

**FIRST FIVE YUBA COMMISSION**

**Financial Statements**  
**Year Ended June 30, 2009**

FIRST FIVE YUBA COMMISSION  
June 30, 2009

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## INDEPENDENT AUDITOR'S REPORT

Commissioners  
First Five 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 Five Yuba Commission (Commission), as of and for the year ended June 30, 2009, 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, 2009 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 22, 2009, 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 required parts 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 22, 2009



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year 2008-2009

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 Five Yuba Commission, we offer readers this overview of the Commission's financial activities for the fiscal year ended June 30, 2009.

### Financial Highlights

- The commission earned \$1,256,823 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 \$1,390,507 in grants to various service providers, and has reserved \$3,263,464 (fund balances) for Encumbrances and Prepaid Contracts, Obligations, First 5 CA Initiatives, and Local Initiatives and Program Sustainability.
- The assets of the First Five Yuba Commission exceeded its liabilities at the close of the most recent fiscal year by \$3,289,625 (*net assets*).
- As of the close of the current fiscal year, First Five Yuba Commission's governmental funds reported combined ending fund balances of \$3,263,464 a net decrease of \$349,319 in comparison with the prior year.
- At the end of the current fiscal year all fund balances had been reserved.

### Overview of the Financial Statements

The discussion and analysis area intended to serve as an introduction to the First Five Yuba Commission's basic financial statements. The First Five 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 Five 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 Five 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 Five Yuba Commission is improving or deteriorating.

The *statement of activities* presents information showing how the First Five 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 Five 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 spend-able 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 Five Yuba Commission's finances. Required supplementary information can be found on page 22 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 Five Yuba Commission, assets exceeded liabilities by \$3,289,625 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:

	2008-2009	2007-2008	Change	%
Current and other assets	\$3,802,039	\$3,942,899	(\$140,860)	-3.57%
Capital Assets	\$2,586	\$706	\$1,880	266.29%
Total Assets	\$3,804,625	\$3,943,605	(\$138,980)	-3.52%
Long-term liabilities	0	0	0	
Other liabilities	\$515,000	\$306,092	\$208,908	68.25%
Total Liabilities	\$515,000	\$306,092	\$208,908	68.25%
Net assets:				
Invested in capital assets, net of related debt	\$2,586	\$706	\$1,880	266.29%
Restricted	\$3,287,039	\$3,636,807	(\$349,768)	-9.62%
Total Net Assets	\$3,289,625	\$3,637,513	(\$347,888)	-9.37%

Total Assets decreased because of the use of cash to fund program costs in excess of revenues. 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 Five Yuba Commission's net assets, \$3,287,039, represents resources that are subject to external restrictions on how they may be used. The Commission's net assets decreased by \$347,888.

**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, 2009, the \$1,256,823 earned from the state was an increase of \$55,956 compared to the prior fiscal year. The commission invests all of its monthly tobacco tax funds with the Yuba County Treasurer and returned \$111,552 for fiscal year 2008-2009. An additional \$2,501 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:

	2008-2009	2007-2008	Change	%
Program revenue:				
Prop. 10 allocation	\$1,084,332	\$1,027,645	\$56,687	5.79%
State matching grants	\$172,491	\$173,222	(\$731)	-1.53%
Other revenue	\$9,597	\$5,434	\$4,163	76.61%
Total program revenue	\$1,266,420	\$1,206,301	\$60,119	4.98%
Investment income	\$111,552	\$188,666	(\$77,114)	-40.87%
Total revenue	\$1,377,972	\$1,394,967	(\$16,995)	-1.22%

There was a slight decrease in total revenue in fiscal year 2008-2009 due to the decline in interest income.

**Expenses.** During fiscal year 2008-2009, the commission expensed \$1,725,860, including prior year encumbrances, to various service providers within Yuba County. This represents an increase of \$149,827 over the prior fiscal year.

Changes in the commission's expenses were as follows:

	2008-2009	2007-2008	Change	%
Grant expenditures	\$1,390,507	\$1,293,045	\$97,462	7.54%
Salaries and benefits	\$218,296	\$190,095	\$28,201	14.84%
Evaluation/planning	\$31,665	\$34,962	(\$3,297)	-9.43%
Professional fees	\$44,308	\$16,598	\$27,710	166.95%
Rent/utilities	\$12,209	\$12,209	\$0	0.00%
Administrative expenses	\$21,705	\$22,118	(\$413)	-1.87%
Training and conferences	\$5,660	\$5,823	(\$163)	-2.80%
Insurance	\$1,510	\$1,183	\$327	27.64%
Total expenses	<u>\$1,725,860</u>	<u>\$1,576,033</u>	<u>\$149,827</u>	<u>8.69%</u>

The increase in Grant expenditures is a result of the Commission awarding more funding to service organizations in the community during 2008-2009. Salaries and benefits increased from the prior year due to having an executive director the entire year as well as regular annual wage increases and temporary help while staff was on family leave. Professional fees increased from the prior year due to hiring a CPA in 2008-2009 to prepare the financial statements for 2007-2008, hiring a facilitator for the annual retreat, and attorney fees for the attorney to review contracts for the current year.

**Capital assets.** During the fiscal year, the Commission's capital assets, net of accumulated depreciation, increased by \$1,880. This includes an increase in assets of \$2,161 and depreciation of \$281. Total capital assets net of accumulated depreciation was \$2,586.

**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 Five 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 Five Yuba Commission, 1114 Yuba Street, Suite 121, Marysville, CA, 95901.



**FIRST FIVE YUBA COMMISSION  
GOVERNMENTAL FUNDS BALANCE SHEET AND  
STATEMENT OF NET ASSETS  
June 30, 2009**

	<u>General Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>				
Cash	\$ 3,540,486	\$ 3,540,486	\$ -	\$ 3,540,486
State Grants Receivable	180,259	180,259	31,338 <sup>(1)</sup>	211,597
Prepaid Grantee Contracts	24,066	24,066	-	24,066
Interest Receivable	25,890	25,890	-	25,890
Capital Assets				
Net of Accumulated Depreciation	-	-	2,586 <sup>(2)</sup>	2,586
<b>Total Assets</b>	<u>\$ 3,770,701</u>	<u>\$ 3,770,701</u>	<u>\$ 33,924</u>	<u>\$ 3,804,625</u>
<b>LIABILITIES</b>				
Liabilities				
Payroll Payable	\$ 15,466	\$ 15,466	\$ -	\$ 15,466
Grants and Contracts Payable	491,771	491,771	-	491,771
Compensated Absences Payable	-	-	7,763 <sup>(3)</sup>	7,763
<b>Total Liabilities</b>	<u>507,237</u>	<u>507,237</u>	<u>7,763</u>	<u>515,000</u>
<b>FUND BALANCES</b>				
Reserved For:				
Encumbrances and Prepaid Contracts	787,501	787,501		
Obligations	483,993	483,993		
First 5 California				
Commission Initiatives	228,539	228,539		
Local Initiatives and Program				
Sustainability	1,763,431	1,763,431		
<b>Total Fund Balances</b>	<u>\$ 3,263,464</u>	<u>\$ 3,263,464</u>		
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,770,701</u>	<u>\$ 3,770,701</u>		
<b>NET ASSETS</b>				
Invested in Capital Assets, net of accumulated depreciation			2,586	2,586
Restricted			3,287,039	3,287,039
<b>Total Net Assets</b>				<u>\$ 3,289,625</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.

<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 FIVE YUBA COMMISSION**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2009**

	School Readiness	CARES	General Programs	Governmental Funds Total	Adjustments	Statement of Activities
<b>Revenues:</b>						
State Funding	\$ 132,733	\$ 37,822	\$ 1,084,332	\$ 1,254,887	\$ 1,936 <sup>(1)</sup>	\$ 1,256,823
Interest	-	-	111,552	111,552	-	111,552
Other Miscellaneous Income	-	-	1,134	1,134	-	1,134
Health Access	-	-	5,962	5,962	-	5,962
Surplus Money Investment Fund	-	-	2,501	2,501	-	2,501
Total Revenues	<u>132,733</u>	<u>37,822</u>	<u>1,205,481</u>	<u>1,376,036</u>	<u>-</u>	<u>1,377,972</u>
<b>Expenditures:</b>						
Personnel	-	-	161,762	161,762	(161,762)	-
Personnel Benefits	-	-	54,149	54,149	(54,149)	-
Communications	-	-	207	207	(207)	-
Insurance	-	-	1,510	1,510	(1,510)	-
Memberships and Subscriptions	-	-	2,000	2,000	(2,000)	-
Office Supplies	-	-	8,150	8,150	(8,150)	-
Professional Fees	-	-	44,308	44,308	(44,308)	-
Advertising	-	-	2,218	2,218	(2,218)	-
Occupancy	-	-	12,209	12,209	(12,209)	-
Special Department	-	-	1,922	1,922	(1,922)	-
Transportation	-	-	5,660	5,660	(5,660)	-
County Administration Costs	-	-	6,152	6,152	(6,152)	-
Interest Expense	-	-	775	775	(775)	-
CARES	-	114,373	-	114,373	(114,373)	-
Healthy Kids	-	-	50,849	50,849	(50,849)	-
School Readiness	132,733	-	115,065	247,798	(247,798)	-
Evaluation and Assessment	-	7,980	23,685	31,665	(31,665)	-
Commission Initiatives	-	-	10,762	10,762	(10,762)	-
Community Initiatives	-	-	273,823	273,823	(273,823)	-
Managed Risk Medical Ins. Benefit	-	-	35,756	35,756	(35,756)	-
Mini-Grants	-	-	3,370	3,370	(3,370)	-
AmeriCorps	-	-	42,982	42,982	(42,982)	-
Encumbered Program Costs	-	-	610,794	610,794	(610,794)	-
Small Equipment Purchases	-	-	2,161	2,161	-	-
Depreciation	-	-	-	-	(281) <sup>(2)</sup>	-
Compensated Absences	-	-	-	-	(2,385) <sup>(3)</sup>	-
Total Expenditures	<u>132,733</u>	<u>122,353</u>	<u>1,470,269</u>	<u>1,725,355</u>	<u>(1,725,860)</u>	<u>-</u>
<b>Excess of Revenues over Expenditures</b>	<b>-</b>	<b>(84,531)</b>	<b>(264,788)</b>	<b>(349,319)</b>	<b>-</b>	<b>-</b>
<b>Expenses</b>						
Administration Expenses	-	-	-	-	-	197,894
Program Expenses	-	-	-	-	-	1,462,247
Evaluation Expenses	-	-	-	-	-	65,719
Total Expenses	-	-	-	-	-	<u>1,725,860</u>
<b>Change in Fund Balances/Net Assets</b>	<b>-</b>	<b>(84,531)</b>	<b>(264,788)</b>	<b>(349,319)</b>	<b>-</b>	<b>(347,888)</b>
<b>Fund Balance/Net Assets:</b>						
Beginning of the Year	(93,308)	(136,229)	3,842,320	3,612,783	-	3,637,513
Reclassification of Fund Balances	93,308	189,422	(282,730)	-	-	-
End of the Year	<u>\$ -</u>	<u>\$ (31,338)</u>	<u>\$ 3,294,802</u>	<u>\$ 3,263,464</u>	<u>-</u>	<u>\$ 3,289,625</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> Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized as fixed assets.

<sup>(3)</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>(4)</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.

**FIRST FIVE YUBA COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009**

**Note 1 – Nature of the Organization**

Reporting Entity

First Five 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 and may renew for additional 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 FIVE YUBA COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009**

**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, Special Projects, Evaluation and Assessment, administrative support, outreach, and professional development. The funds are also used to maintain an amount for fiscal sustainability.

**FIRST FIVE YUBA COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009**

**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; \$107,733 for the program and \$25,000 for administration, Marysville Joint Unified School District and First Five Yuba Commission. The First 5 California 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, 2009 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 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 FIVE YUBA COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009**

**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, 2009 were as follows:

Pooled Investments:	Carrying Amount	Fair Value	Difference
Yuba County	\$3,540,486	\$3,568,183	\$ 27,697

At June 30, 2009, the difference between the carrying value and the Fair value of the cash and investments was \$27,697, or .7823%. 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, 2009, 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	\$174,660
CARES Funding	31,338
Health Access	3,098
Surplus Monetary Investment Funds	2,501
Total	\$211,597

**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. Net Capital Assets for the year ended June 30, 2009 were \$2,586 (\$11,511 less accumulated depreciation of \$8,925).

Depreciation expense for the fiscal year ended June 30, 2009 amounted to \$281.

**FIRST FIVE YUBA COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009**

**Note 6 – Grants and Contracts Payable and Prepaid Grants**

At June 30, 2009 the Commission had the following Contracted Grants and Mini-Grants payable:

<b><u>Grantee/Contractor</u></b>	<b><u>Amount Payable</u></b>
Camptonville Community Partnership – First Smiles	\$ 624
Del Norte Clinics – Preschool Health Screening and Outreach Project	49,756
Yuba Feather River Lions	7,000
County of Yuba-Parks	166,615
Staci M. Howell: Literacy Learning Parties	7,254
Twin Cities Assoc. for the Ed. of Young Children: Stepping into Quality	19,511
Yuba County Office of Education: Behavioral Specialist Services	29,632
GraceSource – AmeriCorps Services	6,171
Minicucci & Associates - Evaluation	2,068
Healthy Kids	6,102
Healthy Babies	12,939
Yuba County Office of Education-CARES	41,959
Marysville Joint Unified School District – School Readiness	90,847
Marysville Joint Unified School District – Dental Van	10,762
Managed Risk Medical Insurance Board	35,756
Other - School Readiness	500
Professional Fees – Attorney	4,275
	<b>\$ 491,771</b>
Total Contracted Grants and Contracts Payable	<b>\$ 491,771</b>

At June 30, 2009, the Commission had one organization with an advance that is recorded as a prepaid expense. Harmony Health – Baby Buddies Program had an advance of \$24,066 at June 30, 2009.

**Note 7 - Concentrations**

The Commission receives 92% 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 or reserved 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.

**FIRST FIVE YUBA COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009**

**Note 8 – Fund Balances – Continued**

*Reserved for obligations* represents situations where the Commission has explicitly authorized and directed staff to enter into an agreement with a specified agency, but the contract has not actually been executed.

*Funds Reserved for First Five 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	\$ 3,263,464
Committed Funds:	
Encumbrances and Prepaid Contracts	787,501
Obligations	483,993
Funds Reserved for First Five Commission Initiatives	228,539
Reserved for Local Initiatives and Program Sustainability	1,763,431
Total Committed Funds	3,263,464
Total Uncommitted Funds	\$ 0

**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 plan and a strategic plan. This plan addresses 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.

**Note 10 – 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, 2009 the Commission spent \$65,719 for Evaluation. This figure is comprised of a contract amount paid to the evaluation consultant, the salaries and wages of employees for time spent on evaluation and the indirect costs allocated to this category based on the percentage of employee time spent on evaluation as described in Note 11.



**FIRST FIVE YUBA COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009**

**Note 11 – 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 12 – 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 Executive Director of the Commission is employed under a separate employment contract that defines the rights and benefits of that relationship. Therefore, the Executive Directors rights and benefits may not include all benefits of employees of the County of Yuba.

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, 2009.

Salaries	\$ 161,762
Retirement Benefits - CalPERS	18,195
Health Benefits	31,068
Payroll Taxes	<u>4,886</u>
Total	<u>\$ 215,911</u>

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.

**FIRST FIVE YUBA COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2009**

**Note 13 – 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 Commission has insurance policies with a private insurance company with the following policies:

General Liability  
Crime Bond  
Property Insurance

The County of Yuba is a member of the California State Association of Counties 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.

Excess and Primary Workers' Compensation

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

**Note 14: Subsequent Event**

Events subsequent to June 30, 2009 have been evaluated through October 22, 2009, the date at which the Commission's audited financial statements were available to be issued. No events requiring disclosure have occurred through this date.

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**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 Five Yuba Commission  
1114 Yuba Street, Suite 121  
Marysville, CA 95901

We have audited the financial statements of the First Five Yuba Commission as of and for the year ended June 30, 2009, and have issued our report thereon dated October 22, 2009. 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 First Five Yuba 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 our 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 First Five Yuba Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 organization's 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. We consider the deficiency described below as findings 09-01 to be a significant deficiency.

### **09-01 Reliance upon Auditor for Footnote Disclosures**

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

**Criteria:** Statement of Auditing Standards no. 112, states that the auditor may not be part of the Commission's internal control system; specifically someone from the Commission or contracted by the Commission must be sufficiently knowledgeable to draft financial statement disclosures fully compliant with generally accepted accounting principles (GAAP) including pronouncements from the Government Accounting Standards Board (GASB).

**Cause:** The Commission does not have an employee trained in either disclosure requirements or GASB Statements.

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

**Recommendation:** If financial statements are required for submission to a third party prior to the annual audit, we recommend that management consider the cost benefit of hiring an accountant familiar with generally accepted accounting principles including GASB or hiring an independent CPA firm with such experience to compile full disclosure financial statements.

**Response:** The Commission has determined that the cost of engaging additional accounting staff to the commission, or hiring an independent CPA firm with such experience to compile full disclosure financial statements for the purpose of avoiding a significant deficiency and material weakness under SAS 112 would be an inappropriate use of Commission funds, as internally generated statements are adequate for interim management and commission decisions. This is consistent with the GFOA's (Government Finance Officers Association) Recommended Practice - Mitigating the Negative Effects of Statement on Auditing Standards No. 112 (2007)(CAAFR): "The GFOA does *not* recommend that governments engage the services of a second accounting firm to assist in preparing its financial statements solely to avoid having a significant deficiency or material weakness reported." The commission staff will continue to reconcile internal records against the Yuba County Auditor-Controller's financial statements for compliance with GAAP and GASB standards.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results 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. However, we believe the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the First Five Yuba Commission's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

The Commission's response to the finding identified in our audit is listed above. We did not audit the Commission's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management in a separate letter dated October 22, 2009.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization, the California State Controller's Office and California State Commission 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 22, 2009

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

Commissioners  
 First Five Yuba Commission  
 Marysville, CA

We have audited the basic financial statements of First Five Yuba Commission, as of and for the year ended June 30, 2009, and have issued our report thereon dated October 22, 2009.

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 Five 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 22, 2009

**REQUIRED SUPPLEMENTARY INFORMATION**



**FIRST FIVE YUBA COMMISSION**  
**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET TO ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<b>GENERAL PROGRAM ORIGINAL BUDGET</b>	<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	\$ 909,255	\$ 909,255	\$ 1,012,505	\$ (103,250)
Small County Augmentation	-	71,827	71,827	-
School Readiness Matching Dollars	132,733	132,733	132,733	-
CARES State Matching Dollars	41,935	41,935	37,822	4,113
Health Access	9,000	9,000	5,962	3,038
SMIF and Other Income	6,000	6,000	3,635	2,365
Interest	119,983	119,843	111,552	8,291
<b>TOTAL REVENUES</b>	<b>1,218,906</b>	<b>1,290,593</b>	<b>1,376,036</b>	<b>(85,443)</b>
<b>EXPENDITURES</b>				
Salaries and Benefits	224,677	224,677	215,911	8,766
Communications	350	350	207	143
Insurance	1,509	2,509	1,510	999
Interest	-	-	775	(775)
Memberships and Subscriptions	2,000	2,000	2,000	-
Office Supplies	9,000	9,000	8,150	850
Professional Services	28,000	43,000	44,308	(1,308)
Advertising	7,000	7,000	2,218	4,782
Occupancy	15,000	15,000	12,209	2,791
Travel	8,000	8,000	5,660	2,340
Special Department Expense	7,000	7,000	1,922	5,078
County Administration Costs	5,549	5,549	6,152	(603)
Fixed Assets	3,000	3,000	2,161	839
Encumbered Funds	1,311,377	1,018,139	610,794	407,345
CARES	123,870	123,870	122,353	1,517
School Readiness	248,480	248,480	247,798	682
Healthy Kids	90,254	90,254	50,849	39,405
Healthy Families Program Contribution	-	37,386	35,756	1,630
Community Initiatives	233,378	339,531	284,585	54,946
New Requests for Proposals	843,500	887,770	-	887,770
Mini-Grants	20,000	73,300	3,370	69,930
Contingency	45,000	129,091	-	129,091
AmeriCorps	42,575	62,575	42,982	19,593
Evaluation and Assessment	50,000	50,000	23,685	26,315
<b>TOTAL EXPENDITURES</b>	<b>3,319,519</b>	<b>3,387,481</b>	<b>1,725,355</b>	<b>1,594,164</b>
Excess (Deficiency) of Revenue over Expenditures Before Transfers	<b>(2,100,613)</b>	<b>(2,096,888)</b>	<b>(349,319)</b>	<b>1,751,294</b>
Fund Balance at June 30, 2008	3,612,783	3,612,783	3,612,783	
<b>FUND BALANCE AT JUNE 30, 2009</b>	<b>\$ 1,512,170</b>	<b>\$ 1,515,895</b>	<b>\$ 3,263,464</b>	

See Notes to the Financial Statements.

**FIRST FIVE YUBA COMMISSION**  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2009

**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.

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October 22, 2009

Board of Commissioners  
First Five Yuba  
Marysville, California


Dear Ladies and Gentlemen,

The audit went smoothly again this year. As you can see from the reports, there is a finding related to the practice of relying on the auditor to prepare the footnote disclosures for the financial statements. We expect to see this finding repeated in future years until the Commission is of large enough size to hire a Certified Public Accountant to prepare financial statements in compliance with Generally Accepted Accounting Principles.

We were delighted to see that you continue to make distinctive contributions to services for children 0-5, and commend your efforts.

We wish you the best in the coming year.

Sincerely,



Jensen Smith  
Certified Public Accountants