NAPA COUNTY
CHILDREN AND FAMILIES COMMISSION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2011

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Financial Statements
For the Year Ended June 30, 2011

TABLE OF CONTENTS

	Page
Commission Membership	i
Financial Section	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet	10
Statement of Revenues, Expenditures and Changes in Fund Balance	11
Notes to Financial Statements	12-18
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	19
Notes to the Required Supplementary Information	20
Supplementary Information	
Schedule of Expenditures by Fund Source and Net Assets of CCFC Funds for First 5 Programs and Activities	21
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*	22-23
Independent Auditor's Report on State Compliance	24

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Commission Membership

Name	Representing	Date of Appointment	Current Term Expires
Dr. Kristie Brandt	Community Member	01/2010	01/2015
Ida Marie Bruce	Community Member	01/2009	01/2013
Michele Grupe	Community Member	02/2011	01/2015
Laura Keller	County Representative	02/2007	01/2014
Andrea Knowlton	Community Member	08/2007	01/2013
Dr. Stephanie Paravicini	Community Member	01/2007	01/2015
Caroline Pietrangelo-Owens	Community Member	02/2008	01/2012
Brad Wagenknecht	Board of Supervisors	01/2004	01/2012
Teresa Zimny	County Representative	05/2002	01/2014

FINANCIAL SECTION

GALLINA LLP
CERTIFIED PUBLIC ACCOUNTANTS

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, 2011, 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, 2011, 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 13, 2011, 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

Accounting principles generally accepted in the United States of America require that 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, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 13, 2011

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis
For the Year Ended June 30, 2011

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, 2011.

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 8-9 of this report.

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 10-11 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 12-18 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 $871,908 at the close of the most recent fiscal year. The most significant portion of the Commission's net assets is its cash balance of $698,850. 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 $205,150

and for CARES funding in the amount of $24,817. These receivables represent taxes that were remitted by the State but had not been received by the Commission as of June 30, 2011. The Commission also reports accounts payable of $25,011 representing payments due for obligations incurred during the year, but not yet paid.

The Commission's net assets decreased overall by $12,716 during the 2010-2011 fiscal year. This decrease in net assets is explained in the governmental fund analysis below. The decrease 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

	FY 2010-11	FY 2009-10	Difference
Total Assets	$ 928,817	$ 946,056	$ (17,239)
Total Liabilities	56,909	61,432	(4,523)
Total Net Assets	$ 871,908	$ 884,624	$ (12,716)

Statement of Activities Comparison

	FY 2010-11	FY 2009-10	Difference
Total Revenues	$ 1,214,770	$ 1,314,609	$ (99,839)
Total Expenses	1,227,486	1,542,947	(315,461)
Change in Net Assets	$ (12,716)	$ (228,338)	$ 215,622

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, 2011, the Commission reported an ending fund balance of $880,557, a decrease of $8,810, or 1%, from the prior year. The decrease was a budgeted decrease approved by the Commission to use surplus funds from prior years.

Of the total fund balance of $880,557, $350,606 are committed resources for the following obligations: CARES Plus ($99,740), Commission approved contracts using Prop 10 funds ($212,774), Commission approved sponsorships ($5,000), and contracted lease payments through fiscal year 6/30/2012 ($33,092). The remaining funds of $529,951 are assigned by the Commission for future First 5 activities.

	FY 2010-11	FY 2009-10	Difference
Total Revenues	$ 1,214,770	$ 1,314,609	$ (99,839)
Expenditures			
Administration	245,618	234,298	11,320
Program Expenditures	977,962	1,307,818	(329,856)
Total Expenditures	1,223,580	1,542,116	(318,536)
Change in Net Assets	$ (8,810)	$ (227,507)	$ 218,697

Total revenue (see above) consisting of Proposition 10 funds, interest income, and State Commission matching revenue decreased from $1,314,609 to $1,214,770, a decrease of $99,839, or 7%, 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 $1,542,116 to $1,223,580, a decrease of $318,536, or 20%, from the prior fiscal year. This decrease was a direct result of lower funding from the State Commission and reduction in administration expenses.

Fund Budgetary Highlight

Total revenues were under budget by $30,381, or 2%, and total expenditures were under budget by $216,770, or 15%. Total revenue shortfall was due to lower than anticipated State Commission tobacco tax revenue and a reduction in interest earnings. Total expenditures were under budget due to reduced salaries from a reduction of hours worked and not expending funds on community grants for $200,000 which was a budget plan adopted by the Commission to assist qualified grantees, if necessary due to the State budget crisis.

Capital Assets and Debt Administration

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

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 2011-2012:

- Continued decrease in Prop 10 revenue due to reduction in tobacco consumption
- Ongoing state level challenges to Proposition 10 funds
- Continuation of First 5 CA Signature Programs such as CARES Plus

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 2011-2012 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 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, 2011

ASSETS	
Cash in County treasury	$ 698,650
Imprest cash	200
Due from other agencies	229,967
Total Assets	928,817
LIABILITIES	
Accounts payable	25,011
Accrued payroll	8,249
Deferred revenue	15,000
Long-term liabilities:	
Compensated absences payable - due within one year	6,355
Compensated absences payable - due after one year	2,294
Total Liabilities	56,909
NET ASSETS	
Restricted	871,908
Total Net Assets	$ 871,908

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, 2011

PROGRAM EXPENSES	
Salaries and employee benefits - Administration	$ 130,460
Salaries and employee benefits - Program Evaluation	49,332
Services and supplies	96,512
Rent and utilities	32,943
Retention incentives	16,817
Proposition 10 grant	896,324
Other program	5,098
Total Program Expenses	1,227,486
PROGRAM REVENUES	
Operating grants and contributions:	
Proposition 10 apportionment	1,133,913
Proposition 10 administration augmentation	50,413
Proposition 10 retention incentives	24,817
Proposition 10 surplus money investment fund	603
Total Program Revenues	1,209,746
Net Program Revenues (Expenses)	(17,740)
GENERAL REVENUES	
Interest revenue	5,024
Change in Net Assets	(12,716)
Net Assets, Beginning of Year	884,624
Net Assets, End of Year	$ 871,908

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, 2011

ASSETS		
Cash in County treasury	$	698,650
Imprest cash		200
Due from other agencies		229,967
Total Assets	$	928,817
LIABILITIES		
Accounts payable	$	25,011
Accrued payroll		8,249
Deferred revenue		15,000
Total Liabilities		48,260
FUND BALANCE		
Committed		350,606
Assigned		529,951
Total Fund Balance		880,557
Total Liabilities and Fund Balance	$	928,817

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

Fund Balance - total governmental fund (from above)	$	880,557
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.		(8,649)
Net assets of governmental activities (page 8)	$	871,908

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, 2011

REVENUES		
Proposition 10 apportionment	$	1,133,913
Proposition 10 administration augmentation		50,413
Proposition 10 retention incentives		24,817
Proposition 10 surplus money investment fund		603
Interest earnings		5,024
Total Revenues		1,214,770
EXPENDITURES		
Salaries and employee benefits - Administration		126,554
Salaries and employee benefits - Program Evaluation		49,332
Services and supplies		96,512
Rent and utilities		32,943
Retention incentives		16,817
Proposition 10 grant		896,324
Other program		5,098
Total Expenditures		1,223,580
Net Change in Fund Balance		(8,810)
Fund Balance, Beginning of Year		889,367
Fund Balance, End of Year	$	880,557

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)	$	(8,810)
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		(3,906)
Change in net assets of governmental activities (page 9)	$	(12,716)

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

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.

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.

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. **Deferred Revenue**

The Commission reports deferred revenue in connection with resources that have been received as of year-end but not yet earned.

F. **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.

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

F. **Net Assets/Fund Balances** (continued)

Fund Balances

To be in conformance with GASB Statement No. 54, fund balance is reported in classifications based primarily on the extent to which the Commission is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2011, the Commission's fund balance consisted of the following components:

Committed Fund Balance includes amounts that are constrained by limits imposed by the government's highest level of decision making (for First 5 county commissions, this is the local commission). Removal or modification of use of funds can be accomplished only by formal action of the authority (i.e. local commission) that established the constraints.

Assigned Fund Balance is the assigned portion of the fund balance that reflects the Commission's intended use of resources, which is established either by the Commission, a body created by the Commission, or an official designated by the Commission.

G. **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.

H. **Implementation of New Accounting Standards**

Governmental Accounting Standards Board Statement No. 54

For the fiscal year ended June 30, 2011, the Commission implemented Governmental Accounting Standards Board Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 establishes new accounting and financial reporting standards for all governments that report governmental funds. The statement provides more clearly defined categories within fund balance to make the nature and extent of the constraints placed on the fund

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

H. **Implementation of New Accounting Standards** (continued)

Governmental Accounting Standards Board Statement No. 54 (continued)

balance more transparent. GASB 54 also clarifies the existing governmental fund type definitions to improve the comparability of governmental fund statements. Implementation of GASB 54 required changed presentation of fund balance and new reporting disclosures.

Note 2: **Cash and Investments**

Cash and investments at June 30, 2011 consisted of the following:

Cash in County treasury	$ 698,650
Imprest cash	200
Total cash and investments	$ 698,850

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, 2011, 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.

Note 3: Deferred Revenue

As of June 30, 2011, the Commission reported $15,000 of deferred revenue for amounts received but not yet earned from the Queen of the Valley Medical Center for the Fussy Baby Program.

Note 4: Long-Term Liabilities

The following is a summary of long-term liabilities as of June 30, 2011:

	July 1, 2010	Additions	Retirements	June 30, 2011	Amounts Due Within One Year
Compensated absences	$ 4,743	$ 11,156	$ (7,250)	$ 8,649	$ 6,355

Note 5: Related Party Transactions

During the fiscal year ended June 30, 2011, the Commission paid the County of Napa, a related party, $6,333 for accounting and administrative services.

Note 6: 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, 2011 was $30,900.

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

Year Ended June 30	
2012	$ 31,344
2013	32,205
2014	33,092
2015	28,692
Total	$ 125,333

Note 7: **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.

Note 8: **Program Evaluation**

The Commission spent $49,332 on program evaluation during the fiscal year ended June 30, 2011. These funds were used for salaries and benefits of a part-time staff person.

Note 9: **Retirement Contribution**

The Commission elected to make a contribution of $4,000 for the year ended June 30, 2011 under a Deferred Compensation Plan as described in Section 401(a) of the Internal Revenue Code.

Note 10: **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 11: **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 Commission'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, 2011

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Budgetary Fund Balances, July 1	$ 889,367	$ 889,367	$ 889,367	$ --
Resources (Inflows):				
Proposition 10 apportionment	1,174,075	1,174,075	1,133,913	(40,162)
Proposition 10 administration augmentation	51,076	51,076	50,413	(663)
Proposition 10 retention incentives	--		24,817	24,817
Proposition 10 surplus money investment fund	--	--	603	603
Interest earnings	20,000	20,000	5,024	(14,976)
Amounts Available for Appropriation	1,245,151	1,245,151	1,214,770	(30,381)
Charges to Appropriations (Outflows):				
Salaries and employee benefits	175,000	175,890	126,554	49,336
Services and supplies	102,150	105,150	96,512	8,638
Rent and utilities	35,200	34,310	32,943	1,367
Retention incentives	--	--	16,817	(16,817)
Community grants	--	200,000	--	200,000
Program evaluation	--	--	49,332	(49,332)
Proposition 10 grant	920,000	920,000	896,324	23,676
Other program	8,000	5,000	5,098	(98)
Total Charges to Appropriations	1,240,350	1,440,350	1,223,580	216,770
Net Change in Fund Balances	4,801	(195,199)	(8,810)	186,389
Fund Balances, End of Year	$ 894,168	$ 694,168	$ 880,557	$ 186,389

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, 2011

Progarm and/or Activity		Revenue CCFC Funds	Expenditures	Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
CARES	CCFC Program Funds	$ 24,817	$ 24,817	$ --	$ --	$ --
Administration Augmentation	CCFC Funds	50,413	50,413	--	--	--
Total CCFC Funds	CCFC Funds	$ 75,230	$ 75,230	$ --	$ --	$ --

OTHER REPORTS

GALLINA LLP
CERTIFIED PUBLIC ACCOUNTANTS

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*

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 (Commission) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 13, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 Board of Supervisors, 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 13, 2011

GALLINA LLP
CERTIFIED PUBLIC ACCOUNTANTS

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 of the Napa County California Children and Families Commission (the Commission), as of and for the year ended June 30, 2011 and have issued our report thereon dated October 13, 2011. 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. We have also audited the Commission's compliance with the requirements specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our compliance audit 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 Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Those standards and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the statutory requirements listed below occurred. An audit includes examining on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

Board of Commissioners
Napa County Children and Families Commission

In connection with the audit referred to above, we selected and tested transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

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

In our opinion, the Napa County California Children and Families Commission complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed above for the year ended June 30, 2011.

This report is intended solely for the information of the Napa County Board of Supervisors, Napa County Children and Families 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.

Gallina LLP

Roseville, California
October 13, 2011