

**NAPA COUNTY
CHILDREN AND FAMILIES COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2009**

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Financial Statements
For the Year Ended June 30, 2009

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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>
Mary Baracco	Community Member	02/2008	01/2011
Ida Marie Bruce	Community Member	01/2009	01/2013
Anne Carver	Community Member	01/2003	01/2011
Laura Keller	County Representative	02/2007	01/2010
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	01/2010
Teresa Zimny	County Representative	05/2002	01/2010

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, 2009, 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, 2009, 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 September 29, 2009, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California
September 29, 2009

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2009

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, 2009.

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, 2009

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

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

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

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 \$1,112,962 at the close of the most recent fiscal year. The most significant portion of the Commission's net assets is its cash balance of \$975,626. Other than petty cash of \$200.00, cash is maintained by the County Treasurer in the County's cash and investment pool where interest earned on the Commission's balance is

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2009

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 \$228,452. These receivables represent taxes that were remitted by the State but had not been received by the Commission as of June 30, 2009. The Commission also reports accounts payable of \$89,276 representing payments due for obligations incurred during the year, but not yet paid. The majority of this amount is comprised of a payment in the amount of \$78,824 to the State regarding the Healthy Families Program funding agreement.

The Commission's net assets decreased overall by \$212,807 during the 2008-2009 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 2008-09</u>	<u>FY 2007-08</u>	<u>Difference</u>
Total Assets	\$ 1,213,966	\$ 1,349,105	\$ (135,139)
Total Liabilities	<u>101,004</u>	<u>23,336</u>	<u>77,668</u>
Total Net Assets	<u>\$ 1,112,962</u>	<u>\$ 1,325,769</u>	<u>\$ (212,807)</u>

Statement of Activities Comparison

	<u>FY 2008-09</u>	<u>FY 2007-08</u>	<u>Difference</u>
Total Revenues	\$ 1,570,967	\$ 1,704,388	\$ (133,421)
Total Expenses	<u>1,783,774</u>	<u>1,562,066</u>	<u>221,708</u>
Change in Net Assets	<u>\$ (212,807)</u>	<u>\$ 142,322</u>	<u>\$ (355,129)</u>

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis
For the Year Ended June 30, 2009

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, 2009, the Commission reported an ending fund balance of \$1,116,874, a decrease of \$215,004, or 16%, from the prior year. The decrease was a budgeted decrease approved by the Commission to use surplus funds from prior years.

The Commission has reserved \$200 for imprest cash, \$45,581, or 4% for obligations of executed contracts for future payments on leases through 2014; \$229,360, or 21% for First 5 California Initiatives, and has also designated \$841,733 or 75% for local initiatives and program sustainability.

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

	<u>FY 2008-09</u>	<u>FY 2007-08</u>	<u>Difference</u>
Total Revenues	<u>\$ 1,570,967</u>	<u>\$ 1,704,388</u>	<u>\$ (133,421)</u>
Expenditures			
Administration	260,843	279,030	(18,187)
Professional Services	<u>1,525,128</u>	<u>1,281,711</u>	<u>243,417</u>
Total Expenditures	<u>1,785,971</u>	<u>1,560,741</u>	<u>225,230</u>
Change in Net Assets	<u>\$ (215,004)</u>	<u>\$ 143,647</u>	<u>\$ (358,651)</u>

Total revenue (see above) consisting of Proposition 10 funds, interest income, and State Commission matching revenue decreased from \$1,704,338 to \$1,570,967, a decrease of \$133,421, or 8%, 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 increased from \$1,560,741 to \$1,785,971, an increase of \$225,230, or 14.4%, from the prior fiscal year. This increase was due to the Commission's decision to continue funding at prior year levels as well as increase Focus Funding contracts.

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis
For the Year Ended June 30, 2009

Fund Budgetary Highlight

Total revenues were under budget by \$72,611, or 4.5%, and total expenditures were under budget by \$161,979, or 8.3%. 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, Focused Funding, the Retention Incentives (CARES) Program, and contingency appropriations.

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 2009-2010:

- The First 5 California's commitment to Healthy Families Insurance Program
- Expected decrease in Prop 10 revenue due to new Federal Tobacco Tax Legislation
- Continued commitment to Children's Health Initiative and School Readiness Programs
- Maintain a fund balance to cover six-months of operating expenses designated for local initiatives and program sustainability

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 2009-2010 the Commission will continue to focus on evaluating all funded programs to

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2009

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. The result of these evaluation activities will help to inform the Commission as it plans for its fiscal year 2009-2010 expenditures.

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, 2009

ASSETS

Cash in County treasury	\$ 975,426
Imprest cash	200
Due from other agencies	236,764
Other receivables	<u>1,576</u>
Total Assets	<u>1,213,966</u>

LIABILITIES

Accounts payable	89,276
Accrued payroll	7,816
Long-term liabilities:	
Compensated absences payable - due within one year	3,771
Compensated absences payable - due after one year	<u>141</u>
Total Liabilities	<u>101,004</u>

NET ASSETS

Restricted	<u>1,112,962</u>
Total Net Assets	<u>\$ 1,112,962</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, 2009

PROGRAM EXPENSES

Salaries and employee benefits - Administration	\$ 154,343
Salaries and employee benefits - Program Evaluation	47,698
Services and supplies	91,543
Rent and utilities	42,294
School readiness	231,775
Retention incentives	47,143
Focused funding	466,255
Proposition 10 grant	695,759
Other program	6,964
	<hr/>
Total Program Expenses	1,783,774

PROGRAM REVENUES

Operating grants and contributions:	
Proposition 10 apportionment	1,324,335
Proposition 10 administration augmentation	55,451
Proposition 10 school readiness program	125,000
Proposition 10 retention incentives	19,889
Proposition 10 surplus money investment fund	3,271
Proposition 10 health access	12,904
	<hr/>
Total Program Revenues	1,540,850
	<hr/>
Net Program Revenues (Expenses)	(242,924)

GENERAL REVENUES

Interest revenue	26,117
Other revenues	4,000
	<hr/>
Change in Net Assets	(212,807)
	<hr/>
	1,325,769
	<hr/>
Net Assets, End of Year	\$ 1,112,962

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, 2009

ASSETS

Cash in County treasury	\$ 975,426
Imprest cash	200
Due from other agencies	236,764
Other receivables	<u>1,576</u>
 Total Assets	 <u>\$ 1,213,966</u>

LIABILITIES

Accounts payable	\$ 89,276
Accrued payroll	<u>7,816</u>
 Total Liabilities	 <u>97,092</u>

FUND BALANCE

Fund Balance:	
Reserved funds:	
Reserved for imprest cash	200
Reserved for First 5 California initiatives	229,360
Reserved for encumbrances	<u>45,581</u>
 Total Reserved Funds	 275,141
Unreserved Funds:	
Designated for local initiatives and program sustainability	<u>841,733</u>
 Total Fund Balance	 <u>1,116,874</u>
 Total Liabilities and Fund Balance	 <u>\$ 1,213,966</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)	\$ 1,116,874
 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>(3,912)</u>
 Net assets of governmental activities (page 9)	 <u>\$ 1,112,962</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, 2009

REVENUES

Proposition 10 apportionment	\$ 1,324,335
Proposition 10 administration augmentation	55,451
Proposition 10 school readiness program	125,000
Proposition 10 retention incentives	19,889
Proposition 10 surplus money investment fund	3,271
Proposition 10 health access	12,904
Use of money	26,117
Other revenues	<u>4,000</u>
 Total Revenues	 <u>1,570,967</u>

EXPENDITURES

Salaries and employee benefits - Administration	156,540
Salaries and employee benefits - Program Evaluation	47,698
Services and supplies	91,543
Rent and utilities	42,294
School readiness	231,775
Retention incentives	47,143
Focused funding	466,255
Proposition 10 grant	695,759
Other program	<u>6,964</u>
 Total Expenditures	 <u>1,785,971</u>

Net Change in Fund Balance	(215,004)
 Fund Balance, Beginning of Year	 <u>1,331,878</u>
 Fund Balance, End of Year	 <u><u>\$ 1,116,874</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)	\$ (215,004)
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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>2,197</u>
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Change in net assets of governmental activities (page 10)	<u><u>\$ (212,807)</u></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, 2009

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, 2009

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, 2009

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, 2009

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, 2009

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, 2009 consisted of the following:

Cash in County treasury	\$ 975,426
Imprest cash	<u>200</u>
Total cash and investments	<u>\$ 975,626</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, 2009, 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, 2009

Note 3: **Long-Term Liabilities**

The following is a summary of long-term liabilities as of June 30, 2009:

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2009</u>
Compensated absences	\$ 6,109	\$ 6,142	\$ (8,339)	\$ 3,912

Note 4: **Related Party Transactions**

During the fiscal year ended June 30, 2009, the Commission paid the County of Napa, a related party, \$7,733 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 2010. The minimum monthly rental is subject to adjustment as of the anniversary date (June 1) every year based upon the Consumer Price Index. 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, 2009 was \$40,263.

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

<u>Year Ended</u> <u>June 30</u>	
2010	\$ 35,507
2011	2,628
2012	2,628
2013	2,628
2014	<u>2,190</u>
Total	<u>\$ 45,581</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, 2009

Note 7: **Program Evaluation**

The Commission spent \$47,698 on program evaluation during the fiscal year ended June 30, 2009. 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 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, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Budgetary Fund Balances, July 1	\$ 1,331,878	\$ 1,331,878	\$ 1,331,878	\$ --
<u>Resources (Inflows):</u>				
Proposition 10 apportionment	1,365,000	1,365,000	1,324,335	(40,665)
Proposition 10 administration augmentation	61,238	61,238	55,451	(5,787)
Proposition 10 school readiness program	125,000	125,000	125,000	--
Proposition 10 retention incentives	25,000	25,000	19,889	(5,111)
Proposition 10 health access	32,340	32,340	12,904	(19,436)
Proposition 10 surplus money investment fund	--	--	3,271	3,271
Use of money	35,000	35,000	26,117	(8,883)
Other revenues	--	--	4,000	4,000
	<u>1,643,578</u>	<u>1,643,578</u>	<u>1,570,967</u>	<u>(72,611)</u>
Amounts Available for Appropriation				
<u>Charges to Appropriations (Outflows):</u>				
Salaries and employee benefits	210,000	210,000	156,540	53,460
Services and supplies	118,950	117,450	91,543	25,907
Rent and utilities	41,000	42,500	42,294	206
School readiness	245,000	245,000	231,775	13,225
Retention incentives	75,000	75,000	47,143	27,857
Focused funding	500,000	492,000	466,255	25,745
Program evaluation	--	--	47,698	(47,698)
Proposition 10 grant	650,000	658,000	695,759	(37,759)
Other program	8,000	8,000	6,964	1,036
Appropriation for contingency	100,000	100,000	--	100,000
	<u>1,947,950</u>	<u>1,947,950</u>	<u>1,785,971</u>	<u>161,979</u>
Total Charges to Appropriations				
Net Change in Fund Balances	<u>(304,372)</u>	<u>(304,372)</u>	<u>(215,004)</u>	<u>89,368</u>
Fund Balances, End of Year	<u>\$ 1,027,506</u>	<u>\$ 1,027,506</u>	<u>\$ 1,116,874</u>	<u>\$ 89,368</u>

NAPA COUNTY CHILDREN AND FAMILIES COMMISSION

Notes to the Required Supplementary Information
For the Year Ended June 30, 2009

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, 2009

		Revenue CCFC Funds	Expenditures	Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
School Readiness Program	CCFC Program Funds	\$ 100,000	\$ 100,000	\$ --	\$ --	\$ --
	County, Local Funds		106,775			
School Readiness Program-Coordination (Program Evaluation & Services)	CCFC Funds	25,000	25,000	--	--	--
CARES	CCFC Program Funds	19,889	19,889	--	--	--
	County, Local Funds		27,254			
Health Access Program	CCFC Program Funds	12,904	12,904	--	--	--
	County, Local Funds		148,796			
Administration Augmentation	CCFC Funds	55,451	55,451	--	--	--
Total CCFC Funds	CCFC Funds	\$ 213,244	\$ 213,244	\$ --	\$ --	\$ --

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, 2009, and have issued our report thereon dated September 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Internal Control Over Financial Reporting (continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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
September 29, 2009



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, 2009 and have issued our report thereon dated September 29, 2009.

Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of California’s *Standards and Procedures for Audits of California Counties Participating in the 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.

A handwritten signature in cursive script that reads "Gallina LLP".

Roseville, California
September 29, 2009