

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2007**

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Financial Statements
For the Year Ended June 30, 2007

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**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Commission Membership

<u>Name</u>	<u>Position</u>	<u>Date of Original Appt.</u>	<u>Current Term Expires</u>
Helen Thomson	Chair, Board of Supervisors Representative	1/1/03	12/31/10
Bette Hinton	Department of Health Services	2/1/99	Permanent Member
Jorge Ayala	Yolo County Office of Education	12/14/05	Permanent Member
Pam Miller	Department of Employment and Social Services	7/1/06	Permanent Member
Katie Villegas	Public District 1	1/31/05	1/31/2007
Donita Stromgren	Vice-Chair, Public District 2	10/8/02	1/31/2009
Suzanne Anderson	Public District 3	10/1/02	1/31/2009
Sheila Allen	Public District 4	2/1/99	1/31/2011
Sue Heitman	Treasurer, Public District 5	2/1/99	1/31/2011

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
First 5 Yolo Children and Families Commission
Woodland, California

We have audited the accompanying basic financial statements of First 5 Yolo Children and Families Commission (Commission), as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial position of the Commission as of June 30, 2007, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

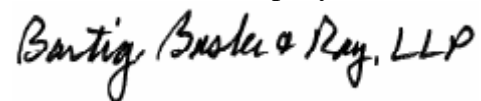
In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2007, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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.

Board of Commissioners
First 5 Yolo Children and Families Commission
Woodland, California

The Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual as listed in the table of contents 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of First 5 Yolo Children and Families Commission taken as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

BARTIG, BASLER & RAY, LLP
A Gallina LLP Company

A handwritten signature in black ink that reads "Bartig Basler & Ray, LLP". The signature is written in a cursive, flowing style.

Roseville, California
November 6, 2007

FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2007

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

The Yolo County (County) Board of Supervisors created the Yolo County Children and Families Commission (Commission) in 1999 under the provisions of the Act. The Commission consists of nine commissioners appointed by the County Board of Supervisors. The Commission is a public entity legally separate and apart from the County, and is considered a component unit of the County due to the operational relationship between the Commission and the County. On January 18, 2005, the Commission voted to change the name to First 5 Yolo Children and Families Commission.

As management of the Commission, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2007

Financial Highlights

- The commission received \$2,005,114 from the State of California from revenues collected under the California Children and Families Act (Proposition 10). This revenue includes an apportionment of \$1,992,999 of the tax revenue and \$12,115 in interest.
- During the current fiscal year, the commission disbursed \$1,937,436 in grants to various service providers, and has designated \$14,965,098 to be distributed over the next five years.
- The assets of the \$6,971,066 exceeded its liabilities at the close of the most recent fiscal year by \$6,598,665 (*fund balance*). Of this amount, \$3,690,903 are funds reserved as encumbrances, obligations or restrictions. The remaining amount of \$2,907,762 (*net assets that are unreserved but designated for local initiatives and program sustainability*) may be used to meet the commission's ongoing obligations to stakeholders.
- As of the close of the current fiscal year, First 5 Yolo governmental funds reported combined ending fund balances of \$6,598,665, an increase of \$358,996 in comparison with the prior year. Approximately 0% 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 \$.00, or 0% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to First 5 Yolo's basic financial statements. The Commission's basic financial statements are comprised of two components:

- 1) government-wide financial statements and
- 2) fund financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

In this report, the government-wide financial statements for the Commission are presented on pages 9 and 10. The fund financial statements can be found on pages 11 through 13.

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Management's Discussion and Analysis
For the Year Ended June 30, 2007

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

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

The *statement of activities* presents information showing how the 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 flows*. 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 grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, 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 fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with the budget.

The *balance sheet by funding source* presents the assets and liabilities and fund balance by First 5 California funding sources.

The *statement of revenues, expenditures and changes in fund balance by funding source – general fund* presents the revenues, expenditure and changes in fund balance by First 5 California funding sources.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and general fund financial statements. The notes to the financial statements can be found on pages 14 through 21 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 Yolo finances. Required supplementary information can be found on pages 22 through 24 of this report.

Commission-Wide Financial Analysis

This is the third year that the Commission has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments.

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Management's Discussion and Analysis
For the Year Ended June 30, 2007

Net assets. Net assets may serve over time as a useful indicator of a commission's financial position. In the case of First 5 Yolo, assets exceeded liabilities by \$6.60 million at the close of the most recent fiscal year.

Changes in the commission's net assets (in thousands) were as follows:

	2006-2007	2005-2006	Change	%
Current and other assets	\$ 6,971	\$ 6,636	\$ 335	5%
Capital Assets, net	<u>0</u>	<u>0</u>	<u>0</u>	0%
Total Assets	<u>6,971</u>	<u>6,636</u>	<u>335</u>	5%
Long-term liabilities	0	0	0	0%
Other liabilities	<u>385</u>	<u>407</u>	<u>-22</u>	-5%
Total Liabilities	<u>385</u>	<u>407</u>	<u>-22</u>	-5%
Net assets:				
Invested in capital assets, net of related debt	0	0	0	0%
Restricted	6,586	6,229	357	6%
Unrestricted	<u>0</u>	<u>0</u>	<u>0</u>	0%
Total net assets	<u>\$ 6,586</u>	<u>\$ 6,229</u>	<u>\$ 357</u>	6%

The most significant portion of the Commission's net assets is its cash and investments balance (\$6.41 million). This represents resources received from First 5 California from Proposition 10 taxes that have not been expended and are committed to future periods and programs through the Commission's 10 year sustainability plan. Cash and investments are maintained in the County's cash and investment pool where interest earned on the Commission's balance is apportioned to the Commission. Another source of net assets also resides in the Commission's receivables due from the First 5 California (due from other agencies) for Proposition 10 allocations and taxes (\$563,070). These receivables represent taxes that were allocated by the State but had not been received by the Commission as of June 30, 2007. The Commission also reports payables of \$372,401 mainly representing payments due on grant service contracts that had not been expended at year-end.

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. Another portion of the First 5 Yolo's net assets (56%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unreserved but designated net assets (\$2.90 million) may be used to meet the commission's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the First 5 Yolo is able to report positive balances in all three categories of net assets. The same held true for the prior fiscal year.

The Commission's net assets increased overall by approximately \$357,088 for the 06-07 fiscal year. About 19% of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. The remainder of this growth largely reflects increases an 81% increase in Universal Preschool for West Sacramento funds that will rollover to fiscal year 06/07.

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Management's Discussion and Analysis
For the Year Ended June 30, 2007

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, 2007, the \$2.00 million received from the state was a decrease of \$117,279 compared to the prior fiscal year. The commission invests its funds in the Yolo County Treasury and returned \$310,225 for fiscal year 2006-2007.

Changes in the commission's revenues (in thousands) were as follows:

	2006-2007	2005-2006	Change	%
Program revenue:				
Prop. 10 allocation	\$ 1,993	\$ 2,110	\$ (117)	-6%
Foundation and state matching grants	523	341	182	53%
Other revenue	<u>363</u>	<u>61</u>	<u>302</u>	495%
Total program revenue	2,879	2,512	367	15%
General revenue - investment income	<u>310</u>	<u>190</u>	<u>120</u>	63%
Total revenue	<u>\$ 3,189</u>	<u>\$ 2,702</u>	<u>\$ 487</u>	18%

Total revenue (see above) consisting of Proposition 10 funds, interest income, First 5 California matching revenue, and other grants increased from \$2.70 million to \$3.19 million for the year ended June 30, 2007. This increase was largely due to the addition of the Universal Preschool for West Sacramento program funds that increased by \$452,824 and CARES revenue that increased by \$136,847. In FY05-06 the CARES program was funded by First 5 California funds rolled over from the previous 4 years resulting in much lower CARES revenue in FY05-06.

Expenses. During fiscal year 2006-2007, the commission disbursed \$1.94 million to various service providers within Yolo County. This represents an increase of \$472,947 over the prior fiscal year. Again, the increase is largely due to the increase in Universal Preschool for West Sacramento costs.

Changes in the commission's expenses (in thousands) were as follows:

	2006-2007	2005-2006	Change	%
Administrative Expenses				
Salaries and benefits	\$ 153	\$ 147	\$ 6	4%
Other Administrative Expenses	61	69	(8)	-12%
Program Expenses				
Evaluation	97	43	54	126%
Salaries and benefits	430	362	68	19%
Childcare Initiative Expenses	481	607	(126)	-12%
School Readiness Expenses	313	294	19	6%
Health Care Initiative Expenses	393	248	145	58%
Other Program Expenses	<u>905</u>	<u>420</u>	<u>485</u>	115%
Total expenses	<u>\$ 2,833</u>	<u>\$ 2,190</u>	<u>\$ 643</u>	29%

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Management's Discussion and Analysis
For the Year Ended June 30, 2007

Total expenditures increased to \$2.83 million, an increase of \$661,643 from the prior fiscal year. There was a twenty-nine percent (29%) increase in contract payments to outside agencies. The increase in the operating expenditures primarily had to do with a thirty percent (30%) increase administrative costs due to increases in salaries and operating expenditure as the result of adding a part-time administrative assistant. Administrative costs were nine percent (9%) of total costs again in FY06-07.

Capital assets. At the beginning of the current fiscal year the Commission had \$0 in net capital assets. There were no capital assets purchased in Fiscal Year 2006-2007.

Long-term liabilities. The commission's long-term debt consists of compensated absences payable. More detailed information about the Commission's long-term debt is presented in Note 4 of the basic financial statements on page 19 of this report.

Capital Assets and Debt Administration

Capital Assets: At the beginning of the current fiscal year the Commission had \$11,970 in net capital assets. At the end of the current fiscal year, the Commission transferred the van purchased for the Get Ready Program to the Yolo County Health Department, resulting in net capital asset of \$0.

Debt Administration: The commission's long-term debt consists of compensated absences payable. More detailed information about the Commission's long-term debt is presented in Note 4 of the basic financial statements on page 19 of this report.

Economic Factors and Next Year's Budget

The Commission is committed to focusing Proposition 10 funds on the purposes for which it is intended: To promote and sustain comprehensive, integrated programs and services that will help to nurture children 0-5 so that their young brains and bodies will develop appropriately.

The following economic factors were considered in preparing the Commission's financial plan for fiscal year 2007-2008:

- Funding the fifth year of the Childcare Initiative.
- Funding for the 2nd year of the round 4 renewal of the CARES program requires a match to the First 5 California's CARES Grant.
- Funding the 3rd year of the Healthcare Initiative, including the Healthcare Initiative Coordinator, Healthy Kids insurance product, Quality Assurance Program, and the second year of the Health Insurance Outreach, Enrollment, Utilization and Retention Program.
- Funding the 2nd year of the School Readiness renewal requiring a 1:1 match for the First 5 California's School Readiness Initiative funding.
- A School Readiness Implementation Grant of \$50,000 per year was awarded in the renewal of the program to provide partial funding for a full-time School Readiness Coordinator.
- Offering Special Projects grants totaling \$300,000 and Community Mini Grants totaling \$17,000.
- Funding for the Community Engagement Program activities and shared staff responsibilities for CEP.

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Management's Discussion and Analysis
For the Year Ended June 30, 2007

- 2% decline in state Prop. 10 revenue was projected.
- 2% interest on the local First 5 Yolo reserve fund and cash balance in Yolo County treasury.
- Annual COLA of 2% and merit increases of 5% were budgeted for salaries for 2006-2007. Three salary studies were conducted and reclassification made to salary ranges.
- Revision/update of the 10 year Sustainability Plan

The Commission views Proposition 10 as a mechanism to establish and fund a sustainable system of results-oriented early childhood development and family support services for the 0-5 population, not as just another funding source for programs. In that regard, the Commission will focus on the Childcare Initiative and the Healthcare Initiative both of which are 3 year initiatives as well as renewal of the CARES State Initiative for 1.5 years and School Readiness State Initiative for 3 years. The Commission is also coordinating and contributing funding to the Universal Preschool 4 West Sacramento program funded by First 5 California, City of West Sacramento and other grants from foundations also committed for the next 3 years.

Requests for Information

This financial report is designed to provide a general overview of the First 5 Yolo Children & Families Commission finances for all those interested. Questions concerning, any of the information provided in this report or requests for additional financial information should be addressed to the First 5 Yolo Children & Families Commission at 403 Court Street, Woodland, CA 95695.

**BASIC FINANCIAL STATEMENTS –
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Statement of Net Assets
June 30, 2007

ASSETS

Cash in County treasury	\$ 6,407,996
Due from other agencies	<u>563,070</u>
Total Assets	<u>6,971,066</u>

LIABILITIES

Accounts payable	360,802
Accrued payroll	11,599
Long-term liabilities:	
Compensated absences payable - due within one year	6,474
Compensated absences payable - due after one year	<u>6,474</u>
Total Liabilities	<u>385,349</u>

NET ASSETS

Restricted	<u>6,585,717</u>
Total Net Assets	<u><u>\$ 6,585,717</u></u>

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

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Statement of Activities
For the Year Ended June 30, 2007

FIRST 5 PROGRAM EXPENSES

Administrative expenses:	
Salaries and employee benefits	\$ 152,916
Other administrative expenses	61,030
Program expenses:	
Program evaluation	97,424
Salaries and employee benefits	429,458
Childcare Initiative	481,344
School Readiness Initiative	312,853
Health Care Initiative	392,950
Other program expense	904,479
Total Expenses	2,832,454

PROGRAM REVENUES

Operating grants and contributions:	
Proposition 10 apportionment	1,992,999
Proposition 10 administration augmentation	9,619
Proposition 10 travel augmentation	3,787
Proposition 10 School Readiness	208,916
Proposition 10 CARES	88,923
Proposition 10 Preschool for All	177,850
Proposition 10 Health Access	21,758
Proposition 10 surplus money investment fund	12,115
Other revenue	363,350
Total Program Revenues	2,879,317
Net Program Revenues (Expenses)	46,863

GENERAL REVENUES

Investment income	310,225
Change in Net Assets	357,088
Net Assets, Beginning of Year	6,228,629
Net Assets, End of Year	\$ 6,585,717

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

**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Balance Sheet
June 30, 2007

ASSETS

Cash in County Treasury	\$ 6,407,996
Due from other agencies	563,070
	6,971,066
Total Assets	\$ 6,971,066

LIABILITIES

Accounts payable	\$ 360,802
Accrued payroll	11,599
	372,401
Total Liabilities	372,401

FUND BALANCE

Fund Balance:

Reserved funds:

Reserved for encumbrances	76,615
Reserved for obligations	2,101,967
Reserved for restricted funds not yet obligated	290,751
Reserved for First 5 California Initiatives	1,221,570
	3,690,903

Total Reserved Funds 3,690,903

Unreserved Funds:

Designated for local initiatives and program sustainability	2,907,762
	2,907,762

Total Fund Balance 6,598,665

Total Liabilities and Fund Balance \$ 6,971,066

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

Fund Balance - total governmental fund (from above) \$ 6,598,665

Amounts reported for governmental activities in the statement
of net assets are different because:

Long-term liabilities, including compensated absences, are not due and payable
in the current period, and therefore are not reported in the governmental fund.

Compensated absences (12,948)

Net assets of governmental activities (page 9) \$ 6,585,717

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

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2007

REVENUES

Proposition 10 apportionment	\$ 1,992,999
Proposition 10 administration augmentation	9,619
Proposition 10 travel augmentation	3,787
Proposition 10 School Readiness	208,916
Proposition 10 CARES	88,923
Proposition 10 Preschool for All	177,850
Proposition 10 Health Access	21,758
Proposition 10 surplus money investment fund	12,115
Interest income	310,225
Other revenue	<u>363,350</u>
 Total Revenues	 <u>3,189,542</u>

EXPENDITURES

Administrative expenses:	
Salaries and employee benefits	\$ 151,008
Other administrative expenses	61,030
Program expenses:	
Program evaluation	97,424
Salaries and employee benefits	429,458
Childcare Initiative	481,344
School Readiness Initiative	312,853
Health Care Initiative	392,950
Other program expense	<u>904,479</u>
 Total Expenses	 <u>2,830,546</u>
 Net Change in Fund Balance	 <u>358,996</u>
 Fund Balance - Beginning of Year	 <u>6,239,669</u>
 Fund Balance - End of Year	 <u><u>\$ 6,598,665</u></u>

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

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Fund to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2007

Net change to fund balance - total governmental fund (page 12)	\$ 358,996
 Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental fund.	
Change in compensated absences	<u>(1,908)</u>
Change in net assets of governmental activities (page 10)	<u>\$ 357,088</u>

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

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Notes to Financial Statements
June 30, 2007

Note 1: **Summary of Significant Accounting Policies**

A. Reporting Entity

The First 5 Yolo Children and Families Commission (Commission), formerly known as Yolo County Children and Families Commission, was established on January 8, 1999 pursuant to Health and Safety Code §130140. The Commission was also established in accordance with the provisions of the California Children and Families First Act of 1998 and by Yolo County Ordinances 1231, 1233, 1238, and 1247. The nine members of the Commission are appointed by the Yolo County Board of Supervisors.

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

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

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

B. Basis of Presentation and Accounting

Government-Wide Statements

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

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Notes to Financial Statements
June 30, 2007

Note 1: **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation and Accounting (continued)

Government-Wide Statements (continued)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

Fund Financial Statements

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

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

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Notes to Financial Statements
June 30, 2007

Note 1: **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation and Accounting (continued)

Fund Financial Statements (continued)

The Commission reports one major governmental fund, the General Fund. The General Fund is the Commission's primary operating fund. It accounts for all financial resources of the general government.

C. Due from Other Agencies

This amount represents receivables from other local governments. Management has determined the Commission's receivables are fully collectable. Accordingly, no allowance for doubtful accounts has been made.

D. Compensated Absences

Commission employees have accumulated unpaid vested benefits for compensatory time-off and vacation. The accumulated benefits will be liquidated in future years as employees elect to use them. In the normal course of business, all payments of these accumulated benefits will be funded from appropriations of the year in which they are to be paid, therefore, the total liability is recorded as long-term. In accordance with GASB Statement 16, these amounts are not expected to be liquidated from expendable available financial resources.

E. Capital Assets

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

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Notes to Financial Statements
June 30, 2007

Note 1: **Summary of Significant Accounting Policies** (continued)

F. Net Assets/Fund Balances

Net Assets

The government-wide activities fund financial statements utilize a net assets presentation.

All of the Commission's net assets as of June 30, 2007 are restricted, that is, they have external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Fund Balances

Reservations of Fund Balances are used to indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. The First 5 Association of California requires that fund balance be reported as either reserved or unreserved. Reserved funds represent the portion of the fund balance that is restricted by law or legally obligated to outside parties. Unreserved funds represents funds that can be spent at the discretion of the Commission.

Specific reservations of the fund balance accounts are summarized below:

Reserved fund balance:

Reserved for encumbrances was created to reflect outstanding contractual obligations for which goods and services have not been received.

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.

Reserved for First 5 California initiatives represents funds reserved to match amounts from State Commission initiatives.

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Notes to Financial Statements
June 30, 2007

Note 1: **Summary of Significant Accounting Policies** (continued)

F. Net Assets/Fund Balances (continued)

Fund Balances (continued)

Unreserved fund balance:

Designated for local initiatives and program sustainability consists of funds that have been reserved for one of the following two purposes:

1. Funds to operate a specific program or project in the current or future fiscal years that have not yet been encumbered or authorized for definite contracts.
2. Funds that have been set aside for long-term program sustainability.

Unreserved undesignated includes the remainder of the fund balance that has not yet been allocated for a specific purpose or has been identified in only a general manner where the Commission has significant flexibility in changing the amount or nature of the designation.

G. Restricted Assets

Restricted assets represent cash set aside for expected Proposition 10 revenue decline due to the likelihood of decreasing tobacco sales.

H. Use of Estimates

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

Note 2: **Cash**

Cash at June 30, 2007 consisted of the following:

Cash in County Treasury	<u>\$ 6,407,946</u>
-------------------------	---------------------

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Notes to Financial Statements
June 30, 2007

Note 2: **Cash** (continued)

The Commission maintains all of its cash and investments with the Yolo County Treasurer in an investment pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Yolo's financial statements may be obtained by contacting the County of Yolo's Auditor-Controller's office at 625 Court Street, Room 103, Woodland, CA 95776-1268. The Yolo County Treasury Oversight Committee oversees the Treasurer's investments and policies.

Required disclosures for the Commission's deposit and investment risks at June 30, 2007, were as follows:

Credit risk	Not rated
Custodial risk	N/A
Concentration of credit risk	N/A
Interest rate risk	Not available

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

Note 3: **Capital Assets**

A summary of changes in Capital Assets for the year ended June 30, 2007, is as follows:

	<u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments/ Transfers</u>	<u>June 30, 2007</u>
Equipment	\$ 11,970	\$ --	\$ (11,970)	\$ --	\$ --
Less accumulated depreciation	<u>(11,970)</u>	<u>--</u>	<u>11,970</u>	<u>--</u>	<u>--</u>
Capital assets, net	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Note 4: **Long-Term Liabilities**

The following is a summary of long-term liability transactions for the year ended June 30, 2007:

	<u>July 1, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2007</u>	<u>Amounts Due Within One Year</u>
Compensated absences	<u>\$ 11,040</u>	<u>\$ 15,546</u>	<u>\$ (13,638)</u>	<u>\$ 12,948</u>	<u>\$ 6,474</u>

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Notes to Financial Statements
June 30, 2007

Note 5: **Operating Leases**

The Commission leases office space under a five year operating lease agreement that expires on September 30, 2010. Total rent charged to operations for the year ended June 30, 2007 was \$26,768.

Minimum required future rental payments under this lease are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2008	\$ 30,561
2009	31,341
2010	32,112
2011	<u>8,076</u>
Total	<u>\$ 102,090</u>

Note 6: **Defined Benefit Pension Plan**

The Commission's employees are paid through the County of Yolo payroll system and receive the same benefits as County employees, including pension benefits. The County contributes to the Public Employees Retirement Systems (PERS), which is a multiple-employer, defined benefit plan for employees. Participation is mandatory for all permanent employees. The County and employees are required to contribute at rates established by PERS.

Current contribution rates include amounts required to amortize past service costs and the unfunded liabilities. The net assets available for benefits, the pension benefit obligation, and the assumed rates of return used in determining the pension benefit obligation are not available separately for the Commission. This information is available in the financial statements of Yolo County, the reporting entity.

Note 7: **Risk Management**

The Commission is exposed to various risks of loss related to general liability and workers' compensation. The Commission obtains insurance against various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; general and automobile liability; and workers' compensation from the Yolo County Public Agency Risk Management Insurance Authority (the Authority), a joint powers agency (risk-sharing pool).

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Notes to Financial Statements
June 30, 2007

Note 8: **Program Evaluation**

The Commission spent \$97,424 on program evaluation during the fiscal year ended June 30, 2007.

Note 9: **Section 30131.4 of the California Tax & Revenue Code Certification**

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

Note 10: **Contingent Liabilities**

The Commission receives funding from the State of California Proposition 10, the Children and Families First Act, to fund programs that promote, support, and improve the early development of children from prenatal through age five. These programs must be in compliance with applicable laws and may be subject to financial and compliance audits by the State. The amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time, although the County's management does not expect such amounts, if any, to be material.

REQUIRED SUPPLEMENTARY INFORMATION

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance With Final Budget</u>
Budgetary Fund Balances, July 1, restated	\$ 6,239,669	\$ 6,239,669	\$ 6,239,669	\$ --
<u>Resources (Inflows):</u>				
Proposition 10 apportionment	2,045,881	2,045,881	\$ 1,992,999	(52,882)
Proposition 10 administration augmentation	9,619	9,619	9,619	--
Proposition 10 travel augmentation	3,787	3,787	3,787	--
Proposition 10 School Readiness	228,020	228,020	208,916	(19,104)
Proposition 10 CARES	223,247	223,247	88,923	(134,324)
Proposition 10 Preschool for All	158,500	158,500	177,850	19,350
Proposition 10 Health Access	46,000	46,000	21,758	(24,242)
Proposition 10 surplus money investment fund	--	--	12,115	12,115
Interest income	26,270	26,270	310,225	283,955
Other revenue	846,173	914,072	363,350	(550,722)
Amounts Available for Appropriation	<u>3,587,497</u>	<u>3,655,396</u>	<u>3,189,542</u>	<u>(465,854)</u>
<u>Charges to Appropriations (Outflows):</u>				
Administrative expenses:				
Salaries and employee benefits	120,951	120,951	151,008	(30,057)
Other administrative expenses	54,400	54,400	61,030	(6,630)
Program expenses:				
Program evaluation	85,000	85,000	97,424	(12,424)
Salaries and employee benefits	416,449	416,449	429,458	(13,009)
Childcare Initiative	500,000	500,000	481,344	18,656
School Readiness Initiative	356,040	356,040	312,853	43,187
Health Care Initiative	557,101	625,000	392,950	232,050
Other program expense	1,497,556	1,497,556	904,479	593,077
Total Charges to Appropriations	<u>3,587,497</u>	<u>3,655,396</u>	<u>2,830,546</u>	<u>824,850</u>
Net Change in Fund Balances	<u>--</u>	<u>--</u>	<u>358,996</u>	<u>358,996</u>
Fund Balances - End of Year	<u>\$ 6,239,669</u>	<u>\$ 6,239,669</u>	<u>\$ 6,598,665</u>	<u>\$ 358,996</u>

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Notes to the Required Supplementary Information
For the Year Ended June 30, 2006

BUDGET AND BUDGETARY ACCOUNTING

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

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

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

The budget is adopted on a basis consistent with generally accepted accounting principles.

SUPPLEMENTARY INFORMATION

**FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION**

Schedule of Expenditures by Fund Source and
Net Assets of CCFC Funds for First 5 Programs and Activities
For the Year Ended June 30, 2007

		Revenue CCFC Funds	Expenditures	Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
School Readiness Program	CCFC Program Funds	\$ 154,681	\$ 156,426 (1)	\$ (1,745)	\$ 11,654	\$ 9,909
	County, Local Funds	156,427	156,427			
SR Coordination & Evaluation	CCFC Funds	50,000	50,000			
CARES (1)	CCFC Program Funds	213,597	213,597	--	(456)	(456)
	County, Local Funds	75,000	75,000			
Preschool For All (2)	CCFC Program Funds	177,850	177,850	--	91,155	91,155
	County, Local Funds	100,000	100,000			
Administration	CCFC Funds	9,619	9,619	--	--	--
Travel	CCFC Funds	3,787	3,787	--	--	--
Total CCFC Funds	CCFC Funds	\$ 559,534	\$ 561,279	\$ (1,745)	\$ 102,353	\$ 100,608

(1) The School Readiness revenue is \$1,745 less than the expenditures for FY06-07. This amount will be billed to First 5 California and will be booked when received in FY07-08.

OTHER REPORTS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND THE
CALIFORNIA CHILDREN AND FAMILIES FIRST ACT OF 1998**

Board of Commissioners
First 5 Yolo Children and Families Commission
Woodland, California

We have audited the financial statements of the First 5 Yolo Children and Families Commission as of and for the year ended June 30, 2007, and have issued our report thereon dated November 6, 2007. 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 First 5 Yolo Children and Families 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 First 5 Yolo Children and Families 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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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 entity's internal control.

Board of Commissioners
First 5 Yolo Children and Families Commission
Woodland, California

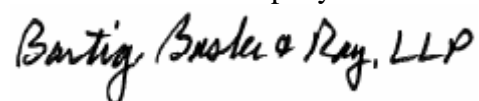
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any 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 First 5 Yolo Children and Families 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the First 5 Yolo Children and Families Commission, management, others within the entity, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

BARTIG, BASLER & RAY, LLP
A Gallina LLP Company

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Roseville, California
November 6, 2007



BARTIG, BASLER & RAY, LLP
A GALLINA LLP COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Commissioners
First 5 Yolo Children and Families Commission
Woodland, California

We have audited the basic financial statements for the First 5 Yolo Children and Families Commission as of and for the year ended June 30, 2007 and have issued our report thereon dated November 6, 2007.

Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of California's *Standards and Procedures for Audits of 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 items on the following page.

Board of Commissioners
 First 5 Yolo Children and Families Commission
 Woodland, California

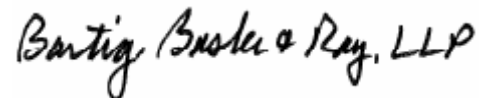
<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
<u>Contracting and Procurement</u>	6	
<ul style="list-style-type: none"> • Obtain minutes of public hearings • Obtain written policies • Obtain letter from County Counsel • Test sample of contracts to determine whether: <ul style="list-style-type: none"> ○ Transactions are in compliance with policies ○ Expenditures are consistent with contracts ○ Agreements are consistent with strategic plan 		Yes Yes Yes Yes Yes Yes
<u>Administrative Costs</u>	3	
<ul style="list-style-type: none"> • Review minutes of public hearing • Determine if costs definition is consistent with state guidelines • Verify that administrative costs are monitored 		Yes Yes Yes
<u>Conflict of Interest</u>	3	
<ul style="list-style-type: none"> • Review minutes of public hearing • Obtain letter from County Counsel • Determine compliance with policies and procedures 		Yes Yes Yes
<u>County Ordinance</u>	4	
<ul style="list-style-type: none"> • Obtain management representation letter • Review source documents • Obtain commission minutes • If changes to strategic plan, obtain hearing minutes 		Yes Yes Yes Yes
<u>Long-Range Financial Plans</u>	2	
<ul style="list-style-type: none"> • Verify the commission has a long-range financial plan • Review hearing minutes 		Yes Yes
<u>Financial Condition of the Commission</u>	1	
<ul style="list-style-type: none"> • Verify policies for communicating financial condition 		Yes
<u>Program Evaluation</u>	2	
<ul style="list-style-type: none"> • Verify amount spent is in compliance with policies • Confirm existence of evaluation data and/or reports 		Yes Yes
<u>Salaries and Benefit Policies</u>	2	
<ul style="list-style-type: none"> • Obtain hearing minutes to confirm salaries adopted • Verify salaries and benefits are consistent with adopted policies 		Yes Yes

Board of Commissioners
First 5 Yolo Children and Families Commission
Woodland, California

Based on our audit we found that, for the items tested, First 5 Yolo Children and Families 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 use of the First 5 Yolo Children and Families Commission, management, and federal and state awarding agencies 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.

BARTIG, BASLER & RAY, LLP
A Gallina LLP Company

A handwritten signature in black ink that reads "Bartig Basler & Ray, LLP". The signature is written in a cursive, flowing style.

Roseville, California
November 6, 2007