

**FIRST 5 TEHAMA**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2005**

**FIRST 5 TEHAMA**

Financial Statements  
For the Year Ended June 30, 2005

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## FIRST 5 TEHAMA

### Commission Membership

<u>Name</u>	<u>Position</u>	<u>Date of Original Appt.</u>	<u>Current Term Expires</u>
George Russell	Board of Supervisors Representative	3/23/99	No Set Term
Christine Applegate	Tehama County Department of Social Services Director	9/24/02	No Set Term
Valerie Lucero	Tehama County Health Agency Director	9/09/03	No Set Term
Bob Douglas	Tehama County Department of Education Superintendent	3/23/99	No Set Term
Mildred H. Johnstone	Public-at-large	3/23/99	1/31/2008
Connie Massie	Public-at-large	5/18/99	1/31/2006
Paula Brown-Almond	Public-at-large	7/31/99	1/31/2007
Beverly Grace	Public-at-large	2/01/05	1/31/2007
Jeannie Early Jacobs, LCSW	Public-at-large	10/22/02	1/31/2008

## **FINANCIAL SECTION**

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# Bartig, Basler & Ray

A Professional Corporation

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Certified Public Accountants and Management Consultants

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Frank V. Trythall  
Brad W. Constantine  
Bruce W. Stephenson  
Roseanne M. Lopez  
Jason J. Cardinet  
Tyler K. Hunt

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Curtis A. Orgill  
M. Elba Zuniga

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
First 5 Tehama  
Red Bluff, California

We have audited the accompanying basic financial statements of First 5 Tehama (Commission), as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2005, 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 7, 2005, 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  
First 5 Tehama  
Red Bluff, California

The Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. 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 First 5 Tehama 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BARTIG, BASLER & RAY, CPAs, INC.

*Bartig, Basler & Ray, CPAs, Inc.*

September 7, 2005  
Roseville, California

## FIRST 5 TEHAMA

### Management's Discussion and Analysis For the Year Ended June 30, 2005

In 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 Tehama County (County) Board of Supervisors created the First 5 Tehama (Commission) (formerly Tehama County Children and Families Commission) in 1999 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, and is not considered a component unit of 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, 2005.

#### ***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).

*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.

## FIRST 5 TEHAMA

### Management's Discussion and Analysis For the Year Ended June 30, 2005

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 government-wide and fund financial statements can be found on pages 8 and 9 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 10 – 17 of this report.

#### ***Government-wide Financial Analysis***

This is the first 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 \$2,386,166 at the close of the most recent fiscal year. The most significant portion of the Commission's net assets is its cash in county treasury balance (\$2,363,697). 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 Commissions balance is apportioned to the Commission. Another source of net assets also resides in the Commissions receivables due from the State Commission for Proposition 10 taxes (\$112,938). These receivables represent taxes that were remitted by the State but had not received by the Commission as of June 30, 2005. The Commission also reports accounts payable of \$116,808 representing payments due on grant services contracts that had not been expended at year-end.

The Commission's net assets increased overall by \$79,001 during the 04/05 fiscal year. This increase is explained in the governmental fund analysis below and is primarily a result of revenues in excess of expenditures for the current year.

## FIRST 5 TEHAMA

### Management's Discussion and Analysis For the Year Ended June 30, 2005

#### *Governmental Activities*

The Commission does not have business type activities and so the analysis presented above for the government wide financial statements also represents an analysis of the Commission's governmental activities.

#### *Financial Analysis of the Commission's Governmental Fund*

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

For the year-ended June 30, 2005, the Commission reported an ending fund balance of \$2,374,197, an increase of \$76,799 from the prior year. This increase represents the amount of revenues in excess of expenditures for the year ended June 30, 2005 (\$35,199) plus a prior period adjustment for \$41,600 to adjust for an error in a prior year expenditure accrual.

The Commission has committed \$1,480,682 of its fiscal year 2004-2005 ending fund balance for future payments to awarded projects (encumbrances). The Commission has also committed \$738,084 for local initiatives and program sustainability.

## FIRST 5 TEHAMA

### Balance Sheet Comparison (in thousands)

	<u>FY 2004-05</u>	<u>FY 2003-04</u>	<u>Difference</u>
Total Assets	\$ 2,493	\$ 2,395	\$ 98
Total Liabilities	<u>119</u>	<u>98</u>	<u>21</u>
Fund Balance	<u>\$ 2,374</u>	<u>\$ 2,297</u>	<u>\$ 77</u>

### Revenue and Expense Comparison (in thousands)

	<u>FY 2004-05</u>	<u>FY 2003-04</u>	<u>Difference</u>
Total Revenues	\$ 924	\$ 877	\$ 47
Total Expenses	<u>889</u>	<u>646</u>	<u>243</u>
Net Change in Fund Balance	<u>\$ 35</u>	<u>\$ 231</u>	<u>\$ (196)</u>

## **FIRST 5 TEHAMA**

### **Management's Discussion and Analysis For the Year Ended June 30, 2005**

Total revenue (see previous page) consisting of Proposition 10 funds, interest income, and State Commission matching revenue increased from \$877 thousand to \$924 thousand for the year ended June 30, 2005. This increase was due primarily to an increase in the monthly distributions of tax revenue from the State.

Total expenditures increased to \$889 thousand, an increase of \$243 thousand from the prior fiscal year. The total expenditures increased due to the increase of direct service grant funding projects.

#### ***Fund Budgetary Highlight***

Total revenues were over budget by 7% or \$58 thousand while total expenditures were under budget by 22% or \$249 thousand. The over budget of total revenues was due to the use of a higher estimated percentage of revenue decline in our projection calculations and county birth rate increasing and we received our entire school readiness implementation budget at once. The Executive Director was out on leave for the majority of the year and therefore some employment categories did not spend down as quickly. School Readiness coordinator resigned in May and replacement was not hired for almost 6 weeks so that program expense was saved.

#### ***Capital Assets and Debt Administration***

##### **Capital Assets**

The Commission's investment in capital assets for its governmental activities as of June 30, 2005, amounts to \$13,263 (net of accumulated depreciation). This investment in capital assets includes equipment only.

More detailed information about the County's capital assets is presented in Note 3 of the basic financial statements on page 15 of this report.

##### **Debt Administration**

The Commission's long-term debt consists of compensated absences payable. More detailed information about the Commission's long-term debt is presented in Note 4 of the basic financial statements on page 15 of this report.

#### ***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 so that their young brains and bodies will develop appropriately.

## **FIRST 5 TEHAMA**

### **Management's Discussion and Analysis For the Year Ended June 30, 2005**

The following economic factors were considered in preparing the Commission's financial plan for fiscal year 2004-2005:

- Following through on commitments made to organizations for contiguous year (FY 05-06) funding.
- Annual commitment to program evaluation in the amount of \$45,000.
- No new large investments (grant awards) during FY 05-06.
- 4% decline in state Prop. 10 revenues was projected.
- 4% interest on the local Children and Families Trust Fund.
- 3.4% increase adjustments for inflation applied to administration and evaluation only.
- Annual COLA of 3.4% for the MOU between the Commission and the Department of Education for staff support.
- Annual COLA of 3.4% for the Commission's Executive Director.
- The Commission annually reviews its Strategic Plan and annually updates its Action Plan. The Commission continues to actively collaborate with its community partners and grantees which are reflected in its current grant funding initiatives and commitments which extend through FY 2008.

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 FY 2005-2006 the Commission will focus on evaluating all funded programs to determine what is working or has promise to impact the health and well being of children. This information will be used to help evaluate the overall impact of Proposition 10 in Tehama County. The result of these evaluation activities will help to inform the Commission as it plans for its 2005-2006 expenditures.

#### ***Requests for Information***

This financial report is designed to provide a general overview of the First 5 Tehama's 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 First 5 Tehama, 1135 Lincoln Street, Red Bluff, California, 96080.

**FIRST 5 TEHAMA**

Statement of Net Assets and  
Governmental Funds Balance Sheet  
June 30, 2005

	Fund Statements		Government - Wide
	General Fund	Adjustments (Note 5)	Statement of Net Assets
<b><u>ASSETS</u></b>			
Cash in county treasury	\$ 2,363,697	\$ --	\$ 2,363,697
Due from other agencies	112,938	--	112,938
Interest receivable	16,443	--	16,443
Prepaid expenses	68	--	68
Capital assets, net of accumulated depreciation	--	13,263	13,263
Total Assets	\$ 2,493,146	13,263	2,506,409
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 116,808	--	116,808
Accrued payroll	2,141	--	2,141
Long-Term Liabilities:			
Compensated absences payable - due within one year	--	1,294	1,294
Total Liabilities	118,949	1,294	120,243
<b><u>FUND BALANCES/NET ASSETS</u></b>			
Fund Balances:			
Committed Funds:			
Reserved for encumbrances	1,480,682	(1,480,682)	--
Reserved for local initiatives and program sustainability	738,084	(738,084)	--
Total Committed Funds	2,218,766	(2,218,766)	--
Uncommitted Funds	155,431	(155,431)	--
Total Fund Balances	2,374,197	(2,374,197)	--
Total Liabilities and Fund Balances	\$ 2,493,146		
Net Assets:			
Invested in capital assets, net of related debt		13,263	13,263
Restricted		2,372,903	2,372,903
Total Net Assets		\$ 2,386,166	\$ 2,386,166

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

# FIRST 5 TEHAMA

## Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances For the Year Ended June 30, 2005

	Fund Statements		Government - Wide
	General Fund	Adjustments (Note 5)	Statement of Activities
<b><u>FIRST 5 PROGRAM EXPENDITURES/EXPENSES</u></b>			
Current:			
Health & sanitation:			
Salaries and employee benefits	\$ 70,279	\$ (7,113)	\$ 63,166
Services and supplies	108,712	--	108,712
Rent and utilities	6,480	--	6,480
Depreciation expense	--	6,337	6,337
Program evaluation	40,781	--	40,781
School Readiness implementation expenditures	12,806	--	12,806
School Readiness program expenditures	117,777	--	117,777
Retention incentive program expenditures	40,000	--	40,000
Program/services grants	490,450	--	490,450
Capital outlay	1,426	(1,426)	--
Total Expenditures/Expenses	888,711	(2,202)	886,509
<b><u>PROGRAM REVENUES</u></b>			
Operating grants and contributions:			
Proposition 10 apportionment	637,659	--	637,659
Proposition 10 administration and travel augmentation	93,818	--	93,818
Proposition 10 school readiness program	51,728	--	51,728
Proposition 10 school readiness implementation	25,000	--	25,000
Proposition 10 retention incentives	40,000	--	40,000
Proposition 10 surplus money investment fund	12,220	--	12,220
Total Program Revenues	860,425	--	860,425
Net Program Revenue (Expense)			(26,084)
<b><u>GENERAL REVENUES</u></b>			
Interest income	63,485	--	63,485
Excess of Revenues Over Expenditures	35,199	(35,199)	--
Change in Net Assets	--	37,401	37,401
<b><u>FUND BALANCE/NET ASSETS</u></b>			
Fund Balance - Beginning of Year	2,297,398	9,767	2,307,165
Prior period adjustment	41,600	--	41,600
Fund Balance - Beginning of Year, restated	2,338,998	9,767	2,348,765
Fund Balance - End of Year	\$ 2,374,197	\$ 11,969	\$ 2,386,166

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

# FIRST 5 TEHAMA

Notes to Financial Statements  
June 30, 2005

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

**A. Reporting Entity**

The First 5 Tehama (Commission), originally known as the Tehama County Children and Families Commission, was established on March 2, 1999 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 Tehama County Ordinance #1702. The nine members of the Commission are appointed by the Tehama County Board of Supervisors.

The Commission is responsible for the creation and implementation of a comprehensive, collaborative, and integrated system of information and 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 Tehama taken as a whole.

**B. Basis of Presentation and Accounting**

In this report, the government-wide statements and the fund statements for the Commission are presented on the same page with the adjustments column showing the differences.

*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.

# FIRST 5 TEHAMA

Notes to Financial Statements  
June 30, 2005

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*

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. Proposition 10 taxes and investment income are accrued when their receipt occurs within ninety days after the end of the accounting period so as to be both measurable and available. All receivables are expected to be collected within the current year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) value in exchange, include sales taxes, grants, entitlements and donations. On a modified accrual basis, revenues from sales taxes are recognized when the underlying transactions take place and have met the availability criteria. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Commission reports one major governmental fund, the General Fund. The General Fund is the Commission's primary operating fund. It accounts for all financial resources of the general government.

# FIRST 5 TEHAMA

Notes to Financial Statements  
June 30, 2005

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

## C. **Implementation of Governmental Accounting Standards Board Statement**

On July 1, 2004, the Commission adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosure – an Amendment of GASB Statement No. 3*. The Statement modifies the custodial credit risk disclosures required by Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* and addresses deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Accordingly, the cash and investments disclosure has been revised to conform to the provisions of GASB Statement No. 40.

## D. **Due From Other Agencies**

These amounts represent receivables from other local governments. As of June 30, 2005, the Commission was due \$112,938 from the State of California. Management believes its receivables to be fully collectible, and accordingly, no allowance for doubtful accounts is required.

## E. **Compensated Absences**

Commission employees have accumulated unpaid vested benefits for compensatory time-off and vacation earned at June 30, 2005 of \$1,294. The accumulated benefits will be liquidated in future years as employees elect to use them. In the normal course of business, all payments of these accumulated benefits will be funded from appropriations of the year in which they are to be paid, therefore, the total liability is recorded as long-term. In accordance with GASB Statement 16, these amounts are not expected to be liquidated from expendable available financial resources.

## F. **Capital Assets**

Capital assets have been acquired for general commission purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost or estimated cost where no historical records are available. The Commission defines capital assets as assets with an initial individual cost of more than \$750 and an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line method over their estimated useful lives of 5 years in the government-wide statements.

# FIRST 5 TEHAMA

Notes to Financial Statements  
June 30, 2005

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

## G. 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.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restricted imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets of the Commission, not restricted for any project or other purpose.

### 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. The First 5 Association of California requires that fund balance be reported as either committed funds or uncommitted funds. Committed funds represent the portion of the fund balance that has been set aside for programs, projects, and activities to be conducted in the future according to a documented plan, budget, or financial forecast formally approved by the County Commission. Uncommitted funds represent the remainder of the fund balance.

Specific reservations of the fund balance accounts are summarized below:

#### *Committed funds:*

Reserve for Encumbrances was created to reflect outstanding contractual obligations for which goods and services have not been received.

Reserve for approved contracts not yet executed represents situations where the Commission has explicitly authorized and directed staff to enter into an agreement with a specified agency, but the contract has not actually been executed.

**FIRST 5 TEHAMA**

Notes to Financial Statements  
June 30, 2005

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

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

**Fund Balances** (continued)

*Committed funds(continued):*

Reserve for First 5 California Initiatives represents funds reserved to match amounts from State Commission initiatives.

Reserve for Local Initiatives and Program Sustainability consists of funds that have been reserved for one of the following two purposes:

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.

**H. 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. Actual results could differ from those estimates.

Note 2: **Cash**

Cash at June 30, 2005 consisted of the following:

	<u>2005</u>
Cash in County Treasury	<u>\$ 2,363,697</u>

The Commission maintains all of its cash and investments with the Tehama 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 Tehama's financial statements may be obtained by contacting the County of Tehama's Auditor-Controller's office at 444 Oak Street, Room J, Red Bluff, CA 96080. The Tehama County Treasury Oversight Committee oversees the Treasurer's investments and policies.

## FIRST 5 TEHAMA

### Notes to Financial Statements June 30, 2005

Note 2: **Cash** (continued)

Government Accounting Standards Board Statement No. 40, effective for fiscal years ending June 30, 2005, requires additional disclosures about a government's deposits and investments risks that include credit risk, custodial risk, concentration risk and interest rate risk. The Commission has no deposit or investment policy that addresses a specific type of risk.

Required disclosures for the Commission's deposit and investment risks at June 30, 2005, were as follows:

Credit risk	Not rated
Custodial risk	N/A
Concentration of credit risk	N/A
Interest rate risk	Not available

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

Note 3: **Capital Assets**

A summary of changes in Capital Assets for the year ended June 30, 2005, is as follows:

	<u>July 1, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2005</u>
Equipment	\$ 32,551	\$ 1,426	\$ --	\$ 33,977
Less accumulated depreciation	<u>(14,377)</u>	<u>(6,337)</u>	<u>--</u>	<u>(20,714)</u>
Capital assets, net	<u>\$ 18,174</u>	<u>\$ (4,911)</u>	<u>\$ --</u>	<u>\$ 13,263</u>

Note 4: **Long-Term Debt**

The following is a schedule of long-term liabilities as of June 30, 2005:

	<u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2005</u>
Compensated absences	<u>\$ 8,407</u>	<u>\$ 1,294</u>	<u>\$ (8,407)</u>	<u>\$ 1,294</u>

# FIRST 5 TEHAMA

Notes to Financial Statements  
June 30, 2005

## Note 5: Reconciliation of Government-Wide and Fund Financial Statements

### A. **Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. \$ 13,263

Compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds. (1,294)

Net Difference \$ 11,969

### B. **Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities**

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets \$ 1,426  
Less: current year depreciation (6,337)

Net Changes in Capital Assets (4,911)

Changes in compensated absences payable reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 7,113

Net Difference \$ 2,202

## FIRST 5 TEHAMA

### Notes to Financial Statements June 30, 2005

Note 6: **Defined Benefit Pension Plan**

The Commission's employees are paid through the County of Tehama payroll system and receive the same benefits as County employees, including pension benefits. The County contributes to the Public Employees Retirement Systems (PERS), which is a multiple-employer, defined benefit plan for employees. Participation is mandatory for all permanent employees. The County and employees are required to contribute at rates established by PERS.

Current contribution rates include amounts required to amortize past service costs and the unfunded liabilities. The net assets available for benefits, the pension benefit obligation, and the assumed rates of return used in determining the pension benefit obligation are not available separately for the Commission. This information is available in the financial statements of Tehama County, the reporting entity.

Note 7: **Related Party Transactions**

During the fiscal year ended June 30, 2005, the Commission paid the County of Tehama, a related party, \$4,217 for accounting and administrative services.

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: **Prior Period Adjustment**

A prior period adjustment of \$41,600 was recorded to adjust for an error made in a prior year expenditure accrual.

Note 11: **Contingent Liabilities**

The Commission receives funding from the State of California Proposition 10, the Children and Families First Act, to fund programs that promote, support, and improve the early development of children from prenatal through age five. These programs must be in compliance with applicable laws and may be subject to financial and compliance audits by the State. The amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time, although the County's management does not expect such amounts, if any, to be material.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FIRST 5 TEHAMA**

Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Favorable (Unfavorable)
Budgetary Fund Balances, July 1, restated	\$2,338,998	\$ 2,338,998	\$2,338,998	\$ --
Resources (Inflows):				
Proposition 10 apportionment	564,072	564,072	637,659	73,587
Proposition 10 administration and travel augmentation	93,819	93,819	93,818	(1)
Proposition 10 school readiness program	100,000	100,000	51,728	(48,272)
Proposition 10 school readiness implementation	12,500	12,500	25,000	12,500
Proposition 10 retention incentives	40,000	40,000	40,000	--
Proposition 10 surplus money investment fund	--	--	12,220	12,220
Interest income	55,766	55,766	63,485	7,719
Amounts Available for Appropriation	<u>866,157</u>	<u>866,157</u>	<u>923,910</u>	<u>57,753</u>
Charges to Appropriations (Outflows):				
Current:				
Health and sanitation:				
Salaries and employee benefits	95,778	95,778	70,279	25,499
Services and supplies	149,402	124,402	108,712	15,690
Rent and utilities	6,480	6,480	6,480	--
School readiness implementation	17,000	17,000	12,806	4,194
School readiness program	200,000	200,000	117,777	82,223
Retention incentives expenditures	40,000	40,000	40,000	--
Program evaluation	--	45,000	40,781	4,219
Other program expenditures	605,936	605,936	490,450	115,486
Capital outlay	3,500	3,500	1,426	2,074
Contingency	25,516	1,016	--	1,016
Total Charges to Appropriations	<u>1,143,612</u>	<u>1,139,112</u>	<u>888,711</u>	<u>249,385</u>
Net Change in Fund Balance	<u>(277,455)</u>	<u>(272,955)</u>	<u>35,199</u>	<u>308,154</u>
Fund Balance - End of Year	<u>\$2,061,543</u>	<u>\$ 2,066,043</u>	<u>\$2,374,197</u>	<u>\$ 308,154</u>

## **FIRST 5 TEHAMA**

### **Notes to the Required Supplementary Information For the Year Ended June 30, 2005**

#### **BUDGET AND BUDGETARY ACCOUNTING**

The Commission prepares and legally adopts a final budget on or before June 30<sup>th</sup> of each fiscal year. The Commission operation, commencing July 1<sup>st</sup>, 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 year and included in the subsequent year's budget. 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 are as follows: salaries and benefits, services and supplies, and capital outlay.

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

**SUPPLEMENTARY INFORMATION**

**FIRST 5 TEHAMA**

Schedule of Expenditures by Fund Source and  
Net Assets of CCFC Funds for First 5 Programs  
For the Year Ended June 30, 2005

	<u>School Readiness Program</u>		<u>CARES</u>	
	<u>CCFC Program Funds</u>	<u>County and Other Local Funds</u>	<u>CCFC Program Funds</u>	<u>County Commission Funds</u>
<u>REVENUES</u>				
CCFC funds	\$ 51,728		\$ 40,000	
Total Revenues	<u>51,728</u>		<u>40,000</u>	
<u>EXPENDITURES</u>				
Program expenditures	<u>51,728</u>	<u>66,049</u>	<u>40,000</u>	<u>80,127</u>
Total Expenditures	<u>51,728</u>	<u>66,049</u>	<u>40,000</u>	<u>80,127</u>
Change in Net Assets	--		--	
Net Assets - Beginning of Year	<u>--</u>		<u>--</u>	
Net Assets - End of Year	<u>\$ --</u>		<u>\$ --</u>	

## **OTHER REPORT**

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# Bartig, Basler & Ray

A Professional Corporation

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Certified Public Accountants and Management Consultants

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Frank V. Trythall  
Brad W. Constantine  
Bruce W. Stephenson  
Roseanne M. Lopez  
Jason J. Cardinet  
Tyler K. Hunt

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Curtis A. Orgill  
M. Elba Zuniga

**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  
First 5 Tehama  
Red Bluff, California

We have audited the financial statements of the First 5 Tehama of and for the year ended June 30, 2005, and have issued our report thereon dated September 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Mono County Children and Families Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mono County 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 that are required to be reported under *Government Auditing Standards* and the California Children and Families First Act of 1998.

Board of Commissioners  
First 5 Tehama  
Red Bluff, California

This report is intended for the information of the Board of Commissioners and management of the Commission and is not intended to be and should not be used by anyone other than these specified parties.

BARTIG, BASLER & RAY, CPAs, INC.

*Bartig, Basler + Ray, CPAs, Inc.*

September 7, 2005  
Roseville, California