and Contracts Payable	286,113	286,113	-	286,113
Compensated Absences Payable	-	-	5,378 <sup>(3)</sup>	5,378
<b>Total Liabilities</b>	<b>300,714</b>	<b>300,714</b>	<b>5,378</b>	<b>306,092</b>
<b>FUND BALANCES</b>				
Reserved For:				
Encumbrances	1,007,219	1,007,219	(1,007,219)	
First 5 California				
Commission Initiatives	174,194	174,194	(174,194)	
Local Initiatives and Program				
Sustainability	1,608,996	1,608,996	(1,608,996)	
Unreserved	822,374	822,374	(822,374)	
<b>Total Fund Balances</b>	<b>\$ 3,612,783</b>	<b>\$ 3,612,783</b>		
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,913,497</b>	<b>\$ 3,913,497</b>		
<b>NET ASSETS</b>				
Invested in Capital Assets, net of accumulated depreciation			706	706
Restricted			3,636,807	3,636,807
<b>Total Net Assets</b>				<b>\$ 3,637,513</b>

<sup>(1)</sup> Contracts Receivable received after ninety days after the year end are not considered currently available and therefore are not reported in the governmental fund activities.

<sup>(2)</sup> Capital assets used in the governmental activities are not financial resources and therefore are not reported in the governmental fund activities.

<sup>(3)</sup> Compensated absences payable applicable to the Commission's governmental activities are not due and payable in the current period and accordingly are not reported as a fund liability.

See Accompanying Notes.

**FIRST 5 YUBA COMMISSION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2008**

	School Readiness	CARES	General Programs	Governmental Funds Total	Adjustments	Statement of Activities
<b>Revenues:</b>						
State Funding	\$ 137,500	\$ 6,320	\$ 1,027,645	\$ 1,171,465	\$ 29,402 <sup>(1)</sup>	\$ 1,200,867
Interest	-	-	188,666	188,666	-	188,666
Surplus Money Investment Fund	-	-	5,434	5,434	-	5,434
Total Revenues	<u>137,500</u>	<u>6,320</u>	<u>1,221,745</u>	<u>1,365,565</u>	<u>-</u>	<u>1,394,967</u>
<b>Expenditures:</b>						
Personnel	-	-	140,536	140,536	(140,536)	-
Personnel Benefits	-	-	49,559	49,559	(49,559)	-
Communications	-	-	209	209	(209)	-
Insurance	-	-	1,183	1,183	(1,183)	-
Memberships and Subscriptions	-	-	2,000	2,000	(2,000)	-
Office Supplies	-	-	7,071	7,071	(7,071)	-
Professional Fees	-	-	16,598	16,598	(16,598)	-
Advertising	-	-	1,185	1,185	(1,185)	-
Occupancy	-	-	12,209	12,209	(12,209)	-
Special Department	-	-	4,665	4,665	(4,665)	-
Transportation	-	-	5,823	5,823	(5,823)	-
County Administration Costs	-	-	6,152	6,152	(6,152)	-
Interest Expense	-	-	836	836	(836)	-
CARES	-	107,167	-	107,167	(107,167)	-
Healthy Kids	-	-	57,637	57,637	(57,637)	-
School Readiness	254,305	-	-	254,305	(254,305)	-
Evaluation and Assessment	-	-	34,962	34,962	(34,962)	-
Commission Initiatives	-	-	39,073	39,073	(39,073)	-
Community Initiatives	-	-	374,147	374,147	(374,147)	-
Mini-Grants	-	-	65,361	65,361	(65,361)	-
AmeriCorps	-	-	27,462	27,462	(27,462)	-
Encumbered Program Costs	-	-	367,893	367,893	(367,893)	-
Depreciation	-	-	-	-	(818) <sup>(2)</sup>	-
Compensated Absences	-	-	-	-	155 <sup>(3)</sup>	-
Total Expenditures	<u>254,305</u>	<u>107,167</u>	<u>1,214,561</u>	<u>1,576,033</u>	<u>(1,576,696)</u>	<u>-</u>
<b>Excess of Revenues over Expenditures</b>	<b>(116,805)</b>	<b>(100,847)</b>	<b>7,184</b>	<b>(210,468)</b>		
<b>Expenses</b>						
Administration Expenses						143,906
Program Expenses						1,382,171
Evaluation Expenses						50,619
Total Expenses						<u>1,576,696</u>
<b>Change in Fund Balances/Net Assets</b>	<b>(116,805)</b>	<b>(100,847)</b>	<b>7,184</b>	<b>(210,468)</b>		<b>(181,729)</b>
<b>Fund Balance/Net Assets:</b>						
Beginning of the Year	23,497	(35,382)	3,974,415	3,962,530		3,958,521
Prior Period Adjustment	-	-	(139,279)	(139,279)		(139,279)
End of the Year	<u>\$ (93,308)</u>	<u>\$ (136,229)</u>	<u>\$ 3,842,320</u>	<u>\$ 3,612,783</u>		<u>\$ 3,637,513</u>

- <sup>(1)</sup> Contracts Receivable received after ninety days after the year end are not considered currently available and therefore are not reported in the governmental fund activities. Prior year Contracts Receivable received after ninety days after the year end were not considered currently available and therefore are not reported in the governmental fund activities in the prior year, but are reported in the current year.
- <sup>(2)</sup> Depreciation is an expense reported in the statement of activities that does not require the use of current financial resources, and therefore is not reported as an expenditure in the governmental fund activities
- <sup>(3)</sup> Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. The change in compensated absences is recorded as an expense on the Statement of Activities.

See Accompanying Notes.

**FIRST 5 YUBA COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**Note 1 – Nature of the Organization**

**Reporting Entity**

First 5 Yuba Commission (Commission) was established on December 15, 1998 pursuant to authority granted under the California Children and Families First Act of 1998 by the County of Yuba's Board of Supervisors to operate as a separate and legal entity from the County of Yuba. The California Children and Families First Act of 1998 (Proposition 10), was adopted by the voters of the State of California on November 3, 1998. The Commission's programs are funded by taxes levied by the State of California on tobacco products.

The Commission's specific purpose is to promote, support and improve the early development of children from the prenatal stage to five (5) years of age, consistent with the goals and objectives of Proposition 10 within the County of Yuba. This purpose shall be accomplished through the establishment, institution and coordination of appropriate standards, resources, and integrated and comprehensive programs emphasizing community awareness, education, nurturing, childcare, social services, health care and research.

The Commission is administered by a governing board of commissioners. The commissioners consist of one (1) member of the Board of Supervisors, the Health Officer of Yuba County, the Director of Health and Human Services, and four members of the community who represent an area specific to the purpose of the Commission. Commissioners serve for three year terms.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Presentation and Accounting**

*Government-wide and Fund Financial Statement*

The government-wide financial statements (i.e., the statement of net assets and the statement activities and changes in net assets) report information on the primary government (Commission) as a whole.

The column for the statement of activities presents the governmental activities separated into administrative, program and evaluation activities. Direct expenses are those that are clearly identifiable as 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 individual governmental funds are reported in separate columns for the fund financial statements.

**FIRST 5 YUBA COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**Note 2 - Summary of Significant Accounting Policies - continued**

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized as soon as they both are measurable and available. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Commission considers revenues to be available if they are collected within ninety days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

*Fund Accounting*

The Commission uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Commission only uses governmental funds.

*Governmental Funds*

Governmental funds are those through which most governmental functions typically are transacted. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

Governmental Activities Consisted of the Following Major Funds:

General Program

The General Fund program is funded by State Commission Proposition 10 dollars. This program funds Grants, Mini-Grants, and Special Projects, Evaluation and Assessment, administrative support, outreach, and professional development. The funds are also used to maintain an amount for fiscal sustainability.

**FIRST 5 YUBA COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**Note 2 - Summary of Significant Accounting Policies - continued**

**School Readiness Program**

The purpose of the School Readiness Initiative is to improve the ability of families, schools, and communities to prepare children to enter school ready to succeed. There are 5 focus areas: Early care and education services program including kindergarten transition; Parenting/Family Support services; Health and Social Services; Schools' capacity to prepare children and families for school success; and Program Infrastructure, administration and evaluation. This program is funded by First 5 California; \$112,500 for the program, and \$25,000 for administration, Marysville Joint Unified School District and First 5 Yuba Commission. The State of California First 5 Children and Families First Commission released the audit guidelines in January 2003 requiring separate fund accounting for this program, including a separate report of revenues, expenditures and balance sheet.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 3 – Credit Risk, Carrying Value and Market Value of Investments**

All cash at June 30, 2008 is pooled for investment purposes and held by the County of Yuba. The Yuba 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. 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 carrying amount and the fair value of cash and investments was not material; therefore, an adjustment to fair value was not required for GASB 31 compliance.

The Commission deposits all funds in interest bearing accounts with Yuba 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 Yuba's financial statements.

**FIRST 5 YUBA COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**Note 3 – Credit Risk, Carrying Value and Market Value of Investments -continued**

The Commission's carrying amount and fair value of investments as of June 30, 2008 were as follows:

Pooled Investments:	Carrying Amount	Fair Value	Difference
Yuba County	\$3,705,884	\$3,729,424	\$ 23,540

At June 30, 2008, the difference between the carrying value and the Fair value of the cash and investments was \$23,540, or .635%. This difference was not regarded as material to the Commission's financial position or the results of its operations so an adjustment was not required. Fair value was based on unaudited quoted market values provided by the Yuba County Treasurer.

**Note 4 – State Grants Receivable**

At June 30, 2008, State Grants Receivable consisted of the California Tobacco Tax Revenue granted through the State of California First 5 Children and Families Commission as follows.

Tobacco Tax Revenues	\$167,696
CARES Funding	29,402
Health Access	5,000
Surplus Monetary Investment Funds	5,434
Total	<u>\$207,532</u>

**Note 5 – Capital Assets**

Capital assets are capitalized at cost and updated for additions and retirements during the year. The Commission maintains a capitalization threshold of \$1,000. The Commission does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Equipment is generally depreciated over 5 years. Equipment for the year ended June 30, 2008 was \$9,350 and accumulated depreciation was \$8,644.

Depreciation for the fiscal year ended June 30, 2008 amounted to \$818.

**FIRST 5 YUBA COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**Note 6 – Grants and Contracts Payable**

At June 30, 2008 the Commission had the following Contracted Grants and Mini-Grants payable:

<u>Grantee</u>	<u>Amount Payable</u>
Camptonville Community Partnership – First Smiles	\$ 1,959
Del Norte Clinics – Preschool Health Screening and Outreach Project	39,657
Leaves of Learning: Preschool Implementation Project	8,533
Camptonville Community Partnership: FRC-based Support & Early Childhood 123 Grow	4,308
Staci M. Howell: Literacy Learning Parties	4,153
Twin Cities Association for the Education of Young Children: Stepping into Quality	5,229
Yuba County Office of Education: Behavioral Specialist Services	22,574
GraceSource – AmeriCorps Services	9,063
Minicucci & Associates - Evaluation	6,089
Healthy Kids	4,237
Yuba County Office of Education-CARES	49,605
Marysville Joint Unified School District – School Readiness	92,218
Marysville Joint Unified School District – Literacy Program	8,553
Marysville Joint Unified School District – Dental Van	14,254
<b>Mini-Grants</b>	
Sutter North Medical Foundation	4,960
Yuba County Office of Education	2,673
Wheatland School District	2,500
Little Crusaders	1,000
Trisha’s Family Child Care	1,469
Chairo’s Daycare	1,000
Yuba County Health and Human Services	2,080
Total Contracted Grants and Mini-Grants Payable	<u>\$ 286,113</u>

**FIRST 5 YUBA COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**Note 7 - Concentrations**

The Commission receives 86% of its funding from the State of California. If these funds were unavailable, the Commission's ability to continue its programs would be threatened.

**Note 8 – Fund Balances**

Reservations of fund balance are used to indicate that a portion of the reported fund balance is either legally restricted for a specific use and not available for appropriation or expenditure.

*Encumbrances* are contractual obligations to make future payments. They are legal obligations of the Commission based on an executed contractual agreement.

*Funds Reserved for First 5 California Initiatives* is the amount of the fund balances restricted to the specific programs and the future match required for those programs.

*Reserved for local initiatives and program sustainability* is the funds committed to operate specific programs or projects in the current and future fiscal years that have not yet been encumbered or authorized for definite contracts, and funds that have been set aside for long-term program sustainability.

The Commission has committed the fund balances to future use as follows:

Total Fund Balance	\$ 3,612,783
Committed Funds:	
Encumbrances	1,007,219
Funds Reserved for First 5 Commission Initiatives	174,194
Reserved for Local Initiatives and Program Sustainability	1,608,996
Total Committed Funds	2,790,409
Total Uncommitted Funds	\$ 822,374

**Note 9 – Budgets and Sustainability**

Budgets are set by the Commission for each of the major funds by June of each year. The budget is amended periodically when significant new information becomes available.

As required by the Health and Safety Code Section 130151(b)(5) the Commission adopted a 5-year financial and strategic plan. This plan address future fiscal responsibility and future program planning and is updated each year as needs in the community are reassessed. To this purpose, the Commission has developed a reserve fund with the County of Yuba. Ten-percent of the tax revenues received each month is deposited into the reserve account to serve as a fund for investment income and to provide for future long-term program continuation.



**FIRST 5 YUBA COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**Note 10 – Prior Period Adjustments**

The Commission's financial statements as of June 30, 2007 contained errors affecting the net assets as follows:

The Commission's financial statements as of June 30, 2007 contained the following errors in its fund balance; (1) there were unrecorded liabilities of \$173,054 for Grants and Contracts Payable at June 30, 2007, creating an understatement of liabilities and an overstatement of net income in the amount of \$173,054, (2) there was an unrecorded receivable for the state funded revenues of \$33,775 creating an understatement of grants receivable and an understatement of net income in the amount of \$33,775. The fund balance as of July 1, 2007 has been decreased by \$139,279, to correct the aggregate effect of these errors. Had the errors not been made, the change in fund balance for the fiscal year ended June 30, 2007 would have been an increase of \$526,048 not the \$665,327 reported.

**Note 11 – Program Evaluation**

The Commission is required by the California State Commission to disclose the amount spent on Program Evaluation. During the fiscal year ended June 30, 2008 the Commission spent \$50,619 for Evaluation.

**Note 12 – Cost Allocation**

The Commission allocated costs between administrative, program and evaluation activities. Direct costs are expensed directly to the category. Indirect costs are allocated based on the amount of time staff spends on each activity. Personnel costs are allocated based on the amount of time spent on those activities.

**Note 13 – Employees**

The Commission has contracted with the County of Yuba for Human Resources and Personnel Services for the Commission. As such, the County of Yuba is the employer of the employees working at the Commission. The contract with the County of Yuba 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, 2008.

Salaries	\$ 140,536
Retirement Benefits - CalPERS	18,150
Health Benefits	26,950
Payroll Taxes	<u>4,459</u>
Total	<u>\$ 190,095</u>

**FIRST 5 YUBA COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2008**

**Note 13 – Employees – Continued**

As employees of the County of Yuba, the Commission employees participate in the retirement benefits of the County of Yuba 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 PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95814.

**Funding Policy -**

The Commission reimburses the County for 11.25% of the employees' annual covered salary. The contribution requirements are established and may be amended by PERS.

**Note 14 – Risk Management**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee's health; and natural disasters. The County of Yuba is a member of the CSAC Excess Insurance Authority (CSAC EIA). CSAC EIA is a member-directed risk sharing pool of counties and public entities committed to providing risk coverage programs and risk management services. The Commission is covered under the policy of the County of Yuba. The County of Yuba has the following coverage through the risk pool.

- Watercraft
- Excess and Primary Workers' Compensation
- General Liability
- Medical Malpractice
- Property

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission.

P.O. Box 160  
661 5th Street, Suite 103  
Lincoln, CA 95648  
Office (916) 434-1662  
Fax (916) 434-1090

**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**

Commissioners  
First 5 Yuba Commission  
1114 Yuba Street, Suite 121  
Marysville, CA 95901

We have audited the accompanying financial statements of the governmental activities, and each major fund of the First 5 Yuba Commission (Commission), as of and for the year ended June 30, 2008, and have issued our report thereon dated October 15, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organizations' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management in a separate letter dated October 15, 2008.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Jensen Smith  
Certified Public Accountants  
Lincoln, California  
October 15, 2008

P.O. Box 160  
 661 5th Street, Suite 103  
 Lincoln, CA 95648  
 Office (916) 434-1662  
 Fax (916) 434-1090

**INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE**

Commissioners  
 First 5 Yuba Commission  
 Marysville, CA

We have audited the basic financial statements of First 5 Yuba Commission, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 15, 2008.

Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; and 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 California Counties Participating in the California Children and Families Program, issued by the State Controller’s Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

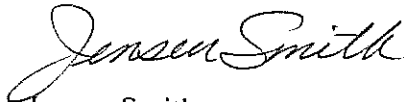
The Commission’s management is responsible for the Commission’s compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the commission’s compliance with the laws and regulations applicable to the following items.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
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

Based on our audit we found that, for the items tested, the First 5 Yuba Commission complied with the laws and regulations of the items referred to above. Further based on our examination, for items not tested nothing came to our attention to indicate that the Commission had not complied with the laws and regulations of the California Children and Families Program.

This report is intended solely for the information and of the County Board of Supervisors, the County Commission, the State Commission, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Jensen Smith  
 Certified Public Accountants  
 Lincoln, California 95648  
 October 15, 2008

**REQUIRED SUPPLEMENTARY INFORMATION**

**FIRST 5 YUBA COMMISSION**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET TO ACTUAL - GENERAL FUND (NON-GAAP BUDGETARY BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>GENERAL PROGRAM FINAL BUDGET</b>	<b>GENERAL PROGRAM ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET UNDER/(OVER)</b>
<b>REVENUES</b>			
Annual Tobacco Tax Income	\$ 965,000	\$ 1,014,273	\$ (49,273)
School Readiness Matching Dollars	125,000	137,500	(12,500)
CARES State Matching Dollars	40,000	35,722	4,278
Health Access	-	13,372	(13,372)
SMIF	-	5,434	(5,434)
Interest	155,818	188,666	(32,848)
<b>TOTAL REVENUES</b>	<b>1,285,818</b>	<b>1,394,967</b>	<b>(109,149)</b>
<b>EXPENDITURES</b>			
Salaries and Benefits	207,858	190,095	17,763
Communications	300	209	91
Insurance	1,183	1,183	-
Interest	-	836	(836)
Memberships and Subscriptions	2,250	2,000	250
Office Supplies	9,500	7,071	2,429
Professional Services	22,848	16,598	6,250
Advertising	7,000	1,185	5,815
Occupancy	15,000	12,209	2,791
Travel	7,500	5,823	1,677
Special Department Expense	10,000	4,665	5,335
County Administration Costs	6,152	6,152	-
Fixed Assets	1,500	-	1,500
Encumbered Funds	816,838	367,893	448,945
CARES	120,000	107,167	12,833
School Readiness	240,747	254,305	(13,558)
Healthy Kids	94,254	57,637	36,617
Commission Initiatives	52,086	39,073	13,013
Community Initiatives	468,202	374,147	94,055
New Requests for Proposals	843,500	-	843,500
Mini-Grants	120,000	65,361	54,639
Contingency	45,000	-	45,000
AmeriCorps	42,575	27,462	15,113
Evaluation and Assessment	50,000	34,962	15,038
<b>TOTAL EXPENDITURES</b>	<b>3,184,293</b>	<b>1,576,033</b>	<b>1,608,260</b>
Excess (Deficiency) of Revenue over Expenditures Before Transfers	<b>(1,898,475)</b>	<b>(181,066)</b>	<b>1,717,409</b>
Fund Balance at June 30, 2007	3,962,530	3,962,530	
<b>FUND BALANCE AT JUNE 30, 2008</b>	<b>\$ 2,064,055</b>	<b>\$ 3,781,464</b>	
	Budget Basis	\$ (181,066)	
	Depreciation	(818)	
	Change in Compensated Absences	155	
	<b>GAAP Basis</b>	<b>\$ (181,729)</b>	

See Notes to the Financial Statements.



**FIRST 5 YUBA COMMISSION**  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2008

**BUDGET AND BUDGETARY ACCOUNTING**

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

An operating budget is adopted each fiscal year in the modified accrual basis of accounting. 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.

P.O. Box 160  
661 5th Street, Suite 103  
Lincoln, CA 95648  
Office (916) 434-1662  
Fax (916) 434-1090

October 15, 2008

Commissioners  
First 5 Yuba Commission  
Marysville, California

Dear Ladies and Gentlemen,

This year has been a significant year for program funding and management changes. The Commission has made great strides in becoming an effective force in Yuba County for implementation of programs for young children. We commend your efforts.

In planning and performing our audit of the financial statements of the Commission for the year ended June 30, 2008 we considered the 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 the internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated October 15, 2008, on the financial statements of the Commission.

1.) The audit got a late start this year due to the timing of the closing of the Yuba County reporting and the time required by the CPA contracted to prepare the financial statements. While there is little you can do to assist the County in completing the reports, you may want to consider alternatives for your financial statement preparation. We have discussed this issue at length with management and believe they will be able to address this issue in the future.

2.) The size of the Commission's accounting and administrative staff preclude certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Commissioners remain involved in the financial affairs of the Commission to provide oversight and independent review functions.

Even with a change in management, the Commission has maintained continuity in the financial statements and its programs. We commend you on your oversight and commend your staff on working as a team to benefit the Commission.

Thank you for the opportunity to provide assurance services to your commission.

We wish you continued success in the coming year.

Sincerely,

A handwritten signature in cursive script that reads "Jensen Smith".

Jensen Smith  
Certified Public Accountants  
Lincoln, California 95648