

FIRST 5 YOLO
CHILDREN AND FAMILIES COMMISSION
(a Component Unit of the
County of Yolo, California)

Independent Auditors' Reports, Basic Financial Statements,
Required Supplementary Information,
Other Supplementary Information and Compliance Section

For the Year Ended June 30, 2009

**FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
FOR THE YEAR ENDED JUNE 30, 2009**

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
First 5 Yolo Children and Families Commission

We have audited the accompanying financial statements of the governmental activities and the general fund of the First 5 Yolo Children and Families Commission (the Commission), a component unit of the County of Yolo, California, 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 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general 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 September 28, 2009 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.

The management's discussion and analysis on pages 3 through 8 and the budgetary comparison information on page 24, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The 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. Such 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 them.

Vavrinik, Trine, Day & Co. LLP

Rancho Cucamonga, California
September 28, 2009

FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
Management's Discussion and Analysis
(Unaudited)
June 30, 2009

On November 3, 1998, California voters approved Proposition 10 – the Children and Families Act of 1998. 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 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 (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, 2009.

Financial Highlights

- The commission received \$2,818,404 from the State of California from revenues collected under the California Children and Families Act (Proposition 10). This revenue includes an apportionment of \$1,997,829 of the tobacco tax revenue, \$20,082 of Small Counties Allocation, \$795,559 for State grants, and \$4,934 in interest.
- During the current fiscal year, the commission disbursed \$2,955,054 in grants to various service providers, and has designated \$11,866,289 to be distributed over the next six years.
- The actual assets of the Commission exceeded its liabilities at the close of the most recent fiscal year by \$6,488,367 (*net assets*), a decrease of \$631,004 in comparison with the prior year.

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 14.

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 net assets 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).

FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
Management's Discussion and Analysis
(Unaudited)
June 30, 2009

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* 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 15 through 23 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 24 through 25 of this report.

FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
Management's Discussion and Analysis
(Unaudited)
June 30, 2009

Commission-Wide Financial Analysis

This is the sixth 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.

The following summarizes the Commission's assets, liabilities and net assets and compares fiscal year 2008-09 with fiscal year 2007-08:

| | <u>FY 2008-09</u> | <u>FY 2007-08</u> | <u>Change</u> |
|---------------------------|---------------------|---------------------|---------------|
| Assets: | | | |
| Current and other assets: | \$ 7,112,969 | \$ 7,642,464 | \$ (529,495) |
| Total Assets | <u>7,112,969</u> | <u>7,642,464</u> | |
| Liabilities: | | | |
| Current liabilities | 615,335 | 511,170 | 104,165 |
| Long-term liabilities | 9,267 | 11,923 | (2,656) |
| Total liabilities | <u>624,602</u> | <u>523,093</u> | |
| Net assets: | | | |
| Restricted | 6,488,367 | 7,119,371 | (631,004) |
| Total Net Assets | <u>\$ 6,488,367</u> | <u>\$ 7,119,371</u> | |

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 \$6,488,367 (net assets) at the close of the most recent fiscal year. Total net assets decreased by \$631,004.

The most significant portion of the Commission's Current Assets is its cash balance (\$6,206,469). 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 Current Assets is the Commission's receivables, due from the First 5 California for Proposition 10 allocations for May (\$178,717) and June 2009 (\$165,915) and First 5 California grants totaling \$880,176 as of June 30, 2009. The Commission also reports accounts payable and grants and contracts payable of \$598,681, mainly representing 4th quarter payments due on grant service contracts that had not been paid by June 30, 2009.

FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
Management's Discussion and Analysis
(Unaudited)
June 30, 2009

The following is a summary of the Commission's revenue, expenses and change in net assets comparing fiscal year 2008-09 with fiscal year 2007-08:

| | <u>FY 2008-09</u> | <u>FY 2007-08</u> | <u>Change</u> |
|--------------------------------------|---------------------|---------------------|---------------|
| Program Revenues: | | | |
| Proposition 10 allocation | \$ 1,997,829 | \$ 1,977,757 | \$ 20,072 |
| Foundation and state matching grants | 820,575 | 728,606 | 91,969 |
| Other revenue | 81,665 | 669,076 | (587,411) |
| Total Program Revenues | <u>2,900,069</u> | <u>3,375,439</u> | |
| General Revenues: | | | |
| Investment income | <u>223,669</u> | <u>341,413</u> | (117,744) |
| Total Revenues | <u>3,123,738</u> | <u>3,716,852</u> | |
| Program Expenses: | | | |
| Administrative expenses | | | |
| Salaries and benefits | 188,633 | 169,085 | 19,548 |
| Other administrative expenses | 95,836 | 116,326 | (20,490) |
| Program expenses | | | |
| Salaries and benefits | 322,216 | 403,213 | (80,997) |
| Integrated Family Support Initiative | 1,434,378 | - | 1,434,378 |
| Childcare Initiative | - | 471,251 | (471,251) |
| School Readiness | 333,294 | 348,146 | (14,852) |
| Health Care Initiative | 235,536 | 262,840 | (27,304) |
| Program Evaluation | 155,102 | 67,295 | 87,807 |
| Other Program | 989,747 | 1,345,042 | (355,295) |
| Total expenses | <u>3,754,742</u> | <u>3,183,198</u> | |
| Change in net assets | (631,004) | 533,654 | (1,164,658) |
| Net assets, beginning of year | 7,119,371 | 6,585,717 | |
| Net assets, end of year | <u>\$ 6,488,367</u> | <u>\$ 7,119,371</u> | |

The financial statements for fiscal year 2008-2009 show a net loss of \$631,004 for which the reserve funds were utilized to pay for current operations. This reflects the Commissions intention to use the reserve funds to provide more services in Yolo County in the next six years.

FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
Management's Discussion and Analysis
(Unaudited)
June 30, 2009

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 \$1,997,829 million received from the State was an increase of \$20,072 compared to the prior fiscal year. The commission invests its funds in the Yolo County Treasury and received \$223,669 in interest for fiscal year 2008-2009.

Total revenue consisting of Proposition 10 funds, interest income, First 5 California matching revenue, and other grants decreased by sixteen percent (-16%) from \$3,716,852 to \$3,123,736 for the year ended June 30, 2009. This decrease was largely due to the transfer of the fiscal management of the Universal Preschool for West Sacramento Program to the City of West Sacramento.

Expenses. During fiscal year 2008-2009, the commission disbursed \$2,955,504 to various service providers within Yolo County. This represents an increase of \$637,853 over the prior fiscal year. Again, the increase is largely due to the implementation of the new strategic plan's Integrated Family Support Initiative.

Total expenditures increased to \$3,754,742, an increase of \$571,542 over the prior fiscal year. There was a twenty-eight percent (28%) increase in contract payments to outside agencies. There was a seventeen percent (17%) decrease in the operating expenditures. Administrative costs were eight percent (8%) of total costs for the third consecutive year.

Debt Administration

The commission's long-term debt consists of compensated absences payable.

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 years old so that their young brains and bodies will develop appropriately.

In fiscal year 2007-2008 the Commission entered into its 2008 Strategic Planning process, identifying one overarching vision entitled the Integrated Family Support Initiative. Integrated Family Support offers a unique concept by requiring collaboration between parents, service providers, educators and policymakers to promote the health and well-being of young children.

The following economic factors were considered in preparing the Commission's financial plan for fiscal year 2009-2010:

- Integrated Family Support Initiative programs were contracted for 7 years at \$1,310,000 per year in July 2008. The contracts will be in their second year in FY 2009-2010.
- Funding for the 4th and final year of the round 4 renewal of the CARES program requires a match to the First 5 California's CARES Grant. Fiscal year 2009-2010's funding will be \$22,226 including First 5 Yolo's match for the final year of this round 4 grant.
- Funding the 5th year of the Healthcare Initiative, including the Healthcare Initiative Coordinator, Healthy Kids insurance product, the Oral Health Program, the third year of the Health Insurance Outreach, Enrollment, Utilization and Retention Program and Compass (a universal application program).
- Funding the 4th and final year of the round 2 School Readiness program renewal requiring a 1:1 match for the First 5 California's School Readiness Initiative funding.

FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
Management's Discussion and Analysis
(Unaudited)
June 30, 2009

- 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 \$260,000 and Community Mini Grants totaling \$17,000 and Childcare Mini Grants of \$8,000.
- A projected 2% decline in State Tobacco Tax allocation revenue.
- Funding the 4th and final year for Universal Preschool 4 West Sacramento program including the First 5 California's PoP funding pass-through.

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 Integrated Family Support Initiative for the next 6 years. FY 2009-2010 will be the final year for the First 5 California grants as follows: The Comprehensive Approaches to Educational Standards (CARES) State Initiative, School Readiness State Initiative, Health Access State Initiative, and the Power of Preschool State Initiative funding for the Universal Preschool for West Sacramento program.

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, California 95695.

**FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
STATEMENT OF NET ASSETS**

JUNE 30, 2009

| | <u>GOVERNMENTAL ACTIVITIES</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and investments in County Treasury | \$ 6,206,469 |
| Accounts receivable | 977 |
| Due from other governments | 880,176 |
| Prepaid expense | <u>25,347</u> |
| TOTAL ASSETS | <u>7,112,969</u> |
| LIABILITIES | |
| Accounts payable | 92,115 |
| Grants and contracts payable | 506,566 |
| Accrued wages and benefits | 16,654 |
| Compensated absences: | |
| Payable within one year | 4,634 |
| Payable after one year | <u>4,633</u> |
| TOTAL LIABILITIES | <u>624,602</u> |
| NET ASSETS | |
| Restricted for: | |
| Restricted by enabling legislation for use on children's programs | <u>6,488,367</u> |
| TOTAL NET ASSETS | <u><u>\$ 6,488,367</u></u> |

See accompanying notes to the basic financial statements.

**FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2009

| | Expenses | Program Revenues Operating Grants And Contributions | Net (Expense) Revenue and Changes in Net Assets Governmental Activities |
|--------------------------|--------------|---|---|
| Governmental Activities: | | | |
| Child development | \$ 3,754,742 | \$ 2,900,069 | \$ (854,673) |
| General Revenues: | | | |
| Investment income | | | 223,669 |
| Total General Revenues | | | 223,669 |
| Change in Net Assets | | | (631,004) |
| Net Assets, July 1 | | | 7,119,371 |
| Net Assets, June 30 | | | \$ 6,488,367 |

See accompanying notes to the basic financial statements.

**FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
GOVERNMENTAL FUND BALANCE SHEET**

JUNE 30, 2009

| | General Fund |
|---|--------------|
| ASSETS | |
| Cash and investments in County Treasury | \$ 6,206,469 |
| Accounts receivable | 977 |
| Due from other governments | 880,176 |
| Prepaid expense | 25,347 |
| Total Assets | \$ 7,112,969 |
| LIABILITIES AND FUND BALANCES | |
| LIABILITIES | |
| Accounts payable | \$ 92,115 |
| Grants and contracts payable | 506,566 |
| Accrued wages and benefits | 16,654 |
| Deferred revenue | 410,330 |
| Total Liabilities | 1,025,665 |
| FUND BALANCES | |
| Reserved for: | |
| Prepaid expense | 25,347 |
| Reserved for encumbrances | 5,654,395 |
| Reserved for contractual obligations | 150,000 |
| Reserved for First 5 California Initiatives | 257,562 |
| Total Fund Balances | 6,087,304 |
| Total Liabilities and Fund Balances | \$ 7,112,969 |

See accompanying notes to the basic financial statements.

**FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2009

| | |
|---|----------------------------|
| Fund balances of governmental funds | \$ 6,087,304 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | |
| Compensated absences | (9,267) |
| Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, the revenues are included on the accrual basis used in the government-wide statements. | <u>410,330</u> |
| Net Assets of governmental activities | <u><u>\$ 6,488,367</u></u> |

See accompanying notes to the basic financial statements.

**FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE**

FOR THE YEAR ENDED JUNE 30, 2009

REVENUES

| | |
|-------------------------------------|--------------|
| Prop 10 Tobacco Tax | \$ 1,997,829 |
| Prop 10 Administration Augmentation | 20,082 |
| Prop 10 State School Readiness | 228,018 |
| Prop 10 CARES | 251,428 |
| Prop 10 Preschool For All | 100,000 |
| Prop 10 Health Access | 17,725 |
| Investment income (SMIF) | 4,934 |
| Interest Income | 223,669 |
| Other revenue | 81,665 |
| | 81,665 |
| Total Revenues | 2,925,350 |

EXPENDITURES

Current:

Administrative

| | |
|--------------------------------|---------|
| Salaries and employee benefits | 191,289 |
| Other administrative expenses | 95,836 |

Program Expenses

| | |
|--------------------------------------|-----------|
| Salaries and employee benefits | 322,216 |
| Integrated Family Support Initiative | 1,434,378 |
| School Readiness | 333,294 |
| Health Care Initiative | 235,536 |
| Program Evaluation | 155,102 |
| Other Program expenditures | 989,747 |
| | 989,747 |

| | |
|--------------------|-----------|
| Total Expenditures | 3,757,398 |
|--------------------|-----------|

| | |
|------------------------|-----------|
| Change in Fund Balance | (832,048) |
|------------------------|-----------|

| | |
|----------------------|-----------|
| FUND BALANCE, July 1 | 6,919,352 |
|----------------------|-----------|

| | |
|-----------------------|--------------|
| FUND BALANCE, June 30 | \$ 6,087,304 |
|-----------------------|--------------|

See accompanying notes to the basic financial statements.

**FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
RECONCILIATION OF THE CHANGE IN FUND BALANCE
TO THE CHANGE IN NET ASSETS**

FOR THE YEAR ENDED JUNE 30, 2009

| | |
|---|----------------------------|
| Net changes in fund balance - total governmental funds | \$ (832,048) |
| <p>Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures and changes in fund balance because:</p> | |
| <p>Compensated absences 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 funds. This amount represents the net change in the compensated absences liability.</p> | |
| | 2,656 |
| <p>Certain revenues in the governmental funds are deferred because they are not collected within the prescribed time period after year-end. However, the revenues are included on the accrual basis used in the government-wide statements. This amount represents the current year increase in deferred revenue.</p> | |
| | <u>198,388</u> |
| Change in net assets of governmental activities | <u><u>\$ (631,004)</u></u> |

See accompanying notes to the basic financial statements.

**FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Commission is a public entity legally separate and apart from the County. The purpose of the Commission is to develop, adopt, promote and implement early childhood development and school readiness programs in the County of Yolo consistent with the goals and objectives of the Act. The Commission's programs are funded primarily by taxes levied by the State of California on tobacco products.

A governing board of nine members, which are appointed by the County Board of Supervisors, oversees the Commission. Four members are considered Mandatory Members, comprised of representatives of the County Department of Employment Social Services, Department of Health Services, Yolo County Office of Education and Board of Supervisors. Other members are considered At-Large Members. The Board of Supervisors Mandatory member serves for a one-year term without limitation on the number of terms he/she may serve. Other Mandatory Members serve until removed by the Board of Supervisors. At-Large Members serve for terms ranging from two to four years, not to exceed eight consecutive years. The County Board of Supervisors may remove any Commission Member at any time. The Commission is considered a component unit of the County of Yolo.

Upon termination of the Commission, all assets of the Commission shall be returned to the State of California. The liabilities of the Commission shall not become liabilities of the County upon either termination of the Commission or the liquidation or disposition of the Commission's remaining assets.

Basis of Accounting and Measurement Focus

The basic financial statements of the Commission are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

Government-wide financial statements consist of the statement of net assets and the statement of activities. These statements are presented on an economic resources measurement focus. All economic resources and obligations of the reporting government are reported in the financial statements.

The government-wide financial statements have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

**FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

The fund financial statements consist of the balance sheet and the statement of revenues, expenditures and changes in fund balance of the Commission's general fund. These statements are presented on a current financial resources measurement focus. Generally, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance for the governmental fund generally presents increases (revenues) and decreases (expenditures) in net current assets. All operations of the Commission are accounted for in the general fund.

The fund financial statements have been prepared on the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Revenues are considered available if they are received within 90 days after year-end. Revenues susceptible to accrual include tax revenues, grant revenues and investment income. Expenditures are recognized in the accounting period in which the fund liability is incurred except for compensated absences, which are recognized when due and payable at year-end.

Adjustments Between Fund Financial Statements and Government-Wide Financial Statements

Deferred Revenue

Under the modified accrual basis of accounting, revenue is recognized in the fund financial statements if it has been collected after year-end within the Commission's established availability period of 90 days. All other accrued revenues due the Commission are deferred at year-end in the fund financial statements. Deferred revenue of \$410,330 at June 30, 2009 was recognized as revenue in the government-wide financial statements.

Long-Term Liabilities

As of June 30, 2009, the Commission estimated its liability for vested compensated absences to be \$9,267. Compensated absence obligations are considered long-term in nature and are reported in the fund financial statements as expenditures in the period paid or when due and payable at year-end under the modified accrual basis of accounting. The compensated absences have been accrued in the government wide financial statements and are included in long-term liabilities. The compensated absences increased by \$23,532 and decreased by \$26,188 during the year. The compensated absences are liquidated by the general fund.

**FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due From Other Governments

Due from other governments 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.

Fund Balance

The net assets of the Commission are constrained by state law for use for early childhood development and school readiness programs. As such, in accordance with GASB No. 34, the fund balance has been reclassified to restricted net assets on the statement of net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The Commission's significant estimates are recorded in accounts payable and due to other governments and pertain to accruals for services provided by grantees and vendors but not invoiced as of June 30, 2009.

Budget and Budgetary Reporting

The Commission is required by County ordinance to prepare a budget each year based on estimates of revenues and expected expenditures. The Commission's Board of Commissioners adopted an annual budget of expenditures for the year ended June 30, 2009, which is prepared on the modified accrual basis of accounting.

Encumbrances

The Commission utilizes an encumbrance system as a management control technique to assist in controlling expenditures. Under this procedure, encumbrances representing purchase orders, contracts and other commitments are reported on the balance sheet as reservations of fund balances at year-end since they do not constitute expenditures or liabilities. Unencumbered appropriations lapse at the end of the fiscal year.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, and then unrestricted resources as they are needed.

**FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reservations/Designations of Fund Balance

The Commission established the following reservations of fund balance for the year ended June 30, 2009:

Reserved for Prepaid Expenses – Represent prepaid expenditures not representing an available spendable resource.

Reserved for Encumbrances - Amounts that have been legally obligated by the Commission in the current fiscal year based on an executed contract.

Reserved for Contractual Obligations - The Commission has explicitly authorized and directed staff to enter into an agreement with a specific agency, however, either the contract has not yet been executed or the contract has been executed but a portion extends beyond the current fiscal year.

Reserved for First 5 California Initiatives – Reservation represents the total future amount that the Commission must reserve in order to meet its matching funds on State Commission initiatives.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments are classified in the financial statements as follows:

| | |
|---|---------------------|
| Cash and investments in County Treasury | \$ 6,206,469 |
| Total Cash and Investments | <u>\$ 6,206,469</u> |

The Commission maintains all of its cash and investments with the Yolo County Treasurer in a cash and investment pool. On a quarterly basis, the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding the categorization of investments and other deposit and investment risk disclosures can be found in the County's Comprehensive Annual Financial Report (CAFR). 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, California 95776. The Yolo County Treasury Oversight Committee oversees the Treasurer's investments and policies.

The Commission had no deposit or investment policy that addressed a specific type of risk. Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

**FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 3 – COMPENSATED ABSENCES

Compensated absences represent the liability for unpaid vacation leave, holidays and other compensated absences with similar characteristics. Changes in the liability for the 2008-09 fiscal year are summarized as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year | Amount Due within one year |
|----------------------|---------------------------------|-----------|-----------|------------------------|-------------------------------|
| Compensated Absences | \$ 11,923 | \$ 23,532 | \$ 26,188 | \$ 9,267 | \$ 4,634 |

NOTE 4 – DUE FROM OTHER GOVERNMENTS

The due from other governments account represents amounts due to the Commission from the California Children and Families Commission (“State Commission”) for Prop 10 related revenues and other governmental agencies. The amounts due to the Commission at June 30, 2009, were as follows:

Due from State Commission:

Prop 10 revenue for:

| | |
|---|------------|
| May 2009 | \$ 178,717 |
| June 2009 | 165,915 |
| Power of Preschool | 235,350 |
| CARES Program | 214,832 |
| Heath Access | 8,817 |
| Surplus Money Investment Fund Allocations | 4,934 |

Due from other governmental agencies for:

| | |
|--|------------|
| Medi-Cal Administrative Activities (MAA) | 71,611 |
| Total Due from Other Governments | \$ 880,176 |

NOTE 5 – COMMITMENTS

The Commission leases office space from a third party under a long-term operating lease, which expires in September 2010 (FY 2010-11). The future minimum rental payments due under the lease are as follows.

| Year Ended June 30, | |
|------------------------|-----------|
| 2010 | \$ 32,112 |
| 2011 | 8,076 |
| | \$ 40,188 |

Rent expense was \$31,341 for the year ended June 30, 2009.

**FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 6 – GRANTEE PAYABLES

The Commission’s primary expenditures consist of funding to various governmental and non-profit agencies that provide services directly to children ages 0-5 and their families. The Commission generally advances a portion of the funding each quarter. The grantees are required to file quarterly cost reports detailing how much of the funding was used. At year end a payable generally exists depending on the actual level of expenditures by the grantee. If the funds advanced fall short of the actual expenditures a payable is recorded, up to the amount of funding allocated. At June 30, 2009, the following was owed to grantees and is included in grants and contracts payable:

Grants and contracts payable:

| | |
|--|-------------------|
| Universal Preschool for West Sacramento | \$ 134,050 |
| CARES | 50,694 |
| Quality Enhancement Program | 49,287 |
| Healthy Kids Insurance Product | 48,916 |
| Step by Step | 47,224 |
| Universal Early Learner Program | 43,900 |
| West Sacramento School Readiness | 40,189 |
| Woodland School Readiness | 26,076 |
| Foster Care Recruitment and Retention | 21,689 |
| Outreach, Enrollment, Retention, and Utilization | 13,864 |
| Strengthening Families Counseling Program | 8,250 |
| Developing On-site Perinatal Services | 8,203 |
| Evaluation | 5,500 |
| Access to Oral Health | 5,000 |
| PCIT at Cache Creek Continuation School | 1,789 |
| Evaluation | 1,636 |
| Universal Application | 297 |
| | <u>\$ 506,566</u> |

NOTE 7 – CONTINGENCIES

The Commission is involved in various legal proceedings from time to time in the normal course of business. In management's opinion, the Commission is not involved in any legal proceeding that will have a material adverse effect on financial position or changes in financial position of the Commission.

**FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 8 – RELATED PARTY TRANSACTIONS

The required composition of the Board of Commissioners includes members from the County and other local governments, community based organizations which serve children. Many of the programs funded by the Commission are operated by organizations represented by the Commissioners. Commissioners must abstain from voting on issues directly related to their respective organizations. The following table shows the contracts awarded in FY 2009, whereby certain commissioners were required to abstain from voting:

| <u>Organization</u> | <u>Award Amount</u> |
|---------------------------------|-------------------------|
| Yolo County Children's Alliance | \$ 610,396 |
| Yolo County Health Department | 110,000 |
| Total | <u>\$ 720,396</u> |

The Commission also contracts with the County to provide accounting, banking and investment, purchasing, human resources, risk management and other administrative services. The Commission participates in the County's risk management programs (commercial and self-insurance programs) for general and automobile liability insurance, public official liability, rental interruption, personal property, worker's compensation, group health indemnified plans, group salary continuance plan, group dental plan and unemployment benefit plan. The Commission incurred expenses totaling \$13,757 for all other County services provided during the year ended June 30, 2009.

NOTE 9 – PROGRAM EVALUATION

In accordance with the *Standards and Procedures for Audits of California Counties Participating in the California Children and Families Program*, issued by the California State Controller, the Commission is required to disclose the amounts expended during the fiscal year on program evaluation. Program evaluation costs pertain to those activities undertaken to support the collection, production, analysis and presentation of evaluation information for Commission management, Commissioners and other interested parties.

For the year ended June 30, 2009, the Commission expended \$155,102 for program evaluation.

**FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 10 – DEFINED BENEFIT PENSION PLAN

The Commission participates in the County of Yolo’s defined benefit pension plan administered by the State of California Public Employees' Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for California cities and governmental jurisdictions, which participate in this retirement plan.

Rates for the County's contributions are set by the State based upon annual experience of County members and on periodic actuarial valuations. The contribution rate for the Commission is established by the County of Yolo. The Commission contributes the full amount of the employees’ 7 percent share of contributions after five years of CalPERS qualifying experience. For the fiscal year ended June 30, 2008, the Commission was required to contribute \$73,128 to the County of Yolo for the plan.

Information is not available separately for the Commission as to the funding policy, annual pension cost, and required supplementary information related to funding progress and trend information. Refer to the County's basic financial statements for further information.

The Commission’s actual and County required contributions for the current year and two preceding years were as follows:

| <u>Fiscal Year Ending</u> | <u>Annual Required Contributions (ARC)</u> | <u>Percentage of ARC Contributed</u> |
|---------------------------|--|--|
| 6/30/2007 | 48,091 | 100.00% |
| 6/30/2008 | 65,036 | 100.00% |
| 6/30/2009 | 73,128 | 100.00% |

NOTE 11 – RETIREE MEDICAL PLAN – OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The Commission is a participant in the County of Yolo’s Retiree Medical Plan (the Plan). The County of Yolo Retiree Health Care Plan (the Plan) provides postemployment medical and dental insurance to retired employees. Medical insurance benefits are administered by the California Public Employees Retirement System, (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California, in accordance to the Public Employees Medical and Hospital Care Act (PEMHCA). To be eligible an employee must retire under the CalPERS program within 120 days of separation from employment for Yolo County. Dental insurance is provided through Yolo County’s Dental Self Insurance program. Medical and dental insurance benefits for retirees are not currently required by contract but have been provided as a matter of practice.

**FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2009

NOTE 11 – RETIREE MEDICAL PLAN – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy. The contribution requirements of plan members and the Commission are those established for the County of Yolo and may be amended by the County Board of Supervisors. For the fiscal year ended June 30, 2009, the County currently pays for post employment health care benefits of annuitants who retired on a “pay as you go” basis. The county’s retiree healthcare plan is not currently funded. Additional details, actuarial assumptions, funded status of the plan and required supplementary information can be found in the County’s Comprehensive Annual Financial Report.

Annual OPEB Cost. The County’s OPEB cost equals the amount of the actuarial required contribution (ARC) plus or minus adjustments for prior years’ differences in the amount of actual contributions compared to the ARC. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The net assets available for benefits, the benefit plan obligation, and the assumed rates of return used to determining the benefit plan obligation are not available separately for the Commission. For additional details, actuarial assumptions, funded status of the plan and required supplementary information refer to the County’s CAFR.

NOTE 12 - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) released new accounting and financial reporting standards which may have a significant impact on the Commission’s financial reporting process. Future new standards which may impact the Commission include the following:

GASB Statement No. 51 – *Accounting and Financial Reporting for Intangible Asset* establishes accounting and financial reporting requirements for intangible assets. The statement requires that all intangible assets not specifically excluded by scope provisions be classified as capital assets. This statement is effective for the fiscal year ending June 30, 2010. The Commission has not determined its effect on the financial statements.

GASB Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions* enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this Statement are effective for the fiscal year ending June 30, 2011. The Commission has not determined its effect on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2009**

| | Budgeted Amouts | | Actual Amounts | Variance with Final Budget - Positive (Negative) |
|--------------------------------------|------------------|------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Prop 10 Tobacco Tax | \$ 1,964,305 | \$ 1,964,305 | \$ 1,997,829 | \$ 33,524 |
| Prop 10 administration augmentation | 25,000 | 25,000 | 20,082 | (4,918) |
| Prop 10 State School Readiness | 228,020 | 228,020 | 228,018 | (2) |
| Prop 10 CARES | 223,249 | 223,249 | 251,428 | 28,179 |
| Prop 10 Preschool For All | 300,000 | 300,000 | 100,000 | (200,000) |
| Prop 10 Health Access | 25,000 | 25,000 | 17,725 | (7,275) |
| Investment income (SMIF) | 10,000 | 10,000 | 4,934 | (5,066) |
| Interest Income | 46,028 | 138,103 | 223,669 | 85,566 |
| Other revenue | 100,000 | 100,000 | 81,665 | (18,335) |
| Total Revenues | 2,921,602 | 3,013,677 | 2,925,350 | (88,327) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Administrative | 143,727 | 200,999 | 191,289 | 9,710 |
| Salaries and employee benefits | 90,883 | 115,287 | 95,836 | 19,451 |
| Other adminisitrative expenses | | | | |
| Program Expenses | 313,350 | 263,156 | 322,216 | (59,060) |
| Salaries and employee benefits | 1,310,000 | 1,310,000 | 1,434,378 | (124,378) |
| Integrated Family Support Initiative | 356,040 | 356,040 | 333,294 | 22,746 |
| School Readiness | 275,000 | 350,000 | 235,536 | 114,464 |
| Health Care Intitiative | 134,563 | 192,895 | 155,102 | 37,793 |
| Program Evaluation | 1,192,176 | 1,164,252 | 989,747 | 174,505 |
| Total Expenditures | 3,815,739 | 3,952,629 | 3,757,398 | 195,231 |
| Net Change in Fund Balance | (894,137) | (938,952) | (832,048) | 106,904 |
| FUND BALANCE, July 1 | 6,919,352 | 6,919,352 | 6,919,352 | - |
| FUND BALANCE, June 30 | \$ 6,025,215 | \$ 5,980,400 | \$ 6,087,304 | \$ 106,904 |

See accompanying notes to required supplementary information.

FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2009

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 by June of the prior fiscal year.

After the budget is approved, the Commission's executive director is authorized to adjust a line item appropriation in an amount not to exceed 14% of the approved appropriation. All amounts greater than 15% require Commission approval. 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 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 unpaid contracts in process at year-end are fully performed by year-end or purchase commitments satisfied. Such year-end encumbrances are reported as a liability of fund balances and are included in expenditures because the commitments will be honored and are encumbered. Unencumbered appropriations lapse a year-end and encumbrance balances that will not be honored are liquidated.

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, and program expenditures.

OTHER 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 YEAR ENDED JUNE 30, 2009**

| | | Revenue CCFC Funds | Expenditures | Change in Net Assets | Net Assets Beginning of Year | Net Assets End of Year |
|------------------------------|---------------------|--------------------------|-------------------|-------------------------|------------------------------------|------------------------------|
| School Readiness Program | CCFC Program Funds | \$ 178,020 | \$ 178,020 | \$ - | \$ 13,854 | \$ 13,854 |
| | County, Local Funds | 178,020 | 178,020 | - | - | - |
| SR Coordination & Evaluation | CCFC Funds | 50,000 | 50,000 | - | - | - |
| CARES (1) | CCFC Program Funds | 214,832 | 214,832 | - | 10,816 | 10,816 |
| | County, Local Funds | 72,172 | 72,172 | - | - | - |
| Preschool For All (2) | CCFC Program Funds | 335,350 | 335,350 | - | - | - |
| | County, Local Funds | 100,000 | 100,000 | - | - | - |
| Administration | CCFC Funds | 20,082 | 20,082 | - | - | - |
| Total CCFC Funds | CCFC Funds | \$ 798,284 | \$ 798,284 | \$ - | \$ 24,670 | \$ 24,670 |

(1) CARES program expenditures are reported as \$287,004. CARES revenue received in FY 08-09 included \$202,759 reported in FY 07-08. The CARES revenue of \$214,832 included the accrued revenue billed on invoice 1 and 2 to the State of \$48,669 and \$166,163 respectively. This report does not include the in-kind match of \$382,743 by First 5 Yolo.

(2) PoP Coordination funds are reported as \$435,350. The PoP revenue includes the accrued amount for the FY 08-09 invoice submitted in August 2009 of \$235,350.

COMPLIANCE REPORTS



**INDEPENDENT AUDITORS' 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**

To the Board of Commissioners
First 5 Yolo Children and Families Commission

We have audited the accompanying financial statements of the governmental activities and the general fund of the First 5 Yolo Children and Families Commission (the Commission), a component unit of the County of Yolo, California, as of and for the year ended June 30, 2009, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated September 28, 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 Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission'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 Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission'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 Commission's internal control.

Our consideration of 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 the 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 of the County Board of Supervisors, the County Commission, the State Commission, and the State Controller's Office, federal agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Vavrinik, Trine, Day & Co. LLP

Rancho Cucamonga, California
September 28, 2009

FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2009

The prior year findings shown below were directly obtained from the June 30, 2008 Audit Report as prepared by the predecessor auditors.

Finding 2008-01 – Incomplete Financial Statement Present for Audit

Condition:

Financial statements presented to the auditor for audit were out of balance by \$68,482.

Criteria:

Financial statements should be balanced and reconciled prior to submission for audit.

Cause:

Commission personnel were confused by accruals and did not fully understand the reconciliation and adjustment process.

Effect:

The auditor had to invest significant additional professional time reconciling the statements and identifying the errors. Accordingly, there were additional costs to the Commission.

Recommendation:

The Commission should recognize that time lines may be delayed and additional expenses incurred if these findings continue in the future. Therefore, we recommend that the Commission ensure that the fully reconciled financial statements be presented sufficient time to allow for a competent audit.

Response:

Management believes that the condition noted above was a result of a miscommunication and not a true reflection of the state of internal control. The capability of the fiscal staff was misinterpreted by the auditors due to the miscommunication. There are no conditions that would result in a more than remote likelihood that either a misstatement of financial statements that is more than inconsequential will not be prevented (significant deficiency), nor - a material misstatement of the financial statements would not be prevented (material weakness).

Status as of June 30, 2009:

Implemented

FIRST 5 YOLO CHILDREN AND FAMILIES COMMISSION
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2009

Finding 2008-02 – Reliance upon Auditor for Footnote Presentation

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 contacted 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 familiar with either disclosure requirements or GASB Statements. They do however rely upon the Yolo County Auditor Controller for review of the financial statements. The capacities of this staff were not available and evaluated.

Effect:

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

Recommendation:

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:

Management believes that the condition noted above was the result of a miscommunication and not a true reflection of the state of internal control.

Management has determined there is no cost-benefit to hiring an additional accountant. We are confident of the expertise of our current accountant to provide fully reconciled financial statements for auditors, management and board decision making. In addition, review of statements by the County Auditor/Controller further assures compliance with GAAP and GASB.

Status as of June 30, 2009:

Implemented



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Commissioners
 First 5 Yolo Children and Families Commission

We have audited the basic financial statements of the First 5 Yolo Children and Families Commission (the Commission), a component unit of the County of Yolo, as of and for the year ended June 30, 2009 and have issued our report thereon dated September 28, 2009.

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 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 the 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.

| Description | Audit Guide Procedures | Procedures Performed |
|---------------------------------------|------------------------|----------------------|
| 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 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. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

This report is intended solely for the information 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.

Vavrinik, Trine, Day & Co. LLP

Rancho Cucamonga, California
September 28, 2009