

**NAPA COUNTY
CHILDREN AND FAMILIES COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2010**

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Financial Statements
For the Year Ended June 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
Commission Membership	i
<u>Financial Section</u>	
Independent Auditor’s Report.....	1-2
Management’s Discussion and Analysis	3-8
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet.....	11
Statement of Revenues, Expenditures and Changes in Fund Balance.....	12
Notes to Financial Statements.....	13-19
<u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund	
Balance – Budget and Actual.....	20
Notes to the Required Supplementary Information	21
<u>Supplementary Information</u>	
Schedule of Expenditures by Fund Source and Net Assets of CCFC Funds for First 5 Programs and Activities	22
<u>Other Reports</u>	
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 <i>Government Auditing Standards</i> and the California Children and Families First Act of 1998	23-24
Independent Auditor’s Report on State Compliance	25-26

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Commission Membership

<u>Name</u>	<u>Representing</u>	<u>Date of Appointment</u>	<u>Current Term Expires</u>
Mary Baracco	Community Member	02/2008	01/2011
Dr. Kristie Brandt	Community Member	01/2010	01/2011
Ida Marie Bruce	Community Member	01/2009	01/2013
Laura Keller	County Representative	02/2007	01/2014
Andrea Knowlton	Community Member	08/2007	01/2013
Dr. Stephanie Paravicini	Community Member	01/2007	01/2011
Caroline Pietrangelo-Owens	Community Member	02/2008	01/2012
Brad Wagenknecht	Board of Supervisors	01/2004	01/2014
Teresa Zimny	County Representative	05/2002	01/2014

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Napa County Children and Families Commission
Napa, California

We have audited the accompanying basic financial statements of Napa County Children and Families Commission (Commission), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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, 2010, 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 October 7, 2010, 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
Napa County Children and Families Commission
Napa, 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 Napa County 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.

Gallina LLP

Roseville, California
October 7, 2010

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2010

On November 3, 1998, California voters approved Proposition 10 – the Children and Families First 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 Napa County (County) Board of Supervisors created the Napa County Children and Families Commission (Commission) in 1998 under the provisions of the Act. The Commission consists of nine members appointed by the County Board of Supervisors. The Commission is a public entity legally separate and apart from the County.

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, 2010.

Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all of the Commission's assets and liabilities, 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 the statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The government-wide financial statements can be found on pages 9-10 of this report.

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2010

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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and government wide statements.

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 fund financial statements can be found on pages 11-12 of this report.

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 fund financial statements. The notes to the financial statements can be found on pages 13-19 of this report.

Required Supplementary Information (RSI). RSI is presented concerning the Commission's General Fund budgetary schedule. The Commission adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

Government-wide Financial Analysis

The Commission presents its financial statements under the 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. Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceed liabilities by \$884,624 at the close of the most recent fiscal year. The most significant portion of the Commission's net assets is its cash balance of \$747,601. Other than petty cash of \$200, cash is maintained by the County Treasurer 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 State Commission for Proposition 10 taxes in the amount of \$197,681. These receivables represent taxes that were remitted by the State but had not been received by

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2010

the Commission as of June 30, 2010. The Commission also reports accounts payable of \$47,882 representing payments due for obligations incurred during the year, but not yet paid.

The Commission's net assets decreased overall by \$228,338 during the 2009-2010 fiscal year. This decrease in net assets is explained in the governmental fund analysis below and was a budgeted decrease approved by the Commission to use surplus funds from prior years.

Napa County Children and Families Commission

Statement of Net Assets Comparison

	<u>FY 2009-10</u>	<u>FY 2008-09</u>	<u>Difference</u>
Total Assets	\$ 946,056	\$ 1,213,966	\$ (267,910)
Total Liabilities	<u>61,432</u>	<u>101,004</u>	<u>(39,572)</u>
Total Net Assets	<u>\$ 884,624</u>	<u>\$ 1,112,962</u>	<u>\$ (228,338)</u>

Statement of Activities Comparison

	<u>FY 2009-10</u>	<u>FY 2008-09</u>	<u>Difference</u>
Total Revenues	\$ 1,314,609	\$ 1,570,967	\$ (256,358)
Total Expenses	<u>1,542,947</u>	<u>1,783,774</u>	<u>(240,827)</u>
Change in Net Assets	<u>\$ (228,338)</u>	<u>\$ (212,807)</u>	<u>\$ (15,531)</u>

Financial Analysis of the Commission's Governmental Fund

As noted earlier, fund accounting is used by the Commission to ensure and demonstrate compliance with finance-related legal requirements.

For the year-ended June 30, 2010, the Commission reported an ending fund balance of \$889,367, a decrease of \$227,507, or 20%, from the prior year. The decrease was a budgeted decrease approved by the Commission to use surplus funds from prior years.

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2010

The Commission has reserved \$200 for imprest cash, \$31,272 for obligations of executed contracts for future payments on leases through 6/30/11; and \$850,000 reserved for obligations.

Napa County Children and Families Commission Statement of Revenues, Expenditures and Changes in Fund Balance Comparison Statement

	<u>FY 2009-10</u>	<u>FY 2008-09</u>	<u>Difference</u>
Total Revenues	<u>\$ 1,314,609</u>	<u>\$ 1,570,967</u>	<u>\$ (256,358)</u>
Expenditures			
Administration	234,298	260,843	(26,545)
Program Expenditures	<u>1,307,818</u>	<u>1,525,128</u>	<u>(217,310)</u>
Total Expenditures	<u>1,542,116</u>	<u>1,785,971</u>	<u>(243,855)</u>
Change in Net Assets	<u><u>\$ (227,507)</u></u>	<u><u>\$ (215,004)</u></u>	<u><u>\$ (12,503)</u></u>

Total revenue (see above) consisting of Proposition 10 funds, interest income, and State Commission matching revenue decreased from \$1,570,967 to \$1,314,609, a decrease of \$256,358, or 16%, from the prior fiscal year. This decrease was due to a decrease in State Commission tobacco tax revenue received over the prior year.

Total expenditures decreased from \$1,785,971 to \$1,542,116, a decrease of \$243,855, or 14%, from the prior fiscal year. This decrease was a direct result of lower funding from the State Commission and reduction in administration expenses.

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2010

Fund Budgetary Highlight

Total revenues were under budget by \$158,087, or 11%, and total expenditures were under budget by \$95,834, or 6%. Total revenue shortfall was due to lower than anticipated State Commission tobacco tax revenue. Total expenditures were under budget due to reduced salaries from a reduction of hours worked and unexpended funding for professional services and Focused Funding.

Capital Assets and Debt Administration

Capital Assets

At the end of the current fiscal year, the Commission did not have any capital assets.

Debt Administration

At the end of the current fiscal year, the Commission did not have any long-term obligations outstanding.

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 of age 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 2010-2011:

- Continued decrease in Prop 10 revenue due to new Federal Tobacco Tax Legislation and reduction in tobacco consumption
- Continued commitment at a reduced funding level to Children's Health Initiative and School Readiness Programs

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 age population, not as just another funding source for programs. In that regard, in fiscal year 2010-2011 the Commission will continue to focus on evaluating all funded programs to determine what is working or has promise to impact the health and well being of children. This

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2010

information will be used to help evaluate the overall impact of Proposition 10 in Napa County as well as assist in the development of a new First 5 Napa Community Plan which will guide funding for 2011 – 2012 and beyond.

Requests for Information

This financial report is designed to provide a general overview of the Napa County Children and 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 Napa County Children and Families Commission, 5 Financial Plaza, Suite 228, Napa, California, 94558.

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

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Statement of Net Assets
June 30, 2010

ASSETS

Cash in County treasury	\$ 747,401
Imprest cash	200
Due from other agencies	<u>198,455</u>
Total Assets	<u>946,056</u>

LIABILITIES

Accounts payable	47,882
Accrued payroll	8,807
Long-term liabilities:	
Compensated absences payable - due within one year	<u>4,743</u>
Total Liabilities	<u>61,432</u>

NET ASSETS

Restricted	<u>884,624</u>
Total Net Assets	<u>\$ 884,624</u>

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

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Statement of Activities For the Year Ended June 30, 2010

PROGRAM EXPENSES

Salaries and employee benefits - Administration	\$ 155,481
Salaries and employee benefits - Program Evaluation	48,078
Services and supplies	77,014
Rent and utilities	41,121
School readiness	219,156
Focused funding	389,208
Proposition 10 grant	609,934
Other program	2,955
	<hr/>
Total Program Expenses	1,542,947

PROGRAM REVENUES

Operating grants and contributions:	
Proposition 10 apportionment	1,123,443
Proposition 10 administration augmentation	51,076
Proposition 10 school readiness program	125,000
Proposition 10 surplus money investment fund	774
Proposition 10 health access	5,169
	<hr/>
Total Program Revenues	1,305,462
	<hr/>
Net Program Revenues (Expenses)	(237,485)

GENERAL REVENUES

Interest revenue	9,147
	<hr/>
Change in Net Assets	(228,338)
	<hr/>
Net Assets, Beginning of Year	1,112,962
	<hr/>
Net Assets, End of Year	\$ 884,624

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

**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Balance Sheet
June 30, 2010

ASSETS

Cash in County treasury	\$ 747,401
Imprest cash	200
Due from other agencies	<u>198,455</u>
 Total Assets	 <u><u>\$ 946,056</u></u>

LIABILITIES

Accounts payable	\$ 47,882
Accrued payroll	<u>8,807</u>
 Total Liabilities	 <u>56,689</u>

FUND BALANCE

Fund Balance:	
Reserved funds:	
Reserved for imprest cash	200
Reserved for obligations	850,000
Reserved for encumbrances	<u>31,272</u>
 Total Reserved Funds	 881,472
Unreserved Funds:	
Designated for local initiatives and program sustainability	<u>7,895</u>
 Total Fund Balance	 <u>889,367</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 946,056</u></u>

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

Fund Balance - total governmental fund (from above)	\$ 889,367
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.	<u>(4,743)</u>
Net assets of governmental activities (page 9)	<u><u>\$ 884,624</u></u>

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

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2010

REVENUES

Proposition 10 apportionment	\$ 1,123,443
Proposition 10 administration augmentation	51,076
Proposition 10 school readiness program	125,000
Proposition 10 surplus money investment fund	774
Proposition 10 health access	5,169
Use of money	<u>9,147</u>
 Total Revenues	 <u>1,314,609</u>

EXPENDITURES

Salaries and employee benefits - Administration	154,650
Salaries and employee benefits - Program Evaluation	48,078
Services and supplies	77,014
Rent and utilities	41,121
School readiness	219,156
Focused funding	389,208
Proposition 10 grant	609,934
Other program	<u>2,955</u>
 Total Expenditures	 <u>1,542,116</u>

Net Change in Fund Balance	(227,507)
 Fund Balance, Beginning of Year	 <u>1,116,874</u>
 Fund Balance, End of Year	 <u><u>\$ 889,367</u></u>

**Changes in Fund Balance of Governmental Fund to the
Government-Wide Statement of Activities - Governmental Activities**

Net change to fund balance - total governmental fund (from above)	\$ (227,507)
---	--------------

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

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>(831)</u>
--------------------------------	--------------

Change in net assets of governmental activities (page 10)	<u><u>\$ (228,338)</u></u>
---	----------------------------

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

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Notes to Financial Statements
June 30, 2010

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

A. Reporting Entity

The Napa County Children and Families Commission (Commission), previously known as the Napa County Children and Families First Commission, was established on December 15, 1998 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 Napa County Ordinances 1151 and 1154. The name was changed pursuant to Ordinance 1175 on September 12, 2000. The nine members of the Commission are appointed by the Napa County Board of Supervisors.

The Commission is responsible for the creation and implementation of a comprehensive, collaborative, and integrated system of 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 the Governmental Accounting Standards Board (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 Napa 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.

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Notes to Financial Statements
June 30, 2010

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.

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Notes to Financial Statements
June 30, 2010

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 the State government. Management has determined the Commission's receivables are fully collectible. Accordingly, no allowance for doubtful accounts has been made.

D. Compensated Absences

The Commission accounts for compensated absences in accordance with Governmental Accounting Standards Board Statement No. 16. Unused vacation benefits may be accrued up to a maximum of 180 hours.

The earned vacation is payable upon separation and is reported at the current balance of the liability. There is no payout of sick leave upon separation from the Commission.

E. Net Assets/Fund Balances

Net Assets

The government-wide activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted. The Commission only has restricted funds.

Restricted Net Assets – This category presents 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. First 5 California requires that fund balance be reported as either reserved or unreserved.

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Notes to Financial Statements
June 30, 2010

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

E. Net Assets/Fund Balances (continued)

Fund Balances (continued)

Reserved funds represent the portion of the fund balance that is restricted by law or legally obligated to outside parties. Unreserved funds represent 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 reflects outstanding contractual obligations for which goods and services have not been received.

Reserved for obligations reflects total dollar amounts set aside to support an authorized contractual agreement with a specified agency which has not been executed.

Funds reserved for First 5 California Initiatives reflects future county match dollars reserved to meet its matching guarantee for State Commission initiatives which require a matching investment from participating counties.

Unreserved fund balance:

Designated for local initiatives and program sustainability reflects funds that are set aside for the following:

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.

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Notes to Financial Statements
June 30, 2010

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

F. 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. Accordingly, actual results could differ from those estimates.

Note 2: **Cash and Investments**

Cash and investments at June 30, 2010 consisted of the following:

Cash in County treasury	\$ 747,401
Imprest cash	<u>200</u>
Total cash and investments	<u>\$ 747,601</u>

The Commission maintains all of its cash and investments with the Napa 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 Napa's financial statements may be obtained by contacting the County of Napa's Auditor-Controller's office at 1195 Third Street, Room B10, Napa, CA 94559. The Napa County Treasury Oversight Committee oversees the Treasurer's investments and policies.

Required disclosures for the Commission's deposit and investment risks at June 30, 2010, were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
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.

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Notes to Financial Statements
June 30, 2010

Note 3: **Long-Term Liabilities**

The following is a summary of long-term liabilities as of June 30, 2010:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2010</u>
Compensated absences	\$ 3,912	\$ 8,695	\$ (7,864)	\$ 4,743

Note 4: **Related Party Transactions**

During the fiscal year ended June 30, 2010, the Commission paid the County of Napa, a related party, \$5,739 for accounting and administrative services.

Note 5: **Operating Leases**

The Commission leases office space under a 60 month operating lease agreement that expires in May 2015 with an option to terminate the lease after May 2013 with a notice of at least 120 days. The minimum monthly rental is subject to adjustment as of the anniversary date (June 1) every year based upon the Consumer Price Index beginning in June 2012. The Commission also leases a copier under a 60 month operating lease agreement that expires in April 2014. Total rent charged to operations for the year ended June 30, 2010 was \$38,895.

Minimum required future rental payments under these leases are as follows:

<u>Year Ended</u> <u>June 30</u>	
2011	\$ 31,272
2012	31,344
2013	32,205
2014	32,654
2015	<u>28,692</u>
Total	<u>\$ 156,167</u>

Note 6: **Risk Management**

The Commission is exposed to various risks of loss related to general liability and workers' compensation. Insurance for the Commission is secured through commercial lines for both general liability and workers' compensation coverage.

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Notes to Financial Statements
June 30, 2010

Note 7: **Program Evaluation**

The Commission spent \$48,078 on program evaluation during the fiscal year ended June 30, 2010. These funds were used for salaries and benefits of a part-time staff person.

Note 8: **Retirement Contribution**

The Commission elected to make a contribution of \$4,000 for the year ended June 30, 2010 under a Deferred Compensation Plan as described in Section 401(a) of the Internal Revenue Code.

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

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Budgetary Fund Balances, July 1	\$ 1,116,874	\$ 1,116,874	\$ 1,116,874	\$ --
<u>Resources (Inflows):</u>				
Proposition 10 apportionment	1,239,905	1,239,905	1,123,443	(116,462)
Proposition 10 administration augmentation	55,451	55,451	51,076	(4,375)
Proposition 10 school readiness program	125,000	125,000	125,000	--
Proposition 10 health access	32,340	32,340	5,169	(27,171)
Proposition 10 surplus money investment fund	--	--	774	774
Use of money	20,000	20,000	9,147	(10,853)
Amounts Available for Appropriation	<u>1,472,696</u>	<u>1,472,696</u>	<u>1,314,609</u>	<u>(158,087)</u>
<u>Charges to Appropriations (Outflows):</u>				
Salaries and employee benefits	210,000	210,000	154,650	55,350
Services and supplies	117,350	111,350	77,014	34,336
Rent and utilities	42,600	46,600	41,121	5,479
School readiness	245,000	227,000	219,156	7,844
Focused funding	405,000	405,000	389,208	15,792
Program evaluation	--	--	48,078	(48,078)
Proposition 10 grant	610,000	630,000	609,934	20,066
Other program	8,000	8,000	2,955	5,045
Total Charges to Appropriations	<u>1,637,950</u>	<u>1,637,950</u>	<u>1,542,116</u>	<u>95,834</u>
Net Change in Fund Balances	<u>(165,254)</u>	<u>(165,254)</u>	<u>(227,507)</u>	<u>(62,253)</u>
Fund Balances, End of Year	<u>\$ 951,620</u>	<u>\$ 951,620</u>	<u>\$ 889,367</u>	<u>\$ (62,253)</u>

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Notes to the Required Supplementary Information
For the Year Ended June 30, 2010

BUDGET AND BUDGETARY ACCOUNTING

The Commission prepares and legally adopts a final budget on or before August 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 years and included in the subsequent years' budgets. Unencumbered appropriations lapse at year-end.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the object level. Object levels of expenditures include: salaries and benefits, services and supplies, rent and utilities, and program expenditures.

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

SUPPLEMENTARY INFORMATION

NAPA COUNTY 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, 2010

		Revenue CCFC Funds	Expenditures	Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
School Readiness Program	CCFC Program Funds County, Local Funds	\$ 100,000	\$ 100,000 100,000	\$ --	\$ --	\$ --
School Readiness Program-Coordination (Program Evaluation & Services)	CCFC Funds	25,000	25,000	--	--	--
Health Access Program	CCFC Program Funds County, Local Funds	5,169	5,169 156,531	--	--	--
Administration Augmentation	CCFC Funds	51,076	51,076	--	--	--
Total CCFC Funds	CCFC Funds	\$ 181,245	\$ 181,245	\$ --	\$ --	\$ --

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
Napa County Children and Families Commission
Napa, California

We have audited the financial statements of the Napa County Children and Families Commission as of and for the year ended June 30, 2010, and have issued our report thereon dated October 7, 2010. 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 Napa County Children and Families Commission 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 Napa County Children and Families Commission internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Board of Commissioners
Napa County Children and Families Commission
Napa, California

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Napa County Children and Families Commission 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 Napa County Children and Families Commission, management, others within the entity, the State Commission, the State Controller's Office, federal agencies and pass-through 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.



Roseville, California
October 7, 2010



INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Board of Commissioners
 Napa County Children and Families Commission
 Napa, California

We have audited the basic financial statements for the Napa County Children and Families Commission as of and for the year ended June 30, 2010 and have issued our report thereon dated October 7, 2010.

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 First 5 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 below.

Description	Audit Guide Procedures	Procedures Performed
Contracting and Procurement	6	Yes
Administrative Cost	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

Board of Commissioners
Napa County Children and Families Commission
Napa, California

Based on our audit we found that, for the items tested, Napa County 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 First 5 program.

This report is intended solely for the information and use of the Napa County Children and Families Commission, management, others within the entity, the State Commission, the State Controller's Office, federal agencies and pass-through 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.

Gallina LLP

Roseville, California
October 7, 2010