

**FIRST 5 TEHAMA
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
June 30, 2010**

FIRST 5 TEHAMA

Financial Statements
For the Year Ended June 30, 2010

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FIRST 5 TEHAMA
Commission Membership

Name	Position	Date of Original Appt.	Current Term Expires
George Russell	Board of Supervisors Representative	9/29/99	No Set Term
Charlene Reid	Tehama County Department of Social Services Director	10/1/08	No Set Term
Valerie Lucero	Tehama County Health Agency Director	9/9/03	No Set Term
Larry Champion	Tehama County Department of Education Superintendent of Schools	7/1/08	No Set Term
Mildred H. Johnstone	Public-At-Large	3/23/99	01/31/11
Paula Brown-Almond	Public-At-Large	7/31/99	01/31/10
Beverly Grace	Public-At-Large	2/1/05	01/31/10
Cynthia Cook	Public-At-Large	2/9/10	01/31/11
Anthony F. Cardenas	Public-At-Large	7/11/06	01/31/12

Donald R Reynolds

Certified Public Accountant

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, 2010, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

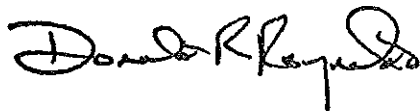
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2010, 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, the Schedule of Revenues, Expenditures and Changes in Fund Balance — Budget and Actual including required notes and the Schedule of Expenditures by Fund Source and Net Assets of CCFC Funds for First 5 Programs and Activities, listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America, and requirement of the California Children and Families First Commission. 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.



Donald R. Reynolds,
Certified Public Accountant
August 31, 2010

FIRST 5 TEHAMA
Managements Discussion and Analysis
For the year ended June 30, 2010

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 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, 2010.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private sector business.

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

The statement of activities presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The government-wide financial statements can be found on pages 8-10 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

FIRST 5 TEHAMA
Managements Discussion and Analysis
For the year ended June 30, 2010

governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and government-wide statements.

The Commission adopts an annual appropriated budget for its fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with the budget.

The fund financial statements can be found on pages 11-14 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 15-22 of this report.

Government-wide Financial Analysis

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

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceed liabilities by \$1,814,786 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 (\$1,811,083). This represents resources received from the State Commission from Proposition 10 taxes that have not been expended; however, of the Commission's net assets, \$444,203 are reserved funds and \$923,088 are designated for local initiatives and program sustainability. 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 (\$113,539). These receivables represent taxes that were remitted by the State but had not received by the Commission as of June 30, 2010. The Commission also reports accounts payable of \$130,936 representing payments due on grant services contracts that had not been expended at year-end.

The Commission's net assets decreased overall by \$142,039 during the 09/10 fiscal year. This decrease is explained in the governmental fund analysis (next page) and is primarily a result of expenses in excess of revenues for the current year.

Statement of Net Assets Comparison

	<u>FY 2009-10</u>	<u>FY 2008-09</u>	<u>Difference</u>
Total Assets	\$ 1,953,836	\$ 2,278,174	\$ (324,338)
Total Liabilities	139,050	328,806	(189,756)
Net Assets	<u>\$ 1,814,786</u>	<u>\$ 1,949,368</u>	<u>\$ (134,582)</u>

FIRST 5 TEHAMA

Managements Discussion and Analysis

For the year ended June 30, 2010

Statement of Activities Comparison

	<u>FY 2009-10</u>	<u>FY 2008-09</u>	<u>Difference</u>
Total Revenues	\$ 866,667	\$ 1,049,787	\$ (183,120)
Total Expenses	1,008,706	1,215,191	(206,485)
Change in Net Assets	<u>\$ (142,039)</u>	<u>\$ (165,404)</u>	<u>\$ 23,365</u>

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, 2010, the Commission reported an ending fund balance of \$1,814,786, a decrease of \$142,039 from the prior year. This decrease represents the amount of expenditures in excess of revenues for the year ended June 30, 2010. Of the \$1,814,786, \$447,829,891 are reserved funds and \$923,088 are designated for local initiatives and program sustainability.

The Commission has reserved \$319,304 of its fiscal year 2009-2010 ending fund balance for future payments to awarded projects (encumbrances). The Commission has also reserved \$124,899 for First 5 California initiatives, and designated \$923,088 for local initiatives and program sustainability.

Total revenue consisting of Proposition 10 funds, interest income, and State Commission matching revenue decreased from \$995 thousand to \$840 thousand for the year ended June 30, 2010. This decrease was due primarily to a decrease in the monthly distributions of Prop 10 revenue from the State.

Total expenditures decreased to \$1,005 thousand, an decrease of \$208 thousand from the prior fiscal year. The total expenditures decreased due to the decrease of direct service grant funding projects.

Fund Budgetary Highlight

Total revenues were under budget by 7.0% or \$62 thousand while total expenditures were under budget by 12% or \$131 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 increase. The majority of the under budget of total expenditures represents funds designated for local and state initiatives which also impacted services and supplies.

Capital Assets and Long-Term Liabilities

Capital Assets

The Commission's investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$7,781 (net of accumulated depreciation). This investment in capital assets includes equipment only.

More detailed information about the Commission's capital assets is presented in Note 3 of

FIRST 5 TEHAMA
Managements Discussion and Analysis
For the year ended June 30. 2010

the basic financial statements on page 20 of this report.

Long-Term Liabilities

The Commission's long-term liabilities consist of compensated absences payable. More detailed information about the Commission's long-term liabilities is presented in Note 4 of the basic financial statements on page 19 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.

The following economic factors were considered in preparing the Commission's financial plan for fiscal year 2009-2010:

- Following through on commitments made to organizations for contiguous year (FY 09-10) funding.
- State projections of Annual Tobacco Tax Revenue
- Small County Augmentation Revenue applied to Administration costs
- Interest earnings averaged at 1.5%
- Inflation rate of 4% applied to Administration only
- Annual Evaluation cost of \$40,500.
- Annual Local Grant funding cost of \$510,000 (combination of funding for grants and community strengthening).
- Annual Local School Readiness Initiative match cost of \$100,000 (state funded match ends June 2011).
- Reserve Fund Allocation is increased \$100,000 per year plus accrued interest added to principle
- 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 2015.

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 2009-2010 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 2009-2010 expenditures.

Requests for Information

This financial report is designed to provide a general overview of 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 First 5 Tehama, 1135 Lincoln Street (P.O. Box 8580), Red Bluff, California, 96080.

**BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

FIRST 5 TEHAMA
Statement of Net Assets
June 30, 2010

ASSETS

Cash in County treasury	\$ 1,811,083
Accounts receivable	-
Due from other agencies	105,436
Interest receivable	-
Prepaid expenses	29,537
Capital assets, net of accumulated depreciation	<u>7,780</u>
Total Assets	<u>\$ 1,953,836</u>

LIABILITIES

Accounts payable	\$ 130,936
Accrued payroll	-
Long-term liabilities:	
Compensated absences payable - due within one year	4,057
Compensated absences payable - due after one year	<u>4,057</u>
Total Liabilities	<u>139,050</u>

NET ASSETS

Invested in capital assets, net of related debt	7,780
Restricted	<u>1,807,006</u>
Total Net Assets	<u>\$ 1,814,786</u>

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

FIRST 5 TEHAMA

Statement of Activities

For the Year Ended June 30, 2010

PROGRAM EXPENSES

Salaries and employee benefits	\$	97,818
Services and supplies		105,861
Rent and utilities		5,323
Depreciation expense		3,107
Program evaluation		38,535
School readiness coordination and evaluation		18,412
School readiness program		231,521
Retention incentive program		93,896
Community strengthening and building		28,981
Program/services grants		385,252
Total Program Expenses		<u>1,008,706</u>

PROGRAM REVENUES

Operating grants and contributions:		
Proposition 10 apportionment		515,469
Proposition 10 administration and travel augmentation		91,035
Proposition 10 school readiness coordination and evaluation		25,000
Proposition 10 school readiness program		112,398
Proposition 10 retention incentives		93,896
Proposition 10 surplus money investment fund		1,881
Total Program Revenues		<u>839,679</u>
Net Program Revenues (Expenses)		<u>(169,027)</u>

GENERAL REVENUES

Other		-
Interest income		26,988
Change in Net Assets		(142,039)
Net Assets, Beginning of Year as previously stated		1,949,369
Prior period Adjustment		7,456
Net Assets, Beginning of Year as restated		<u>1,956,825</u>
Net Assets, End of Year	\$	<u>1,814,786</u>

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

FIRST 5 TEHAMA
STATEMENT OF CASH FLOWS
For the year ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Excess (deficiency) of revenue and other support over expenses	\$ (169,027)
Adjustments to reconcile excess (deficiency) of revenue and other support over developmental loan expenses to net cash provided by operating activities:	
Depreciation	3,107
Change in accounts receivable	106,001
Change in prepaid assets	(16,447)
Change in accounts payable	(185,451)
Change in accrued liabilities	<u>(4,305)</u>
Net cash provided by operating activities	<u>(266,122)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Cash received from investment income	26,988
Acquisition of fixed assets	<u>(3,107)</u>
Net cash provided by investing activities	<u>23,881</u>

NET INCREASE (DECREASE) IN CASH (242,241)

CASH BALANCE - Beginning of the year 2,038,412

CASH BALANCE - End of the year \$ 1,796,171

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid for interest during the year \$ -

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

**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS**

FIRST 5 TEHAMA

Balance Sheet

June 30, 2010

ASSETS

Cash in County treasury	\$ 1,811,083
Accounts receivable	-
Due from other agencies	105,436
Prepaid Expenses	29,537
Interest receivable	-
Total Assets	<u>\$ 1,946,056</u>

LIABILITIES

Accounts payable	\$ 130,936
Accrued payroll	-
Total Liabilities	<u>130,936</u>

FUND BALANCE

Reserved Funds:	
Reserved for encumbrances	319,304
Reserved for obligations	-
Reserved for First 5 California initiatives	124,899
Total Reserved Funds	<u>444,203</u>
Unreserved Funds:	
Designated for local initiatives and program sustainability	923,088
Unreserved undesignated	447,829
Total Fund Balance	<u>1,815,120</u>
Total Liabilities and Fund Balance	<u>\$ 1,946,056</u>

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

FIRST 5 TEHAMA

Reconciliation of the Governmental Fund Balance Sheet
to the Government-Wide Statement of Net Assets - Governmental Activities
June 30, 2010

Fund Balance - total governmental fund (page 11) \$ 1,815,120

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. 7,780

Long-term liabilities, including compensated absences, are not
due and payable in the current period, and therefore are not
reported in the governmental fund.

Compensated absences (8,114)

Net assets of governmental activities (page 8) \$ 1,814,786

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

FIRST 5 TEHAMA**Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2010****REVENUES**

Proposition 10 apportionment	\$	515,469
Proposition 10 administration and travel augmentation		91,035
Proposition 10 school readiness coordination and evaluation		25,000
Proposition 10 school readiness program		112,398
Proposition 10 retention incentives		93,896
Proposition 10 surplus money investment fund		1,881
Other		-
Interest income		26,988
Total Revenues		<u>866,667</u>

EXPENDITURES

Salaries and employee benefits		97,818
Services and supplies		105,861
Rent and utilities		5,323
Program evaluation		38,535
School readiness coordination and evaluation		18,412
School readiness program		231,521
Retention incentives program		93,896
Community strengthening and building		28,981
Program/services grants		385,252
Capital outlay		-
Total Expenditures		<u>1,005,599</u>
Net Change in Fund Balance		<u>(138,932)</u>
Fund Balance - Beginning of Year as previously stated		1,949,703
Prior period adjustment		4,349
		<u>1,954,052</u>
Fund Balance - End of Year	\$	<u>1,815,120</u>

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

FIRST 5 TEHAMA
Notes to Financial Statements
June 30, 2010

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

Government-Wide Statements

The statement of net assets and statement of activities display information about the primary government (Commission). These statements include the financial activities of the overall Commission.

The statement of activities presents a comparison between direct expenses and program revenues for the Commission's governmental activity. Direct expenses are those that are specifically associated with the Commission. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of the Commission. Revenues that are not classified as program revenues, including investment income, are presented instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

FIRST 5 TEHAMA
Notes to Financial Statements
June 30, 2010

Note 1: Summary of Significant Accounting Policies (continued)

B. Basis of Presentation and Accounting (continued)

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.

C. Due From Other Agencies and Accounts Receivable

Due from other agencies represents receivables from other local governments. Accounts receivable represents amounts due from grantees. Management believes its receivables to be fully collectible, and accordingly, no allowance for doubtful accounts is required.

D. Compensated Absences

Commission employees have accumulated unpaid vested benefits for compensatory time-off and vacation earned. 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 GAS13 Statement 16, these amounts are not expected to be liquidated from expendable available financial resources.

E. 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

FIRST 5 TEHAMA
Notes to Financial Statements
June 30, 2010

Note 1: Summary of Significant Accounting Policies (continued)

E. Capital Assets (Continued)

are depreciated using the straight-line method over their estimated useful lives of 5 years in the government-wide statements.

F. Net Assets/Fund Balances

Net Assets

The government-wide activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

• *Invested in Capital Assets, Net of Related Debt* — This category groups all capital assets 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 restrictions 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 reserved or unreserved. Reserved funds represent the portion of the fund balance that is restricted by law or legally obligated to outside parties. Unreserved funds represents funds that can be spent at the discretion of the Commission.

Specific reservations of the fund balance accounts are summarized below:

Reserved fund balance:

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

Reserved for obligations 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.

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

FIRST 5 TEHAMA
Notes to Financial Statements
June 30, 2010

Note 1: Summary of Significant Accounting Policies (continued)

F. Net Assets/Fund Balances (continued)

Fund Balances (Continued)

Unreserved fund balance:

Designated 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.

Unreserved undesignated includes the remainder of the fund balance that has not yet been allocated for a specific purpose or has been identified in only a general manner where the Commission has significant flexibility in changing the amount or nature of the designation.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Note 2: Cash

Cash at June 30, 2010 consisted of the following:

Cash in County treasury	<u>\$ 1,811,083</u>
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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, California 96080. The Tehama County Treasury Oversight Committee oversees the Treasurer's investments and policies.

Required disclosures for the Commission's deposit and investment risks at June 30, 2010, were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	Not available

FIRST 5 TEHAMA
Notes to Financial Statements
June 30, 2010

Note 2: Cash (Continued)

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, 2010, is as follows:

	July 1, 2009	Additions	Retirements/ Adjustments	June 30, 2010
Equipment	\$ 36,560	\$ 1,684	\$ (6,357)	\$ 31,887
Less accumulated depreciation	(28,780)	(3,107)	7,781	(24,106)
Capital assets, net	\$ 7,780	\$ (1,423)	\$ 1,424	\$ 7,781

Note 4: Long-Term Liabilities

A schedule of long-term liabilities as of June 30, 2010, is as follows:

	July 1, 2009	Additions	Payments	June 30, 2010
Compensated absences	\$ 8,114	\$ 2,500	\$ (2,500)	\$ 8,114

Note 5: 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 6: Related Party Transactions

During the fiscal year ended June 30, 2010, the Commission paid the County of Tehama, a related party, \$6,127 for accounting and administrative services.

FIRST 5 TEHAMA
Notes to Financial Statements
June 30, 2010

Note 7: Program Evaluation

The Commission spent \$38,535 on program evaluation during the fiscal year ended June 30, 2010.

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: Contingent Liabilities

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

REQUIRED SUPPLEMENTARY INFORMATION

FIRST 5 TEHAMA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance With Final Budget
Budgetary Fund Balances, July 1	\$ 1,949,703	\$ 1,949,703	\$ 1,949,703	\$ -
<u>RESOURCES (INFLOWS)</u>				
Proposition 10 apportionment	530,807	532,537	515,469	(17,068)
Proposition 10 administration and travel augmentation	97,104	94,119	91,035	(3,084)
Proposition 10 school readiness coordination and evaluation	25,000	25,000	25,000	-
Proposition 10 school readiness program	137,399	121,590	112,398	(9,192)
Proposition 10 retention incentives	54,439	95,163	93,896	(1,267)
Proposition 10 surplus money investment fund	3,500	1,525	1,881	356
Other	-	-	-	-
Interest income	77,376	58,423	26,988	(31,435)
Amounts Available for Appropriation	<u>925,625</u>	<u>928,357</u>	<u>866,667</u>	<u>(61,690)</u>

CHARGES TO APPROPRIATIONS (OUTFLOWS)

Current:				
Salaries and employee benefits	112,222	112,222	97,818	14,404
Services and supplies	126,260	126,260	105,861	20,399
Rent and utilities	6,396	6,396	5,323	1,073
Program evaluation	40,500	40,500	38,535	1,965
School readiness coordination and evaluation	25,000	25,000	18,412	6,588
School readiness program	224,798	223,193	231,521	(8,328)
Retention incentives program	54,629	95,163	93,896	1,267
Community strength and building	43,400	43,400	28,981	14,419
Program/services grants	451,143	464,498	385,252	79,246
Capital Outlay	-	-	-	-
Total Charges to Appropriations	<u>1,084,348</u>	<u>1,136,632</u>	<u>1,005,599</u>	<u>131,033</u>
Net Change in Fund Balances	<u>(158,723)</u>	<u>(208,275)</u>	<u>(138,932)</u>	<u>69,343</u>
Fund Balances - End of Year	<u>\$ 1,790,980</u>	<u>\$ 1,741,428</u>	<u>\$ 1,810,771</u>	<u>\$ 69,343</u>

FIRST 5 TEHAMA

Notes to the Required Supplementary Information For the Year Ended June 30, 2010

BUDGET AND BUDGETARY ACCOUNTING

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

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

An operating budget is adopted each fiscal year on the modified accrual basis. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year-end are completed or purchase commitments satisfied. Such year-end encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent 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.

FIRST 5 TEHAMA
Schedule of Expenditures by Fund Source and
Net Assets of CCFC Funds for First 5 Programs and Activities
For the Year Ended June 30, 2010

	<u>Revenue</u>	<u>Expenditures</u>	<u>Changes in</u>	<u>Net Assets</u>	<u>Net Assets</u>	<u>Net Assets</u>
	<u>CCFC</u>		<u>Net Assets</u>	<u>Beginning</u>	<u>End</u>	
	<u>Funds</u>	<u>Expenditures</u>	<u>Net Assets</u>	<u>of the Year</u>	<u>of the Year</u>	
School Readiness Program						
CCFC Program						
Funds	\$ 112,398	\$ 115,760	\$ (3,362)	\$ 3,361	\$ (1)	
County, Local Funds	112,399	115,761	(3,362)	3,362	-	
School Readiness Coordination and Evaluation						
CCFC Program	25,000	18,413	6,587	5,830	12,417	
CARES						
CCFC Program						
Funds	93,896	93,896	-	-	-	
County, Local Funds	187,792	193,792	-	-	-	
Augmentation - Administration and Travel						
CCFC Program						
Funds	91,035	91,035	-	-	-	
Total CCFC Funds	\$ 622,520	\$ 628,657	\$ (137)	\$ 12,553	\$ 12,416	

Donald R. Reynolds

Certified Public Accountant

**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 First 5 Tehama of and for the year ended June 30, 2010, and have issued our report thereon dated August 31, 2010. 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 First 5 Tehama's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of First 5 Tehama's internal control over financial reporting.

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

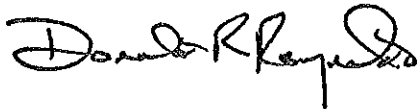
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether First 5 Tehama'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*.

This report is intended solely for the information and use of the County Board of Supervisors, the County Commission, the State Commission, the State Controller's Office, federal agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Donald R. Reynolds
Certified Public Accountant
August 31, 2010

Donald R. Reynolds

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Commissioners First 5 Tehama
Red Bluff, California

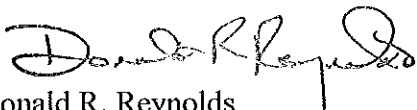
We have audited the basic financial statements of First 5 Tehama as of and for the year ended June 30, 2010 and have issued our report thereon dated August 31, 2010.

Our audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State of California's *Standards and Procedures for Audits of California Counties Participating in the California Children and Families Program*, issued by the State Controller's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes 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.

The Commission's management is responsible for the Commission's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the commission's compliance with the laws and regulations applicable to the items on the following page.

Based on our audit we found that, for the items tested, First 5 Tehama complied with the laws and regulations of the items referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Commission had not complied with the laws and regulations of the First 5 Program.

This report is intended solely for the information of the County Board of Supervisors, the County Commission, the State Commission, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Donald R. Reynolds
Certified Public Accountant
August 31, 2010

Board of Commissioners
First 5 Tehama
Red Bluff, California

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
<u>Contracting and Procurement</u>	6	Yes
<u>Administrative Costs</u>	3	Yes
<u>Conflict of Interest</u>	3	Yes
<u>County Ordinance</u>	4	Yes
<u>Long-Range Financial Plans</u>	2	Yes
<u>Financial Condition of the Commission</u>	1	Yes
<u>Program Evaluation</u>	3	Yes
<u>Salaries and Benefit Policies</u>	2	Yes