

**FIRST FIVE PLUMAS COUNTY,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2011**

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FIRST FIVE PLUMAS COUNTY
Annual Financial Report
For the Year Ended June 30, 2011

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INTRODUCTORY SECTION

- **Board of Commissioners**

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**FIRST FIVE PLUMAS COUNTY
Board of Commissioners
For the Year Ended June 30, 2011**

Carol Burney	Chairperson
Jaye Bruce	Vice Chair
Elliot Smart	Treasurer
Joyce Scroggs	Member
Lori Simpson	Member
Mimi Hall	Member
Merle Rusky	Member

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FINANCIAL SECTION

- **Independent Auditor's Report**
- **Management's Discussion and Analysis**
- **Basic Financial Statements**
- **Required Supplementary Information**
- **Supplementary Information**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
First Five Plumas County
Quincy, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the First Five Plumas County, California (Commission), as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

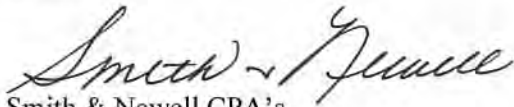
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission as of June 30, 2011, and the respective changes in financial position thereof for the year then ended 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 14, 2011, 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 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.

The Management Discussion and Analysis and budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the Board of Commissioners
First Five Plumas County
Quincy, California

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on them.



Smith & Newell CPA's
Yuba City, California
September 14, 2011

**Management's Discussion and Analysis
(Unaudited)**

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In November 1998, voters passed Proposition 10, a statewide ballot initiative to add surtax to tobacco products. The monies collected are to be used to fund programs that promote early childhood development, from prenatal to 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. All revenue generated by Proposition 10 is collected in the California Children and Families Trust Fund Account, which is set up within the State Treasury. Allocations to each county are based on the number of births, according to the birth mother's county of residence.

The Commission consists of nine members, which are appointed by the County Board of Supervisors. Three members are considered mandated members, comprised of representatives of the County Health Agency, Social Services Agency and Board of Supervisors. Other members are considered At-Large members and represent parents, early childhood educators and children and families service providers. Each Commissioner serves a two-year term and may be reappointed to subsequent terms. In December 2010, the Plumas County Board of Supervisors appointed Joyce Scroggs, Local Child Care Planning Council Coordinator for membership on the Commission.

Related Party Transactions

The Commission contracts with the County to provide accounting, banking and investment, purchasing, risk management and other administrative services. The Commission incurred expenses totaling \$34,288 for all County services provided during the year ending June 30, 2011.

Impact of State Legislation Affecting State and County Children and Families Commissions

Two bills, Senate Bill 35 and Assembly Bill 109, were passed in September 2005 by the California State Legislature that impacted the fiscal and managerial operations of the state and county children and families commissions. SB 35 expands the requirements for commission annual financial audits and internal quality control functions. AB 109 requires commissions to adopt formal policies regarding conflict of interest regulations for commissioners, for contracting and purchasing operations, to require the establishment of limits by percentage that each commission can spend for administrative functions, and to establish standards for salaries and benefits for commission employees. First 5 Plumas County Commission, Executive Director and County Counsel closely followed the developments of this legislation and the entire expanded audit requirements were fully implemented by June 30, 2006.

On June 8, 2011 the Commission adopted Fund Balance Policy and Procedures in response to the Government Accounting Standards Board (GASB) Statement Number 54, which establishes a hierarchy clarifying the constraints that govern how a government entity can use the amounts reported as fund balance. GASB 54 establishes the following fund balance classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. The Commission's fund balances for all major governmental funds as of June 30, 2011 can be found on pages 22 and 23 of this report.

Plumas County Ordinance

First 5 Plumas County adopted policies and practices to assure that it is adhering to the Plumas County Ordinance No 98-908 which established the Commission and the Plumas County Children and Families Trust Fund in 1999.

First 5 Plumas County has complied with each of the following components of Plumas County Ordinance No. 98-908:

- All nine (7 current members) Commission members were appointed by the Plumas County Board of Supervisors
- Members of the Commission were not compensated for their services. Members are reimbursed for travel and lodging in accordance with the Commission's Bylaws
- June 8, 2011, the Commission conducted a Public Hearing, Annual Review and Adoption of an adequate and complete Strategic Plan
- The Commission conducted strategic planning utilizing consultant facilitation during fiscal year 010-2011. The Commission held a Public Hearing on June 8, 2011 and adopted the five-year strategic Plan, which was submitted to the Board of Supervisors on July 19, 2011 for approval.
- The adopted five-year Strategic Plan was submitted June 2011 to First 5 California via electronic PDF format
- Commission measured and reported the outcomes of its funded programs on a quarterly basis
- Commission conducted a Public Hearing on the State Commission's Annual Report FY 2009-2010 on March 11, 2011
- Commission conducted a Public Hearing and adopted its Annual Report/Audit FY 2009-2010 on October 13, 2010
- Commission conducted a Public Hearing prior to the adoption of the FY 2010-2011 budget on June 8, 2011
- Commission adopted policies, consistent with state and local law, on the conflicts of interest of its Commission members and personnel policies on April 12, 2006
- Commission re-adopted the County of Plumas' Conflict of Interest Policy on March 10, 2010
- Commission re-adopted the Memorandum of Understanding between the Commission and the County of Plumas for an additional two years on March 10, 2010

As management of First 5 Plumas County, we offer readers this overview of First 5 Plumas County's financial activities for the fiscal year ending June 30, 2011.

Overview of the Financial Statements

First 5 Plumas County'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 required 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.

The government-wide financial statements can be found on pages 9 and 10 of this report. Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. First 5 Plumas County, like other local governments, uses fund accounting to ensure compliance with finance-related legal requirements.

Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between the governmental fund and government wide statements.

Within the fund balance there are committed and uncommitted funds. Recordation of committed and uncommitted funds is done in accordance with the definition of these two funds approved by First 5 California.

The fund financial statements can be found on pages 11 through 14 of this report.

The Commission adopts an annual combined budget for the Program and Implementation fund including the School Readiness and Retention Incentive programs. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the budget and can be found on pages 26 through 28 of this report.

Within fund equity there are committed and uncommitted funds. Recordation of committed and uncommitted funds is done in accordance with the definition of these two funds approved by First 5 California.

Notes to the Financial Statements

The notes provide additional information that is essential to the 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 through 25 of this report.

Governmental-Wide Financial Analysis

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

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB 54 alters the focus and terminology to be used for fund balance reporting. GASB No. 54 compliance can be found on pages 22 and 23 of this report.

Net assets may serve over time as a useful indicator of a government's financial position. Following is a summary of the Net Assets as of June 30, 2011.

	<u>FY 2010/2010</u>	<u>FY 2009/2010</u>
Total Assets	\$ 414,513	\$ 415,429
Total Liabilities	<u>22,760</u>	<u>16,540</u>
Net Assets:		
Restricted	<u>391,753</u>	<u>398,889</u>
Net Assets	<u>\$ 391,753</u>	<u>\$ 398,889</u>

The Commission's net assets decreased by \$7,136 during the current fiscal year.

Financial Analysis of the Commission's Governmental Funds

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with funding requirements.

Following is a summary comparison of prior year to current year balance sheet and statement of revenues, expenditures and changes in fund balance:

Balance Sheet

	<u>FY 2010/2010</u>	<u>FY 2009/2010</u>
Total Assets	<u>\$ 389,002</u>	<u>\$ 389,953</u>
Total Liabilities	\$ 22,760	\$ 16,540
Total Fund Balance	<u>366,242</u>	<u>373,413</u>
Total Liabilities and Fund Balance	<u>\$ 389,002</u>	<u>\$ 389,953</u>

Revenue, Expenditures and Changes in Fund Balance

	<u>FY 2010/2011</u>	<u>FY 2009/2010</u>
Revenues	\$ 440,589	\$ 462,152
Expenditures	<u>447,760</u>	<u>422,854</u>
Excess (Deficiency) of Revenues	(7,171)	39,298
Fund Balance – Beginning	<u>373,413</u>	<u>334,115</u>
Fund Balance – Ending	<u>\$ 366,242</u>	<u>\$ 373,413</u>

As of the end of the current-fiscal year, First 5 Plumas County reported an ending/fund balance of \$366,242, a decrease of \$7,171 from the prior year. This decrease in fund balance was anticipated due to a one-time consultant cost for strategic planning activities during FY 2010-2011.

The Commission adopted an Administrative Cost Policy on May 10, 2006. Based on an analysis of the Commission's spending needs and best practice in government finance, the limit percentage of the annual operating budget that may be spent on administrative functions is a range of 16.0% - 20.0%.

Due to the loss of state matching fund revenue, on June 8, 2011, the Commission adopted an increase that can be spent on administrative functions to 25%. Expenditures for administrative services and supplies were \$84,133. The remaining funds were allocated to direct programs and evaluation services in accordance with the fiscal year budget.

In Fiscal Year 2010-2011, First 5 Plumas County approved funding programs and services totaling \$323,276. All funded programs were intended to achieve one or more of the four goals set forth in first 5 Plumas County's Strategic Plan. The four goal areas are: Increase the quality and availability of child care along with early childhood educator training; Provide family support, parent education; Improve the health and well-being of all children from prenatal to age 5; Strengthen and build an integrated service delivery system. The distribution of funding that was awarded to 7 projects in the four focus areas is represented below. Proposition 10 funds awarded to these projects were not used to replace or supplant activities funded through existing resources.

Budgetary Highlights

Total expenditures for Fiscal Year 2010-2011 are \$3,040 less than budgeted primarily because of a cost savings in Professional Services line item in which not all of the funds allocated to grants were spent.

Beyond FY 2010-2011

Revenue for FY 2011-2012 is projected at \$ 344,819 which includes program funding earmarked for the Plumas CARES Provider Program and home visitation services for families with children ages 0-5. In June, 2011, the First 5 Plumas County Commission completed its annual review and update of its Long Term Financial Plan. Revenues will decline due to the loss of School Readiness Matching Funds in the amount of \$125,000.

Small County Augmentation: First 5 California (F5CA) provides an annual augmentation to support small county operations, in recognition that small counties must use a proportionately greater share of their tax revenues to provide basic operations, including administrative services, planning, outreach, and evaluation. F5CA has committed to continuing these augmentations through FY 13-14 for eligible counties. The formula is based on a percentage of the F5CA unallocated account with a forecast decline of 3% per year.

The plan recognizes that First 5 Plumas County will continue to explore leveraging opportunities to maximize Proposition 10 funding and will continue to promote linkages and integrated services that will lead to self-sufficiency in future years.

Requests for Information

This financial report is designed to provide a general overview of First 5 Plumas County'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 Plumas County, 270 Hospital Drive Suite 206, Quincy, California 95971.

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Basic Financial Statements

- **Government-Wide Financial Statements**

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FIRST FIVE PLUMAS COUNTY
Statement of Net Assets
June 30, 2011

	<u>Total Governmental Activities</u>
ASSETS	
Cash and investments	\$ 378,521
Accounts receivable	<u>35,992</u>
Total Assets	<u>414,513</u>
LIABILITIES	
Accounts payable	20,105
Salaries and benefits payable	<u>2,655</u>
Total Liabilities	<u>22,760</u>
NET ASSETS	
Restricted	<u>391,753</u>
Total Net Assets	<u><u>\$ 391,753</u></u>

The notes to the basic financial statements are an integral part of this statement.

FIRST FIVE PLUMAS COUNTY
Statement of Activities
For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
General government	\$ 447,760	\$ -	\$ 438,082	\$ -
Total Governmental Activities	<u>447,760</u>	<u>-</u>	<u>438,082</u>	<u>-</u>
Total	<u>\$ 447,760</u>	<u>\$ -</u>	<u>\$ 438,082</u>	<u>\$ -</u>
General revenues:				
Interest and investment earnings				2,542
Total General Revenues				<u>2,542</u>
Change in Net Assets				(7,136)
Net Assets - Beginning				<u>398,889</u>
Net Assets - Ending				<u>\$ 391,753</u>

The notes to the basic financial statements are an integral part of this statement.

Basic Financial Statements

- **Fund Financial Statements**

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FIRST FIVE PLUMAS COUNTY
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>School Readiness</u>	<u>CARES Program</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 358,429	\$ 20,092	\$ -	\$ 378,521
Accounts receivable	10,481	-	-	10,481
Total Assets	<u>\$ 368,910</u>	<u>\$ 20,092</u>	<u>\$ -</u>	<u>\$ 389,002</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 13	\$ 20,092	\$ -	\$ 20,105
Salaries and benefits payable	2,655	-	-	2,655
Total Liabilities	<u>2,668</u>	<u>20,092</u>	<u>-</u>	<u>22,760</u>
Fund Balances:				
Committed	82,996	-	-	82,996
Assigned	149,496	-	-	149,496
Unassigned	133,750	-	-	133,750
Total Fund Balances	<u>366,242</u>	<u>-</u>	<u>-</u>	<u>366,242</u>
Total Liabilities and Fund Balances	<u>\$ 368,910</u>	<u>\$ 20,092</u>	<u>\$ -</u>	<u>\$ 389,002</u>

The notes to the basic financial statements are an integral part of this statement.

FIRST FIVE PLUMAS COUNTY
Reconciliation of the Governmental Fund Balance Sheet
To the Government-Wide Statement of
Net Assets - Governmental Activities
June 30, 2011

Total Fund Balance - Total Governmental Funds	\$ 366,242
Amounts reported for governmental activities in the statement of net assets are different because:	
Other long-term assets are not available to pay for current period expenditures and therefore, are not reported in the governmental funds.	
Accounts receivable	<u>25,511</u>
Net Assets of Governmental Activities	<u><u>\$ 391,753</u></u>

The notes to the basic financial statements are an integral part of this statement.

FIRST FIVE PLUMAS COUNTY
Statement of Revenues, Expenditures,
And Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	<u>General</u>	<u>School Readiness</u>	<u>CARES Program</u>	<u>Total</u>
REVENUES				
Intergovernmental revenues:				
Proposition 10 apportionment	\$ 119,094	\$ -	\$ -	\$ 119,094
Proposition 10 administration augmentation	113,019	-	-	113,019
Proposition 10 \$200k augmentation	80,848	-	-	80,848
Proposition 10 SMIF	86	-	-	86
Proposition 10 School Readiness	-	125,000	-	125,000
Use of money and property	2,455	112	(25)	2,542
Total Revenues	<u>315,502</u>	<u>125,112</u>	<u>(25)</u>	<u>440,589</u>
EXPENDITURES				
Current general government:				
Administration:				
Salaries and benefits	23,461	-	-	23,461
Communications	775	-	-	775
Insurance	5,715	-	-	5,715
Memberships	2,200	-	-	2,200
Office expenses	1,072	-	-	1,072
Professional services	49,814	-	-	49,814
In-county hosting	1,096	-	-	1,096
Program Activity:				
Salaries and benefits	42,230	-	-	42,230
Professional services	10,364	209,232	25,000	244,596
Education	847	9,967	-	10,814
Overhead	5,485	628	361	6,474
Outreach	-	-	22,000	22,000
Evaluation:				
Salaries and benefits	12,513	-	-	12,513
Professional services	25,000	-	-	25,000
Total Expenditures	<u>180,572</u>	<u>219,827</u>	<u>47,361</u>	<u>447,760</u>
Excess of Revenues Over (Under) Expenditures	<u>134,930</u>	<u>(94,715)</u>	<u>(47,386)</u>	<u>(7,171)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	94,715	47,364	142,079
Transfers out	(142,079)	-	-	(142,079)
Total Other Financing Sources (Uses)	<u>(142,079)</u>	<u>94,715</u>	<u>47,364</u>	<u>-</u>
Net Change in Fund Balance	(7,149)	-	(22)	(7,171)
Fund Balances - Beginning	<u>373,391</u>	<u>-</u>	<u>22</u>	<u>373,413</u>
Fund Balances - Ending	<u>\$ 366,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 366,242</u>

The notes to the basic financial statements are an integral part of this statement.

FIRST FIVE PLUMAS COUNTY
Reconciliation of the Statement of Revenues, Expenditures,
And Changes in Fund Balances of Governmental Funds to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ (7,171)
Amounts reported for governmental activities in the statement of activities are different because:	
Some revenues reported in the statement of activities will not be collected for several months after the Commission's year end and do not provide current financial resources and therefore are not reported as revenues in the governmental funds.	
Change in accounts receivable	<u>35</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (7,136)</u></u>

The notes to the basic financial statements are an integral part of this statement.

Basic Financial Statements

- **Notes to Basic Financial Statements**

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FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of First Five Plumas County (Commission) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

A. Reporting Entity

First Five Plumas County (the Commission) was established by the Plumas County Board of Supervisors through adoption of Ordinance No. 98-908 on December 15, 1998, pursuant to Proposition 10, the California Children and Families Act of 1998 and amended by Ordinance No. 06-1051 on September 12, 2006. The purpose of the Commission is to develop a strategic plan describing programs, services, and projects to promote, support, and improve the early development of children. The Commission is funded by a tax of fifty (50) cents per pack on cigarettes and by a similar tax on other tobacco products. The Plumas County Public Health Agency acts as administrative agent to the Commission. The original Commission consisted of five voting members. On April 4, 2000, Ordinance No. 00-929 amended the Commission's members from five to nine.

As required by GAAP, these financial statements present the Commission and its component units, entities for which the Commission is considered to be financially accountable.

Reporting for component units on the Commission's financial statements can be blended or discretely presented. Blended component units are, although legally separate entities, in substance part of the Commission's operations and, therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, would be reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the government.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that there are no component units of the Commission.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net assets and statement of activities display information on all the activities of the Commission. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements report the governmental activities of the Commission, which are normally supported by intergovernmental revenues. The Commission had no business-type activities at June 30, 2011.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each different function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods and services offered by the program, 2) operating grants and contributions, and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are presented instead as general revenues. When both restricted and unrestricted net assets are available, restricted resources are generally depleted before the unrestricted assets are used.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into the governmental category. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Commission or meets the following criteria:

- Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

The Commission reports the following major governmental funds:

- The General Fund is used to account for all revenues and expenditures related to basic governmental activities of the Commission.
- The School Readiness Fund is a special revenue fund used to account for all revenues and expenditures related to state school readiness funding.
- The CARES Program Fund is a special revenue fund used to account for all revenues and expenditures related to retention incentive funding.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Under the accrual basis, revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds 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. Interest and intergovernmental revenues are considered susceptible to accrual and are accrued when their receipt occurs within thirty days after the end of the fiscal year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as other financing sources.

D. Non-Current Governmental Assets/Liabilities

Non-current governmental assets and liabilities, such as capital assets and long-term liabilities, are reported in the governmental activities column in the government-wide statement of net assets.

E. Investments

The Commission pools all cash and investments with the County of Plumas. The Plumas County Treasury is an external investment pool for the Commission and the Commission is considered an involuntary participant. The Treasurer invests on behalf of most funds of the County and external participants in accordance with the California State Government Code and the County's investment policy. State statutes authorize the Commission and the County to invest its cash surplus in obligations of the U.S. Treasury, agencies and instrumentalities, corporate bonds, medium term notes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, and the State of California Local Agency Investment Fund.

Participant's equity in the investment pool is determined by the dollar amount of participants deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on the amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants each quarter based on the participant's average daily cash balance at quarter end in relation to the total pool investments. This method differs from the fair value method used to value investments in these financial statements. In these financial statements, the fair value of the Commission's investments in the pool was based on unaudited quoted market values as provided by the County Treasurer. The pool has not provided or obtained any legally binding guarantees during the period to support the value of investments.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Investments (Continued)

The County monitors and reviews the management of public funds maintained in the investment pool in accordance with the County investment policy and the California Government Code. The Board of Supervisors review and approve the investment policy annually. The County Treasurer prepares and submits a comprehensive investment report to the Board of Supervisors every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost and fair value.

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 Plumas' financial statements may be obtained by contacting the County of Plumas Auditor-Controller's office at 520 Main Street, Room 205, Quincy, CA 95971.

F. Receivables

Accounts Receivable

Accounts receivable consist mainly of Proposition 10 revenues. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

G. Inventory

Governmental fund inventories are recorded as expenditures at the time the inventory is purchased. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

H. Capital Assets

Capital assets are recorded at historical or estimated historical cost if actual historical cost is unavailable. Capital assets are defined by the Commission as an asset with a cost greater than \$1,500. Contributed capital assets are recorded at their estimated fair value at the date of donation.

Capital assets used in operations are depreciated or amortized using the straight line method over the estimated useful life in the government-wide financial statements. The range of estimated useful lives by type of asset is as follows:

<u>Depreciable Asset</u>	<u>Estimated Lives</u>
Equipment	3-25 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences and Other Postemployment Benefits (OPEB)

The Commission's policy regarding compensated absences is to permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as debt in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. The Commission includes its share of social security and medicare taxes payable on behalf of the employees in the accrual for compensated absences. At June 30, 2011, the compensated absences payable was \$0.

The Commission does not currently provide any postemployment benefits.

J. Interfund Transactions

Interfund transactions are reflected as either loans, services provided or used, reimbursements or transfers.

Loans reported as receivables and payables are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans) as appropriate and are subject to elimination upon consolidation. Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not in spendable form.

Services provided or used, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. These services provide information on the net cost of each government function and therefore are not eliminated in the process of preparing the government-wide statement of activities.

Reimbursements occur when the funds responsible for particular expenditures repay the funds that initially paid for them. Such reimbursements are reflected as expenditures; in the reimbursing fund and reductions to expenditures in the reimbursed fund.

All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide presentation.

K. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Implementation of Governmental Accounting Standards Board Statements

GASB Statement No. 54

In February 2009, GASB released a new Statement, GASB Statement No. 54, - Fund Balance Reporting and Governmental Fund Type Definitions. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The initial distinction in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories and prepaids. This Statement provides for additional classification as restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010.

NOTE 2: CASH AND INVESTMENTS

As of June 30, 2011, the Commission's cash and investments consisted of the following:

Investments:	
Plumas County Treasurer's Pool	\$ 378,521
Total Cash and Investments	<u>\$ 378,521</u>

Cash

Custodial Credit Risk for Deposits - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Commission will not be able to recover its deposits or collateral securities that are in the possession of an outside party. The Commission follows the requirements of the California Government Code. Under this code, deposits of more than \$250,000 must be collateralized at 105 percent to 150 percent of the value of the deposit to guarantee the safety of the public funds. The Commission does not have a formal investment policy that further limits its deposits.

At year end, the Commission had no deposits outside the Plumas County Treasury.

Investments

Interest Rate Risk - Interest rate risk is the risk of loss due to the fair value of an investment falling due to interest rates rising. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All investments of the Commission are in the County investment pool which contains a diversification of investments. The interest rate risk is not available. The Commission does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Credit Risk - Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law and County investment policy limit investments in commercial paper to the rating of A1 or better by Standards & Poor's or P-1 or better by Moody's Investors Service; and corporate bonds to the rating of A or better by both Standards & Poor's and Moody's Investors Service. All investments of the Commission are in the County investment pool which contains a diversification of investments. The credit risk is not rated. The Commission does not have a formal investment policy that would further limit its investment choices.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Commission will not be able to recover its deposits or collateral securities that are in the possession of an outside party. All investments of the Commission are in the County investment pool which contains a diversification of investments. The custodial credit risk is not applicable. The Commission does not have a formal investment policy that would further limit the exposure to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of the Commission's investment in a single issuer of securities. When investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. All investments of the Commission are in the County investment pool which contains a diversification of investments. The concentration of credit risk is not applicable.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011, was as follows:

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2011</u>
Capital Assets, Being Depreciated:				
Furniture and fixtures	\$ 14,279	\$ -	\$ -	\$ 14,279
Total Capital Assets, Being Depreciated	<u>14,279</u>	<u>-</u>	<u>-</u>	<u>14,279</u>
Less Accumulated Depreciation for:				
Furniture and fixtures	(14,279)	-	-	(14,279)
Total Accumulated Depreciation	<u>(14,279)</u>	<u>-</u>	<u>-</u>	<u>(14,279)</u>
Total Capital Assets, Being Depreciated, Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Governmental Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 4: INTERFUND TRANSACTIONS

Transfers

Transfers are indicative of funding for local match contributions and re-allocations of special revenues. The following are interfund transfers for the fiscal year ended June 30, 2011:

	<u>Transfer In</u>	<u>Transfer Out</u>
Program and Implementation	\$ -	\$ 142,079
School Readiness	94,715	-
Cares Program	47,364	-
Total	\$ 142,079	\$ 142,079

NOTE 5: NET ASSETS

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

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

NOTE 6: FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the Commission is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2011, fund balance for governmental funds are made up of the following:

- Nonspendable fund balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- Restricted fund balance - includes amounts that can be spent for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 6: FUND BALANCES (CONTINUED)

- Committed fund balance - includes amounts that can only be used for the specific purposes determined by a formal action of the Commission's highest level of decision-making authority, the Commission's Board of Commissioners. Commitments may be changed or lifted only by the Commission taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).
- Assigned fund balance - comprises amounts intended to be used by the Commission for specific purposes that are neither restricted nor committed. Intent is expressed by (1) the Commission's Board of Commissioners or (b) a body (for example: a budget or finance committee) or official to which the Commission's Board of Commissioners has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned fund balance - is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, that fund would report a negative unassigned fund balance.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

The fund balances for all major governmental funds as of June 30, 2011, were distributed as follows:

	<u>General</u>	<u>School Readiness</u>	<u>CARES Program</u>	<u>Total</u>
Committed to:				
FY 2011/12 contracts	\$ 82,996	\$ -	\$ -	\$ 82,996
Subtotal	<u>82,996</u>	<u>-</u>	<u>-</u>	<u>82,996</u>
Assigned to:				
CARES stipends	20,000	-	-	20,000
CARES program coordination	15,002	-	-	15,002
FY 2011/12 contracts to be determined	77,004	-	-	77,004
Financial plan commitment	<u>37,490</u>	<u>-</u>	<u>-</u>	<u>37,490</u>
Subtotal	<u>149,496</u>	<u>-</u>	<u>-</u>	<u>149,496</u>
Unassigned	<u>133,750</u>	<u>-</u>	<u>-</u>	<u>133,750</u>
Total	<u>\$ 366,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 366,242</u>

The Board of Commissioners adopted the Fund Balance Policy and Procedures - GASB 54 in June 2011. The policy defines fund balance classifications and establishes requirements for reporting the components of fund balance.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 7: EMPLOYEE RETIREMENT PLAN

The Commission employee participated in the Federal Social Security Program. The annual rate was 7.65 percent for the employer contribution for the period July 1, 2010 through June 30, 2011 and 6.2 percent for the employee contribution for the period July 1, 2010 through December 31, 2010 and 4.2 percent for the period January 1, 2011 through June 30, 2011. For the year ended June 30, 2011, the Commission contributions including Medicare were \$5,472.

NOTE 8: PROGRAM EVALUATION

The Commission spent a total of \$37,513 on program evaluation during the audit period.

NOTE 9: SPECIAL FUNDING

A. School Readiness

The Commission participates in the School Readiness Program and receives funds to be used to coordinate, develop, implement and sustain a system of collaborative school-based or linked services programs and informal supports based on research or promising practices to improve school readiness for children, families, communities and schools. A local match of program funds expended each year is required and can be met through a cash match, including Commission funds, new expenditures by school districts and local public agencies in excess of the existing local investments that are specifically targeted to an element of the School Readiness Program, or funds from private sources such as foundations and businesses. The Commission administers this fund, which is used to account for the revenues received and expenditures made for school readiness programs.

The Commission received special funding in the amount of \$125,000 for School Readiness Initiative including coordination funds.

B. Comprehensive Approaches to Raising Education Standards (CARES)

The Plumas CARES program supports and promotes the retention and improvement in the quality of center and family home child-care providers for children from 0 to 5 years. The State Commission's CARES program concluded in December 2009. The Commission administers this fund, which is used to account for the revenues received and expenditures made for CARES programs.

NOTE 10: RELATED PARTY TRANSACTIONS

During the year ended June 30, 2011, the Commission paid the County of Plumas, a related party, \$34,288 for salaries and benefits and overhead. Administrative functions are provided by County staff under a memorandum of understanding signed March 21, 2000. This memorandum includes a provision for workers' compensation, commercial, general and automobile liability insurance covering the Commission.

NOTE 11: TAX AND REVENUE CODE

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

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2011

NOTE 12: OTHER INFORMATION

A. 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.

B. Subsequent Events

Management has evaluated events subsequent to June 30, 2011 through September 14, 2011, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

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**Required Supplementary Information
(Unaudited)**

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FIRST FIVE PLUMAS COUNTY
Required Supplementary Information
Budgetary Comparison Schedule - Budgetary Basis
General Fund
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental revenues:				
Proposition 10 apportionment	\$ 315,800	\$ 315,800	\$ 313,047	\$ (2,753)
Use of money and property	10,000	10,000	2,455	(7,545)
Total Revenues	<u>325,800</u>	<u>325,800</u>	<u>315,502</u>	<u>(10,298)</u>
EXPENDITURES				
Current general government:				
Salaries and benefits	86,696	80,000	78,204	1,796
Communications	1,000	1,000	775	225
Insurance	7,000	7,000	5,715	1,285
Memberships	2,200	2,200	2,200	-
Office expenses	1,500	1,500	1,072	428
Professional services	85,179	85,179	85,178	1
Education	1,000	1,000	847	153
Promotion	1,000	1,000	-	1,000
Publications	800	800	-	800
Overhead	5,485	5,485	5,485	-
Outreach	335	335	-	335
Travel	3,200	3,200	-	3,200
In-county hosting	1,200	1,200	1,096	104
Contingencies	(12,088)	(12,088)	-	(12,088)
Total Expenditures	<u>184,507</u>	<u>177,811</u>	<u>180,572</u>	<u>(2,761)</u>
Excess of Revenues Over (Under) Expenditures	<u>141,293</u>	<u>147,989</u>	<u>134,930</u>	<u>(13,059)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(147,989)	(147,989)	(142,079)	5,910
Total Other Financing Sources (Uses)	<u>(147,989)</u>	<u>(147,989)</u>	<u>(142,079)</u>	<u>5,910</u>
Net Change in Fund Balance	(6,696)	-	(7,149)	(7,149)
Fund Balances - Beginning	<u>373,391</u>	<u>373,391</u>	<u>373,391</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 366,695</u>	<u>\$ 373,391</u>	<u>\$ 366,242</u>	<u>\$ (7,149)</u>

The Budgetary Comparison Schedule differs from the Statement of Revenues, Expenditures, and Changes in Fund Balance in that the Commission budgets for all Proposition 10 revenues as one item.

See accompanying note to the required supplementary information.

FIRST FIVE PLUMAS COUNTY
Required Supplementary Information
Budgetary Comparison Schedule - Budgetary Basis
Major Special Revenue Fund - School Readiness
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental revenues:				
Proposition 10 School Readiness	\$ 125,000	\$ 125,000	\$ 125,000	\$ -
Use of money and property	-	-	112	112
Total Revenues	<u>125,000</u>	<u>125,000</u>	<u>125,112</u>	<u>112</u>
EXPENDITURES				
Current general government:				
Professional services	215,000	215,000	209,232	5,768
Education	10,000	10,000	9,967	33
Overhead	628	628	628	-
Total Expenditures	<u>225,628</u>	<u>225,628</u>	<u>219,827</u>	<u>5,801</u>
Excess of Revenues Over (Under) Expenditures	<u>(100,628)</u>	<u>(100,628)</u>	<u>(94,715)</u>	<u>5,913</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	100,628	100,628	94,715	(5,913)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>100,628</u>	<u>100,628</u>	<u>94,715</u>	<u>(5,913)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to the required supplementary information.

FIRST FIVE PLUMAS COUNTY
Required Supplementary Information
Budgetary Comparison Schedule - Budgetary Basis
Major Special Revenue Fund - CARES Program
For the Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Intergovernmental revenues:				
Proposition 10 Cares Program	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	-	(25)	(25)
Total Revenues	<u>-</u>	<u>-</u>	<u>(25)</u>	<u>(25)</u>
EXPENDITURES				
Current general government:				
Professional services	25,000	25,000	25,000	-
Overhead	361	361	361	-
Outreach	22,000	22,000	22,000	-
Total Expenditures	<u>47,361</u>	<u>47,361</u>	<u>47,361</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>(47,361)</u>	<u>(47,361)</u>	<u>(47,386)</u>	<u>(25)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	47,361	47,361	47,364	3
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>47,361</u>	<u>47,361</u>	<u>47,364</u>	<u>3</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>(22)</u>	<u>(22)</u>
Fund Balances - Beginning	<u>22</u>	<u>22</u>	<u>22</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 22</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ (22)</u>

See accompanying note to the required supplementary information.

FIRST FIVE PLUMAS COUNTY
Required Supplementary Information
Note to Required Supplementary Information
For the Year Ended June 30, 2011

A. BUDGETARY BASIS OF ACCOUNTING

The Commission follows these procedures annually in establishing the budgetary data reflected in the financial statements:

- The fiscal officer submits to the Board of Commissioners a recommended budget for the fiscal year commencing the following July 1. The budget includes recommended expenditures and the means of financing them.
- The Board of Commissioners reviews the recommended budget at regularly scheduled meetings, which are open to the public. The Board also conducts a public hearing on the recommended budget to obtain comments from interested persons.
- Prior to July 1, the budget is adopted through the passage of a resolution.
- From the effective date of the budget, the amounts stated therein, as recommended expenditures become appropriations to the Commission. The Board of Commissioners may amend the budget by motion during the fiscal year.

Formal budgetary integration is employed as a management control device during the year. The Commission presents a comparison of annual budgets to actual results for the Program and Implementation Fund, the School Readiness Fund and the CARES Program Fund. The amounts reported on the budgetary basis are generally on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

The Commission does not use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to receive that portion of the applicable appropriation.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2011, the General fund incurred expenditures in excess of appropriations as follows:

<u>Fund</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Deficit</u>
General Fund	\$ 177,811	\$ 180,572	(\$ 2,761)

Supplementary Information

- **Supplemental Schedule of First 5 California (F5CA) Funding**

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FIRST FIVE PLUMAS COUNTY
Supplementary Information
Supplemental Schedule of First 5 California (F5CA) Funding
For the Year Ended June 30, 2011

<u>Program or Project Title</u>		<u>Revenue F5CA Funds</u>	<u>Expenditures</u>	<u>Change in Net Assets</u>	<u>Net Assets Beginning of FY</u>
School Readiness Program	F5CA Program Funds	\$ 100,000	\$ 100,000	\$ -	
	County, Local Funds	94,715	94,715	-	
		<u>25,000</u>	<u>25,000</u>	<u>-</u>	
School Readiness Coordination	F5CA Funds	<u>25,000</u>	<u>25,000</u>	<u>-</u>	
Small Population Augmentation	F5CA Funds	<u>113,019</u>	<u>113,019</u>	<u>-</u>	
Total F5CA Funds		<u>\$ 332,734</u>	<u>\$ 332,734</u>	<u>\$ -</u>	<u>\$ -</u>

**Net Assets
End
of FY**

\$ -

-

-

-

-

\$ -

-

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OTHER REPORTS

- **Other Report**
- **Independent Auditor's Report on State Compliance**

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**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**

To the Board of Commissioners
First Five Plumas County
Quincy, California

We have audited the financial statements of the governmental activities and each major fund of First Five Plumas County, Quincy, California (Commission), as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated September 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

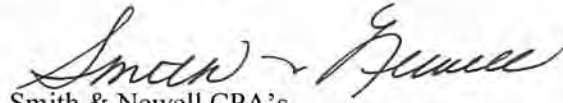
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with 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.

To the Board of Commissioners
First Five Plumas County
Quincy, California

This report is intended solely for the information and use of management, others within the organization, the County Board of Supervisors, the County Commission, the State Commission, the State Controller's Office, Federal awarding 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.



Smith & Newell CPA's
Yuba City, California
September 14, 2011

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

To the Board of Commissioners
 First Five Plumas County
 Quincy, California

We have audited the basic financial statements of First Five Plumas County, Quincy, California (Commission), as of and for the year ended June 30, 2011 and have issued our report thereon dated September 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have also audited the Commission's compliance with the requirements specified in the State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our compliance audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act, issued by the State Controller's Office. Those standards and the State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the statutory requirements listed below occurred. An audit includes examining on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

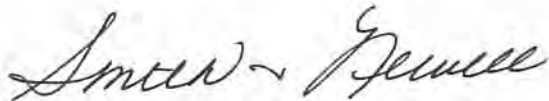
In connection with the audit referred to above, we selected and tested transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

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

To the Board of Commissioners
First Five Plumas County
Quincy, California

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed above for the year ended June 30, 2011.

This report is intended solely for the information and use of management, others within the organization, 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.

A handwritten signature in cursive script, appearing to read "Smith & Newell".

Smith & Newell CPA's
Yuba City, California
September 14, 2011