

FIRST 5 CALAVERAS
(A Component Unit of the County of Calaveras, California)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2016

**FIRST 5 CALAVERAS
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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**FIRST 5 CALAVERAS
Commission Membership
As of June 30, 2016**

<u>Name</u>	<u>Position</u>	<u>Date of Original Appt.</u>	<u>Current Term Expires</u>
Andria Tiquet	Chairperson Fiscal Year 2015-16	01/24/12	12/31/17
Mary Sawicki	Vice Chairperson	10/03/05	12/31/16
Chris Wright	Member	01/08/13	12/31/16
Linda Winn	Member	1/28/14	12/31/17
Michael Chimente	Member	01/23/07	12/31/17
Tricia Simmons	Member	03/10/15	12/31/16
Mikey Habbestad	Alternate Member	01/10/12	12/31/17
Debbie Ponte	Alternate Member	01/08/13	12/31/17
Susan Sells	Alternate Member	01/08/13	12/31/17

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
First 5 Calaveras Children and Families Commission
San Andreas, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of First 5 Calaveras Children and Families Commission (The Commission), a component unit of Calaveras County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and major fund of the Commission, as of June 30, 2016, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 8 and 20 through 21 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.

Other Information

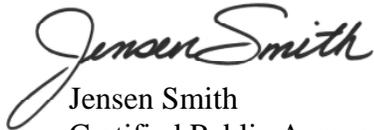
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The other supplementary information listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information as listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2016 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the 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* in considering the Commission's internal control over financial reporting and compliance.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
October 12, 2016



MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2016

On November 3, 1998, California voters approved Proposition 10 – the Children and Families First Act (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 Calaveras County Board of Supervisors created the Calaveras County Children and Families Commission in 1998 under the provisions of the Act. The Commission, operating as First 5 Calaveras, consists of seven members and three alternate members appointed by the Calaveras County Board of Supervisors. The Commission is a public (County) entity with independent authority.

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, 2016.

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 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 position* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as *net position*.

The *statement of activities* presents information showing how the Commission's net position changed during the most recent fiscal year. All changes in net position 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.

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 have been combined for presentation purposes and can be found on pages 9-10.

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 11-19 of this report.

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

Government-wide Financial Analysis

The net position may serve over time as a useful indicator of a government's financial position. These figures are reported on pages 9 and 10 in the columns "Statement of Net Position" and "Statement of Activities" and reported on the full-accrual basis of accounting. In the case of the Commission, assets exceed liabilities by \$896,522 at the close of the 2015-2016 fiscal year. The most significant portion of the Commission's net position is its cash and investments balance of \$876,619. This represents resources received from the State Commission from Proposition 10 taxes that have not been expended. Cash and investments are maintained in the County's cash and investment pool where interest earned on the Commission's balance is apportioned to the Commission. Another source of resources resides in the Commission's 2015-2016 receivables due from the State Commission for Proposition 10 taxes in the amount of \$76,873. These receivables represent: (1) taxes that were remitted by the State but had not been received by the Commission as of June 30, 2016.

The Commission’s net position increased overall by \$64,629 or 7.8% during the 2015-2016 fiscal year. This increase in net position is explained in the governmental activity analysis below.

Statement of Net Position

	<u>FY 2015-16</u>	<u>FY 2014-15</u>	<u>Difference</u>
Total Assets	\$ 953,492	\$ 906,919	\$ (46,573)
Total Liabilities	<u>\$ 56,970</u>	<u>\$ 75,026</u>	<u>\$ (71,206)</u>
Net Position	<u>\$ 896,522</u>	<u>\$ 831,893</u>	<u>\$ (64,629)</u>

Statement of Activities

	<u>FY 2015-16</u>	<u>FY 2014-15</u>	<u>Difference</u>
Total Revenues	\$ 722,219	\$ 769,978	\$ (47,759)
Total Expenses	<u>\$ 657,590</u>	<u>\$ 667,592</u>	<u>\$ (84,935)</u>
Excess of Revenues Over Expenditures	<u>\$ 64,629</u>	<u>\$ 102,386</u>	<u>\$ (37,760)</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. These activities are reported on pages 9 and 10 in the columns “Governmental Funds Balance Sheet – Total” and “Governmental Funds Activities – Total” and are reported on the modified accrual basis of accounting.

For the year ended June 30, 2016, the Commission reported an ending fund balance of \$907,288, an increase of \$95,551, (or 11.8%) from the prior year. This increase in fund balance resulted from planned expenditures being lower than planned revenues, in accordance with the long-term financial plan. Consistent with its financial plan, First 5 Calaveras will use the combined revenues of annual Proposition 10 allocations plus its fund balance to sustain a level of programs and services at a level higher that could be supported by annual tobacco tax revenues alone.

The Commission has committed \$907,288 (or 100%) of its fiscal year 2015-2016 ending spendable fund balance for future payments to awarded projects occurring over the next two years. The Notes to Financial Statements Note 2 part D describe the process for the categorization of the fund balance.

Total revenue (see page 10) consisting of Proposition 10 funds, interest income, State Commission matching revenue, and other grants increased from \$742,284 to \$749,913 for the

year ended June 30, 2016. This was an increase of 1% percent difference, with slight variations in all revenue sources. Statewide revenue trends indicate that tobacco tax revenues are still in steady decline, although local fluctuations due to birth rate factors are to be expected on a year-to-year basis. While tobacco tax revenues decreased state-wide at a rate of 3.4%, there was a baseline small county augmentation from First 5 California will help to stabilize the revenues for through next year.

Total expenditures decreased from \$668,784 to \$654,362, a decrease of \$14,422 (or 2.2%) from the prior fiscal year. This decrease was due to a number of factors, but most significantly there was a decrease in the costs incurred for the Child Signature Program.

Fund Budgetary Highlight

Total revenues of \$749,913 were over the original revenue budget of \$738,999 by \$10,914 or 1.5% and were over the final approved revenue budget of \$749,045 by \$868 or 0.1%. Total expenditures of \$654,362 were below the original expenditure budget of \$785,400 by \$131,038 or 16.7%, and were less than the final approved fiscal year 2015-2016 expenditure budget of \$795,446 by \$141,084 or 17.7%. This variance was primarily due to unanticipated reductions in spending by a number of contractors during the fiscal year.

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 support development of a comprehensive, integrated system of early childhood services that promotes, encourages and supports families in raising healthy children.

The following economic factors were considered in preparing the Commission's financial plan for fiscal year 2016-17 through 2017-18.

- The importance of ongoing review and development of a Long Term Financial Plan and Commission Focused Funding Priorities
- The importance of monitoring the committed fund balance to support the Commission's local initiatives and sustain partnerships to achieve strategic plan goals
- The importance of implementing fiscal policies and procedures in alignment with GFOA, First 5 and Calaveras County guidelines

- Decreasing Proposition 10 revenues and knowledge of Small Population County Funding Augmentation support for two years
- Low interest earned on the local Calaveras County Children and Families Trust Fund

The Commission views Proposition 10 as a mechanism to establish and fund a sustainable system of results-oriented early childhood development and family support services for the 0-5 population, not as just another funding source for programs. In that regard, in fiscal year 2016-17 the Commission will review actual expenditures and revenues from the prior and current years to adjust future fiscal planning accordingly

Non-Supplantation Certification

The Calaveras County Children and Families Commission certifies that First 5 California funds have been used only to supplement existing levels of service and not to supplant state or local General fund money for any purpose (Section 30131.4 of the Revenue and Taxation Code).

Requests for Information

This financial report is designed to provide a general overview of the Calaveras 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 First 5 Calaveras, the Calaveras County Children and Families Commission, 891 Mountain Ranch Road, San Andreas, California, 95249.

**FIRST 5 CALAVERAS
GOVERNMENTAL FUNDS BALANCE SHEET AND
STATEMENT OF NET POSITION
JUNE 30, 2016**

	General Fund	Governmental Funds Balance Sheet - Total	Adjustments	Statement of Net Position
ASSETS				
Cash	\$ 876,619	\$ 876,619	\$ -	\$ 876,619
State Funds Receivable	76,873	76,873	-	76,873
Total Assets	\$ 953,492	\$ 953,492	-	953,492
 LIABILITIES				
Liabilities				
Payroll Payable	\$ 13,106	\$ 13,106	-	13,106
Grants and Contracts Payable	33,098	33,098	-	33,098
Compensated Absences Payable	-	-	10,766 ⁽¹⁾	10,766
Total Liabilities	46,204	46,204	10,766	56,970
 FUND BALANCES				
Committed	907,288	907,288	(907,288)	-
Unassigned	-	-	-	-
Total Fund Balances	907,288	907,288	(907,288)	-
Total Liabilities and Fund Balances	\$ 953,492	\$ 953,492		
 NET POSITION				
Restricted			896,522	896,522
Total Net Position			\$ 896,522	\$ 896,522

⁽¹⁾ Compensated absences payable applicable to the Commission's governmental activities are not due and payable in the current period and accordingly are not reported as a fund liability.

See Accompanying Notes.

FIRST 5 CALAVERAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2016

	<u>Strengthening Families</u>			<u>Governmental</u>		<u>Statement of</u>
	<u>General</u>			<u>Funds Activities</u>	<u>Adjustments</u>	
	<u>Programs</u>	<u>BHS</u>	<u>HHS</u>	<u>Total</u>		
Revenues:						
State Funding - Prop. 10	\$ 226,815	\$ -	\$ -	\$ 226,815	\$ -	\$ 226,815
State Funding - IMPACT & CSP	27,884	-	-	27,884	(27,694) ⁽¹⁾	190
State Funding - SPCFA	198,185	-	-	198,185	-	198,185
Interest	4,484	-	-	4,484	-	4,484
Other Grants and Contracts	-	204,247	66,077	270,324	-	270,324
Charges for Services and Misc.	22,113	-	-	22,113	-	22,113
Surplus Money Investment Fund	108	-	-	108	-	108
Total Revenues	<u>479,589</u>	<u>204,247</u>	<u>66,077</u>	<u>749,913</u>	<u>(27,694)</u>	<u>722,219</u>
Expenditures:						
Personnel	115,542	82,808	44,406	242,756	(245,984) ⁽²⁾	-
Personnel Benefits	41,788	29,322	16,279	87,389	(87,389)	-
Communications	586	107	-	693	(693)	-
Computer Maintenance	1,429	-	-	1,429	(1,429)	-
Memberships and Subscriptions	2,750	-	-	2,750	(2,750)	-
Office Supplies	4,239	4,133	-	8,372	(8,372)	-
Professional Fees	6,500	-	-	6,500	(6,500)	-
Legal Notices	237	-	-	237	(237)	-
Occupancy	16,454	5,200	-	21,654	(21,654)	-
Training and Transportation	4,143	493	1,847	6,483	(6,483)	-
County Administration Costs (A-87)	28,034	8,800	-	36,834	(36,834)	-
Meals	465	4,828	-	5,293	(5,293)	-
Program Supplies	2,747	2,332	3,545	8,624	(8,624)	-
Locally Funded Programs	153,647	71,701	-	225,348	(225,348)	-
Total Expenditures	<u>378,561</u>	<u>209,724</u>	<u>66,077</u>	<u>654,362</u>	<u>(657,590)</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	101,028	(5,477)	-	95,551		
Expenses						
Administration Expenses					79,481	79,481
Program Expenses					535,997	535,997
Evaluation Expenses					42,112	42,112
Total Expenses					<u>657,590</u> ⁽²⁾	<u>657,590</u>
Change in Fund Balance/Net Position	101,028	(5,477)	-	95,551	(27,694) ⁽²⁾	64,629
Fund Balance/Net Position:						
Beginning of the Year	821,835	(10,098)	-	811,737	18,964	831,893
End of the Year	<u>\$ 922,863</u>	<u>\$ (15,575)</u>	<u>\$ -</u>	<u>\$ 907,288</u>	<u>\$ (8,730)</u>	<u>\$ 896,522</u>

⁽¹⁾ Revenue Receivables received after ninety days after the fiscal year end are not considered currently available and therefore are not reported in the governmental fund activities.

⁽²⁾ 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 the governmental fund - Change in Compensated Absences \$3,228

FIRST 5 CALAVERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1: Nature of the Entity

The mission of First 5 Calaveras (Commission) is to facilitate partnerships and fund strategies that strengthen families and support them in raising healthy children ages 0-5 years old.

The Commission was established in December 1998 through Ordinance 2566, by the Calaveras County Board of Supervisors as Calaveras County Children and Families First Commission. Formation was in accordance with an amendment to the California Constitution approved by the voters of the State of California as a result of Proposition 10. Authority to the Commission is extended through Article XIII(a), Article XIII(b) and Section 8 of Article XVI of the Constitution of the State of California, and changes to Section 5, Division 108, Commencing with Section 130100 of the California Health and Safety Code. In December 1999, the Commission amended Ordinance 2566 with Ordinance 2603, adopting the name change to Calaveras County Children and Families Commission. Ordinance 2878, was adopted May 8, 2006 designating the operating name of the Calaveras County Children and Families Commission to be First 5 Calaveras. In addition, the adoption of Ordinance 2878 established provisions to ensure compliance with new legislative standards governing activities under California Health and Safety Code Sections 130100 through 130155 addressing First 5 commissions.

The Commission includes all activities (operations of its administrative staff and commission officers) considered to be 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. The Commission is a discretely presented component of the County of Calaveras, the Commission's governing body is not the same as that of the County..

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 Calaveras taken as a whole.

FIRST 5 CALAVERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2: Summary of Significant Accounting Policies

A. Basis of Presentation and Accounting

Government-Wide Statements

The statement of net position and statement of activities display information about the primary government (Commission). These statements include 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 related cash flows take place. When both restricted and unrestricted resources are available, restricted resources are used only after the unrestricted resources are depleted.

Fund Financial Statements

The financial statements are combined for the government funds and the Government-Wide financial statements. The governmental fund financial statements are reported using the current financial resources measurements 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.

FIRST 5 CALAVERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2: Summary of Significant Accounting Policies (continued)

B. State Funds Receivable

This amount represents receivables from the State of California Children and Families Commission. Management has determined the Commission's receivables are fully collectible. Accordingly, no allowance for doubtful accounts has been made.

C. Compensated Absences Payable

The Commission accounts for compensated absences in accordance with Governmental Accounting Standards Board Statements No.16. Unused vacation benefits may be accrued up to a maximum of 480 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.

D. Net Position/ Fund Balances

Net Position

The government-wide financial statements utilize a net position presentation. The net position is categorized as invested capital assets (net of related debt), restricted and unrestricted. The Commission's net position is restricted.

Restricted – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by the law through constitutional provisions or enabling legislation.

Fund Balances

The Government Accounting Standards Board (GASB) has issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as noted below.

**FIRST 5 CALAVERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 2: Summary of Significant Accounting Policies (continued)

D. Net Position/Fund Balances (continued)

• **Nonspendable –**

This category includes elements of the fund balance that cannot be spent because of their form, or because they must be maintained intact. For example:

- Assets that will never convert to cash, such as prepaid items and inventories of supplies;
- Assets that will not convert to cash soon enough to affect the current period, such as non-financial assets held for resale; or
- Resources that must be held intact pursuant to legal or contractual requirements, such as revolving loan fund capital or the principal of an endowment.

• **Restricted –**

This category includes resources that are subject to constraints that are externally enforceable legal restrictions. Examples include:

- Funding from the State Commission or foundations that are legally restricted to specific uses. For example, funds advanced by First 5 CA under specific agreements for services, or matching funds for specific initiatives.
- Funds legally restricted by County, state, or federal legislature, or a government's charter or constitution.
- Amounts collected from non-spendable items, such as the long term portion of loan outstanding, if those amounts are also subject to legal constraints.
- Funding that has been designated for legally enforceable contracts but not yet spent. This includes multi-year contracts.

• **Committed –**

Two criteria determine the Commission's fund balance:

1. Use of funds is constrained by limits imposed by the government's highest level of decision making. The highest level of decision making for the Commission would be the Board of Directors.
2. Removal or modification of use of funds can be accomplished only by formal action of the authority (i.e., Board of Directors) that established the constraints.

**FIRST 5 CALAVERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 2: Summary of Significant Accounting Policies (continued)

- **Committed (continued)**

Both commitments and modifications or removal must occur prior to the end of reporting period; that is, the fiscal year being reported upon. For First 5 organizations, resources in this category would include:

- Resources committed for a future initiative as long as commission action is also required to remove this commitment.
- Resources that have been committed by a commission for specific agreements that have not yet been executed, where commission action is also required to remove this commitment.
- Resources committed as the local match for a State Commission initiative.

- **Assigned –**

The assigned portion of the fund balance reflects a commission’s intended use of resources, which is established either by the county First 5 Commission, a body created by the commission, such as a commission finance committee, or an official designated by the commission (e.g., an Executive Director). The “assigned” component is similar to the “committed” component, with two essential differences, shown in the following table:

Key Differences Between Committed and Assigned Fund Balance		
	Committed	Assigned
A decision to use funds for a specific purpose requires action of First 5 Commission	Yes	No
Formal action of Commission is necessary to impose, remove or modify this constraint and formal action has taken place before end of reporting period)	Yes	No

Another key difference is that the purpose of the assignment must be narrower than the fund itself. Consequently, tobacco tax revenues would not automatically be placed in the “committed” component. Resources that fit into this category include:

- Appropriation of a portion of existing fund balance sufficient to eliminate a projected deficit in the subsequent year’s budget, where the Executive Director may decide whether to use the entire amount.
- Resources assigned to a specific program or project or organization for which the commission has approved a plan or budget
- Resources approved by a commission for a long range financial plan where formal approval is not required to modify the amount.

FIRST 5 CALAVERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2: Summary of Significant Accounting Policies (continued)

- **Assigned (continued)**

First 5 Calaveras can assign amounts under this category, and may also authorize the Executive Director to assign amounts under this category when that decision is consistent with the approved long term financial plan.

- **Unassigned –**

This category includes the fund balance that cannot be classified into any of the other categories.

If situations arise where there is a possibility of assignment into more than one category, the committed amount will be reduced first, followed by assigned amounts and then unassigned amounts.

E. 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 3: Credit Risk, Carrying Value and Market Value of Investments

All cash at June 30, 2016 is pooled for investment purposes and held by the County of Calaveras. The Calaveras County Treasury is an external investment pool for the Commission and the Commission is considered an involuntary participant. The investments made by the Treasurer are regulated by the California Government Code and by the County's investment policy. The County established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasury is accountable to the County Treasury Oversight Committee. The Commission's fair value portion in the pool is the same as the Commission's pool share.

The Commission deposits all funds in interest bearing accounts with Calaveras County. The Commission does not own any specific identifiable investments in the pool. Information regarding categorization of cash and investments held in the County can be found in the County of Calaveras' financial statements.

**FIRST 5 CALAVERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 3: Credit Risk, Carrying Value and Market Value of Investments (continued)

The fair value of cash was the same as the carrying value, therefore no adjustment was made for GASB 31 compliance.

	Carrying Amount
Pooled Investments:	
Calaveras County	\$876,619

Note 4: Related Party Transactions

During the fiscal year ended June 30, 2016, the Commission paid the County of Calaveras, a related party, \$36,834 for accounting and administrative services.

Note 5: Operating Leases/Related Party Transactions

On July 1, 2011 the commission entered into an agreement with the County of Calaveras, a related party. This agreement included the operating lease agreement for office space. The lease is effective August 1, 2011 and expired May 31, 2014. The lease is now on a month to month term.

Note 6: Program Evaluation

The Commission spent \$42,112 on program evaluation during the fiscal year ended June 30, 2016.

Note 7: Employees

The Commission has contracted with the County of Calaveras for Human Resources and Personnel Services for the Commission. As such, the County of Calaveras is the employer of the employees working at the Commission. The contract with the County of Calaveras allows the employees to receive the rights and benefits of all other County employees.

The Commission reimburses the County for costs associated with the employees in the Commission. The Commission paid the County the following amounts for personnel costs for the year ended June 30, 2016.

Salaries	\$ 242,756
Retirement Benefits - CalPERS	41,045
Health Benefits	40,584
Taxes and Other Benefits	5,760
Total	\$ 330,145

FIRST 5 CALAVERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 7: Employees (continued)

As employees of the County of Calaveras, the Commission employees participate in the retirement benefits of the County of Calaveras as follows:

Plan Description -

The Commission reimburses the County for contributions to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute. PERS issues a separate comprehensive financial report. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy -

Active plan members in the PERS were required to contribute 2% of their annual covered salary until January 23, 2014 when this was reduced to 0%. The Commission is required to reimburse the County for the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required County employer contribution was 17.78% of the employees' annual covered salary. The Commission reimburses the County for both the employee and employer portion.

Note 8: 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 9: Section 30131.4 of the California Tax & Revenue Code Certification

The Commission has certified that the supplant requirement stated in Section 30131.4 of the California Tax & Revenue Code has been met.

Note 10: Cost Allocation

The Commission allocated costs between administrative, program and evaluation activities. Direct costs are expensed directly to the category. Indirect costs are allocated based on the amount of time staff spends on each activity.

**FIRST 5 CALAVERAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 10: Cost Allocation – Continued

Personnel costs are allocated based on the amount of time spent on those activities. Costs for the year ended June 30, 2016 were as follows:

	<u>General Fund</u>	<u>Adjustment</u>	<u>Government-Wide</u>
Program	\$ 535,997	\$ -	\$ 535,997
Administration	76,253	3,228	79,481
Evaluation	42,112	-	42,112
TOTAL	<u>\$ 654,362</u>	<u>\$ 3,228</u>	<u>\$ 657,590</u>

Note 11: Fiscal Agents

The Board of Supervisors of the County of Calaveras approved the transfer of the management and fiscal administration of the “Prevent Child Abuse Council Calaveras” (PCAC) from the Calaveras Works and Human Services Agency, a department of Calaveras County, to First 5 Calaveras, an independent Commission, effective April 1, 2008. First 5 Calaveras is administering these funds under a County resolution and not under a written contract or memorandum of understanding. First 5 Calaveras is responsible for the administration of the fund, but the ultimate responsibility of the fund remains with the County of Calaveras. Therefore, the PCAC fund is not reported as a component unit of First 5 Calaveras.

An employee of First 5 Calaveras is responsible for the administration of this program and the program pays the costs of this employee. During the fiscal year the PCAC fund paid \$22,113 in personnel costs for this employee to administer this program. The mission and focus of the PCAC is protecting children of Calaveras County from any form of abuse; physical, emotional or sexual, by providing children, families and the community choices and options through prevention, education, intervention and action.

Note 12: Subsequent Event

Events subsequent to June 30, 2016 have been evaluated through October 12, 2016 the date at which the Commission’s audited financial statements were available to be issued. No events requiring disclosure have occurred through this date.

REQUIRED SUPPLEMENTARY INFORMATION

**FIRST 5 CALAVERAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	GENERAL PROGRAM ORIGINAL BUDGET	GENERAL PROGRAM FINAL BUDGET	GENERAL PROGRAM ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
State Funding	\$ 425,085	\$ 425,085	\$ 452,992	\$ 27,907
Other Income, Contracts and Grants	311,314	321,360	292,437	(28,923)
Interest	2,600	2,600	4,484	1,884
TOTAL REVENUES	738,999	749,045	749,913	868
EXPENDITURES				
Personnel	250,014	250,014	242,756	7,258
Personnel Benefits	112,721	112,721	87,389	25,332
Communications	600	600	693	(93)
Insurance	-	-	-	-
Computer Maintenance	2,450	2,450	1,429	1,021
Memberships and Subscriptions	2,750	2,750	2,750	-
Office Supplies	9,645	9,934	8,372	1,562
Professional Fees	6,500	6,500	6,500	-
Legal Notices	500	500	237	263
Occupancy	21,686	21,686	21,654	32
Training and Transportation	10,143	10,269	6,483	3,786
County Administration Costs (A-87)	36,834	36,834	36,834	-
Meals	5,300	5,663	5,293	370
Program Supplies	19,074	21,014	8,624	12,390
Locally Funded Programs	307,183	314,511	225,348	89,163
Total Expenditures	785,400	795,446	654,362	141,084
Excess (Deficiency) of Revenue over Expenditures Before Transfers	(46,401)	(46,401)	95,551	141,952
Fund Balance at June 30, 2015	811,737	738,237	811,737	
FUND BALANCE AT JUNE 30, 2016	\$ 765,336	\$ 691,836	\$ 907,288	

See Accompanying Auditor's Report and
Notes to Required Supplementary Information.

FIRST 5 CALAVERAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

BUDGET AND BUDGETARY ACCOUNTING

The Commission prepares and legally adopts a final budget on or before August 30th of each fiscal year. The Commission's operations, commencing July 1st, is governed by the proposed budget, adopted by the Commission in June of the prior fiscal year.

After the budget is approved, the appropriations can be added to, subtracted from or changed only at a formal public meeting. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised estimates as approved by the Commission.

An operating budget is adopted each fiscal year using 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.

OTHER SUPPLEMENTARY INFORMATION

**FIRST 5 CALAVERAS
SCHEDULE OF EXPENDITURES BY FUND SOURCE AND
NET POSITION OF CALIFORNIA CHILDREN AND FAMILIES COMMISSION
FUNDS FOR FIRST 5 PROGRAMS AND ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

		Revenue CCFC Funds	Expenditures	Change in Net Position	Net Position Beginning of Year	Net Position End of Year
Child Signature Program*	CCFC Funds	\$ 27,694	\$ -	\$ 27,694	\$ (27,694)	\$ -
IMPACT	CCFC Funds	190	190	--	--	--
Small County Augmentation	CCFC Funds	198,185	198,185	--	--	--
Total CCFC Funds	CCFC Funds	\$ 226,069	\$ 198,375	\$ 27,694	\$ (27,694)	\$ -

*The Commission had a receivable of \$27,694 for the Child Signature Program from CCFC for the fiscal year ended June 30, 2015. The amount was not received within ninety (90) days of 14-15 fiscal year end and therefore was not reported as revenues in the fund financial statements for fiscal year 2014-2015 but is reported in the fiscal year 2015-2016.

**FIRST 5 CALAVERAS
SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016**

None noted for the year ended June 30, 2015.

See Accompanying Auditor's Report

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**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
First 5 Calaveras Children and Families Commission
San Andreas, California

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of First 5 Calaveras Children and Families Commission (Commission), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the First 5 Calaveras Children and Families Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
October 12, 2016

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Commissioners
First 5 Calaveras Children and Families Commission
San Andreas, California

Compliance

We have audited the First 5 Calaveras Children and Families Commission's (Commission) 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, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of the laws and regulations applicable to the California Children and Families Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Commission's compliance with the requirements referred to above, based on our audit. We conducted our audit of compliance 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 requirements referred to above that could have a direct and 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 on compliance. However, 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:

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
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

Opinion

In our opinion, First 5 Calaveras Children and Families Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2016.



Jensen Smith
 Certified Public Accountants, Inc.
 Lincoln, California
 October 12, 2016

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October 12, 2016

Board of Commissioners
First 5 Calaveras
San Andreas, California

Dear Ladies and Gentlemen,

Thank you again for your confidence in choosing us for your auditing needs.

In planning and performing our audit of the financial statements of First 5 Calaveras (the Commission) for the year ended June 30, 2016, we considered the Commission's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A separate letter dated October 12, 2016 contains our report on the Commission's internal control. This letter does not affect our report dated October 12, 2016 on the financial statements of the Commission.

We wish to thank your staff for their assistance in completing the audit and their prompt responses to our questions. We wish you success in the fiscal year 2016-2017.

Sincerely,



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California