

**NAPA COUNTY
CHILDREN AND FAMILIES
COMMISSION**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2012**

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Financial Statements
For the Year Ended June 30, 2012

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NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Commission Membership

<u>Name</u>	<u>Representing</u>	<u>Date of Appointment</u>	<u>Current Term Expires</u>
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
Debbie Peralez	Community Member	01/2012	01/2016
Brad Wagenknecht	Board of Supervisors	01/2004	01/2013
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, 2012, 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 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.

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, 2012, 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 5, 2012, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedule, 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.

Board of Commissioners
Napa County Children and Families Commission

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Napa County Children and Families Commission 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 do not express an opinion or provide any assurance on it.

Gallina LLP

Roseville, California
October 5, 2012

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2012

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, 2012.

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 7-8 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.

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2012

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 9-10 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 11-15 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 \$778,629 at the close of the most recent fiscal year. The most significant portions of the Commission's net assets is its cash balance of \$561,933. 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 \$207,388 and for CARES funding in the amount of \$34,607. These receivables represent taxes that were remitted by the State but had not been received by the Commission as of June 30, 2012. The Commission also reports accounts payable of \$6,946 representing payments due for obligations incurred during the year, but not yet paid.

The Commission's net assets decreased overall by \$93,279 during the 2011-2012 fiscal year. This decrease in net assets is explained in the governmental fund analysis on the following page. 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 (Continued)
For the Year Ended June 30, 2012

Napa County Children and Families Commission

Statement of Net Assets Comparison

	<u>FY 2011-12</u>	<u>FY 2010-11</u>	<u>Difference</u>
Total Assets	\$ 803,928	\$ 928,817	\$ (124,889)
Total Liabilities	<u>25,299</u>	<u>56,909</u>	<u>(31,610)</u>
Total Net Assets	<u>\$ 778,629</u>	<u>\$ 871,908</u>	<u>\$ (93,279)</u>

Statement of Activities Comparison

	<u>FY 2011-12</u>	<u>FY 2010-11</u>	<u>Difference</u>
Total Revenues	\$ 1,254,415	\$ 1,214,770	\$ 39,645
Total Expenses	<u>1,347,694</u>	<u>1,227,486</u>	<u>120,208</u>
Change in Net Assets	<u>\$ (93,279)</u>	<u>\$ (12,716)</u>	<u>\$ (80,563)</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, 2012, the Commission reported an ending fund balance of \$787,652, a decrease of \$92,905, or 10.5%, from the prior year. The decrease was a budgeted decrease approved by the Commission to use surplus funds from prior years.

The total fund balance represents committed resources for Commission approved contracts using Prop 10 funds.

Napa County Children and Families Commission

Statement of Revenues, Expenditures and Changes in Fund Balance
Comparison Statement

	<u>FY 2011-12</u>	<u>FY 2010-11</u>	<u>Difference</u>
Total Revenues	<u>\$ 1,254,415</u>	<u>\$ 1,214,770</u>	<u>\$ 39,645</u>
Expenditures			
Administration	262,236	245,618	16,618
Program Expenditures	<u>1,085,084</u>	<u>977,962</u>	<u>107,122</u>
Total Expenditures	<u>1,347,320</u>	<u>1,223,580</u>	<u>123,740</u>
Change in Net Assets	<u>\$ (92,905)</u>	<u>\$ (8,810)</u>	<u>\$ (84,095)</u>

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis (Continued) For the Year Ended June 30, 2012

Total revenue consisting of Proposition 10 funds, interest income, and State Commission matching revenue increased from \$1,214,770 to \$1,254,415, an increase of \$39,645, or 3.2%, from the prior fiscal year. This increase was due to an increase in State Commission tobacco tax revenue received over the prior year.

Total expenditures increased from \$1,223,580 to \$1,347,320, an increase of \$123,740, or 10%, from the prior fiscal year. This increase was due to expanded funding for the CARES program over the prior year.

Fund Budgetary Highlight

Total revenues were under budget by \$77,044, or 6%, and total expenditures were under budget by \$16,496, or 1.2%. Total revenue increase was due to higher than anticipated State Commission tobacco tax revenue. Total expenditures were under budget due to minor savings in contracted services.

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 debt 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 2012-2013:

- Ongoing state level challenges to Proposition 10 funds
- Continuation of First 5 CA Signature Programs such as CARES Plus and the Child Signature Program

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 2012-2013 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 and to ensure that the First 5 Napa Community Plan 2011-2016 continues to provide strategic direction to the Commission in its funding decisions.

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, 2012

ASSETS

Cash in County treasury	\$ 561,733
Imprest cash	200
Due from other agencies	<u>241,995</u>
Total Assets	<u>803,928</u>

LIABILITIES

Accounts payable	6,946
Accrued payroll	9,330
Compensated absences payable - due within one year	8,931
Long-term liabilities:	
Compensated absences payable - due after one year	<u>92</u>
Total Liabilities	<u>25,299</u>

NET ASSETS

Unrestricted	<u>778,629</u>
Total Net Assets	<u>\$ 778,629</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, 2012

PROGRAM EXPENSES

Salaries and employee benefits - Administration	\$ 127,280
Salaries and employee benefits - Program Evaluation	52,114
Services and supplies	105,071
Rent and utilities	30,259
CARES grant	164,661
Proposition 10 grant	868,309
	<hr/>
Total Program Expenses	1,347,694

PROGRAM REVENUES

Operating grants and contributions:	
Proposition 10 apportionment	1,185,173
Proposition 10 CARES grant	49,811
Proposition 10 surplus money investment fund	475
	<hr/>
Total Program Revenues	1,235,459
	<hr/>
Net Program Revenues (Expenses)	(112,235)

GENERAL REVENUES

Other revenues	15,000
Interest revenue	3,956
	<hr/>
Change in Net Assets	(93,279)
	<hr/>
Net Assets, Beginning of Year	871,908
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Net Assets, End of Year	\$ 778,629

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, 2012

ASSETS

Cash in County treasury	\$	561,733
Imprest cash		200
Due from other agencies		<u>241,995</u>
Total Assets	\$	<u><u>803,928</u></u>

LIABILITIES

Accounts payable	\$	6,946
Accrued payroll		<u>9,330</u>
Total Liabilities		<u>16,276</u>

FUND BALANCE

Committed for grants		<u>787,652</u>
Total Fund Balance		<u>787,652</u>
Total Liabilities and Fund Balance	\$	<u><u>803,928</u></u>

Reconciliation of the Balance Sheet to the Statement of Net Assets

Fund Balance - total governmental fund (from above)	\$	787,652
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>(9,023)</u>
Net assets of governmental activities (page 7)	\$	<u><u>778,629</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, 2012

REVENUES

Proposition 10 apportionment	\$ 1,185,173
Proposition 10 CARES grant	49,811
Proposition 10 surplus money investment fund	475
Interest earnings	3,956
Other revenues	<u>15,000</u>
Total Revenues	<u>1,254,415</u>

EXPENDITURES

Salaries and employee benefits - Administration	126,906
Salaries and employee benefits - Program Evaluation	52,114
Services and supplies	105,071
Rent and utilities	30,259
CARES grant	164,661
Proposition 10 grant	<u>868,309</u>
Total Expenditures	<u>1,347,320</u>

Net Change in Fund Balance	(92,905)
Fund Balance, Beginning of Year	<u>880,557</u>
Fund Balance, End of Year	<u>\$ 787,652</u>

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Net change to fund balance - total governmental fund (from above)	\$ (92,905)
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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>(374)</u>
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Change in net assets of governmental activities (page 8)	<u>\$ (93,279)</u>
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The accompanying notes are an integral part of these financial statements.

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Notes to Financial Statements
June 30, 2012

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.

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.

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Notes to Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation and Accounting (continued)

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.

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.

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.

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Notes to Financial Statements
June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. 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, 2012, 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.

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, 2012 consisted of the following:

Cash in County Treasury	\$ 561,733
Imprest Cash	<u>200</u>
Total Cash and Investments	<u>\$ 561,933</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.

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Notes to Financial Statements
June 30, 2012

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Required disclosures for the Commission's deposit and investment risks at June 30, 2012, 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: LONG-TERM LIABILITIES

The following is a summary of long-term liabilities as of June 30, 2012:

	<u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2012</u>	<u>Amounts Due Within One Year</u>
Compensated absences	<u>\$ 8,649</u>	<u>\$ 11,494</u>	<u>\$ (11,120)</u>	<u>\$ 9,023</u>	<u>\$ 8,931</u>

NOTE 4: 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, 2012 was \$31,610.

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

<u>Year Ended June 30</u>	
2013	\$ 32,414
2014	33,301
2015	<u>29,557</u>
	<u>\$ 95,272</u>

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Notes to Financial Statements
June 30, 2012

NOTE 5: RELATED PARTY TRANSACTIONS

During the fiscal year ended June 30, 2012, the Commission paid the County of Napa, a related party, \$6,899 for accounting and administrative services.

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.

NOTE 7: PROGRAM EVALUATION

The Commission spent \$52,114 on program evaluation during the fiscal year ended June 30, 2012. These funds were used for salaries and benefits of a part-time staff person.

NOTE 8: 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 9: 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

Budgetary Comparison Schedule For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget
Budgetary Fund Balances, July 1	\$ 880,557	\$ 880,557	\$ 880,557	\$ --
Resources (Inflows):				
Proposition 10 apportionment	1,122,511	1,122,511	1,185,173	62,662
Proposition 10 CARES grant	49,860	49,860	49,811	(49)
Proposition 10 surplus money investment fund	--	--	475	475
Interest earnings	5,000	5,000	3,956	(1,044)
Other revenues	--	--	15,000	15,000
	<u>1,177,371</u>	<u>1,177,371</u>	<u>1,254,415</u>	<u>77,044</u>
Amounts Available for Appropriation				
Charges to Appropriations (Outflows):				
Salaries and employee benefits - Administration	185,000	185,000	126,906	58,094
Salaries and employee benefits - Program evaluation	--	--	52,114	(52,114)
Services and supplies:				
Communications	3,500	3,500	4,227	(727)
Insurance	10,000	10,000	9,124	876
Office expense	11,000	11,000	12,085	(1,085)
Postage	400	400	276	124
Other contracted services	15,000	30,000	25,590	4,410
Legal expense	14,000	9,000	8,270	730
Audit and accounting services	20,000	20,000	17,149	2,851
Administration	20,000	15,000	13,523	1,477
Publications and legal notices	250	250	75	175
Rents and leases - equipment	3,000	3,000	2,894	106
Staff and volunteer relations	1,000	1,000	1,599	(599)
Departmental expenses - other	5,000	5,000	4,883	117
Business related meals and supplies	3,000	3,000	3,477	(477)
Transportation and travel	2,000	2,000	1,899	101
Rent and utilities:				
Rents and leases - building and improvements	27,600	29,000	28,716	284
Utilities - PG&E	2,000	2,000	1,543	457
CARES grant	99,741	164,666	164,661	5
Proposition 10 grant:				
Proposition 10 grant	850,000	800,000	798,309	1,691
Sponsorship grants	70,000	70,000	70,000	--
	<u>1,342,491</u>	<u>1,363,816</u>	<u>1,347,320</u>	<u>16,496</u>
Total Charges to Appropriations				
Net Change in Fund Balances	<u>(165,120)</u>	<u>(186,445)</u>	<u>(92,905)</u>	<u>93,540</u>
Fund Balances, End of Year	<u>\$ 715,437</u>	<u>\$ 694,112</u>	<u>\$ 787,652</u>	<u>\$ 93,540</u>

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Notes to the Required Supplementary Information
For the Year Ended June 30, 2012

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, 2012

<u>Program and/or Activity</u>		<u>Revenue CCFC Funds</u>	<u>Expenditures</u>	<u>Change in Net Assets</u>	<u>Net Assets Beginning of Year</u>	<u>Net Assets End of Year</u>
CARES	CCFC Program Funds	<u>\$ 49,811</u>	<u>\$ 49,811</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

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**

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, 2012, and have issued our report thereon dated October 5, 2012. 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 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 *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 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.

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 the 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*.

Board of Commissioners
Napa County Children and Families Commission

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 5, 2012



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, 2012 and have issued our report thereon dated October 5, 2012. 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, 2012. 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.

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 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

Board of Commissioners
Napa County Children and Families Commission

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, 2012.

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 5, 2012