

**FIRST FIVE PLUMAS COUNTY,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2018**

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FIRST FIVE PLUMAS COUNTY
Annual Financial Report
For the Year Ended June 30, 2018

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INTRODUCTORY SECTION

- **List of Officials**

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FIRST FIVE PLUMAS COUNTY
List of Officials
For the Year Ended June 30, 2018

Board of Commissioners

Carol Burney	Chairperson
Colleen Kroll	Vice Chair
Elliot Smart	Treasurer
Lori Simpson	Member
Kendrah Fredricksen	Member
Joanne Burgueno	Member
Rachelle Hines	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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of First Five Plumas County, California (Commission), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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 the major fund of the Commission as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1M to the financial statements, in 2018, the Commission implemented, if applicable, Governmental Accounting Standards Board (GASB) Statement Nos. 75, 81, 85 and 86. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

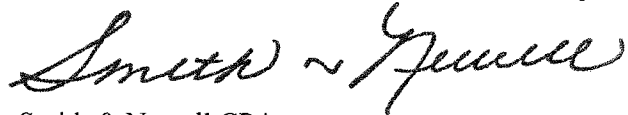
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The introductory section and supplementary information are presented for purposes of additional analysis and are not a required part of the basic 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 do not express an opinion or provide any assurance on them.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2018 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 solely 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 effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Smith & Newell", written in a cursive style.

Smith & Newell CPAs
Yuba City, California
October 6, 2018

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**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. Due to the small number of births in California's twenty smallest counties, including Plumas, First 5 California provides additional funding so that each county commission can adequately conduct Proposition 10 administrative and program functions.

The Commission consists of nine members, who 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 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. The Commission currently has three parent representatives, Colleen Kroll was appointed by the Board of Supervisors in December 2012, Joanne Burgueno was appointed by the Board in December 2013, and Rachelle Hines was appointed in May 2016. In 2017, Kendrah Fredricksen, the Program Manager for CASA-Court Appointed Special Advocates, a program of Plumas Crisis Intervention and Resource Center applied for membership and was appointed by the Board in January 2018 for a two-year membership on the Commission. In October 2018 the Health and Human Services position was filled by Andrew Woodruff, MPH, the director of the Plumas County Public Health Agency.

Related Party Transactions

The Commission contracts with the County of Plumas to provide accounting, banking and investment, purchasing, risk management and other administrative services. The Commission incurred expenses totaling \$33,927 for all County services provided during the year ending June 30, 2018.

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, 2018 can be found on pages 24 and 25 of this Independent Auditor's Report for the Year Ended June 30, 2018.

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.
- April 4, 2018, the Commission conducted a Public Hearing, Annual Review and Adoption of an adequate and complete Strategic Plan. The Strategic Plan was updated throughout fiscal year 2015-2016 and adopted for the five-year period from 2016 through June 30, 2021. The updated Strategic Plan was submitted to the Plumas County Board of Supervisors in July 2016 for approval. The Strategic Plan was then sent to First 5 California via electronic PDF format as required in July 2016.
- Commission measured and reported the outcomes of its funded programs on a biannual basis, a mid-year report in March 2018 and the final report in October 2018. All of the Commission's evaluation reports can be accessed on the web site: www.first5plumas.com.
- Commission conducted a Public Hearing on the State Commission's Annual Report FY 2016-2017 on March 7, 2018.
- Commission conducted a Public Hearing and adopted its Annual Report/Audit FY 2017-2018 on October 4, 2018.
- Commission conducted a Public Hearing prior to the adoption of the FY 2018-2019 budget on June 6, 2018.
- 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 April 4, 2018 for a period of two-years.
- Commission re-adopted the Memorandum of Understanding between the Commission and the County of Plumas for an additional two years on June 6, 2018.

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, 2018.

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

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

The government-wide financial statements can be found on pages 10 and 11 of this report.

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 12 through 15 of this report.

The Commission adopts an annual combined budget for the Program, Administrative, and Evaluation expenditures. A budgetary comparison statement has been provided for these funds to demonstrate compliance with the budget and can be found on page 27 of this report.

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 16 through 26 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 24 and 25 of this report.

Net position may serve over time as a useful indicator of a government's financial position. Following is a summary of the net position as of June 30, 2018.

	<u>FY 2017/2018</u>	<u>FY 2016/2017</u>
Total Assets	\$ 927,279	\$ 910,780
Total Liabilities	<u>82,885</u>	<u>99,095</u>
Net Position:		
Investment in Capital Assets	-	-
Restricted	<u>844,394</u>	<u>811,685</u>
Total Net Position	<u>\$ 844,394</u>	<u>\$ 811,685</u>

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 2017/2018</u>	<u>FY 2016/2017</u>
Total Assets	\$ 927,279	\$ 910,780
Total Liabilities	\$ 82,885	\$ 99,095
Total Deferred Inflows of Resources	325,152	232,278
Total Fund Balance	<u>519,242</u>	<u>579,407</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 927,279</u>	<u>\$ 910,780</u>

Revenue, Expenditures and Changes in Fund Balance

	<u>FY 2017/2018</u>	<u>FY 2016/2017</u>
Revenues	\$ 473,334	\$ 769,810
Expenditures	<u>533,499</u>	<u>675,666</u>
Net Change in Fund Balance	(60,165)	94,144
Fund Balance - Beginning	<u>579,407</u>	<u>485,263</u>
Fund Balance - Ending	<u>\$ 519,242</u>	<u>\$ 579,407</u>

As of the end of the current-fiscal year, First 5 Plumas County reported an ending/fund balance of \$519,242, a decrease of \$60,165 from the prior year. This decrease in revenue is due to the ending of the Mental Health Services Act funding for the Infant/Early Development Mental Health Program. On June 30, 2017, the Infant/Early Development Mental Health Program was transitioned permanently to Plumas Rural Services, the county's largest non-profit. Through direct Medi-Cal billing, the program will be

sustained over the long-term.

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 initial limit percentage of the annual operating budget that may be spent on administrative functions was 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%.

In fiscal year 2017-2018, First 5 Plumas County approved funding programs and services totaling \$533,499. The Commission funds strategies that further the four state-identified result areas: improved family functioning, improved child development, improved health, and improved systems of care. All funded programs were intended to achieve one or more of the four result areas as set forth in First 5 Plumas County's Strategic Plan. The distribution of funding that was awarded to 4 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.

The Commission's Proposition 10 funded service programs are as follows: 1) Plumas County Public Health Agency-\$100,000, 2) Plumas Unified School District-Early Intervention-\$20,000, 3) Roundhouse Council-\$30,000, 4) Jaye Bruce, Early Childhood Development Specialist-\$25,000 and 5) Impact coordination-\$110,000. The Commission also funds a portion of Plumas Unified School District's Kindergarten Roundup annually in the amount of \$7,000.

In January 2018, the Commission allocated \$100,000 for mini grants to licensed child care and education providers. This allocation committed the Medi-Cal Administrative Activities funding received in 2016-2018.

Budgetary Highlights

Ninety percent of the total budget for fiscal year 2017-2018 in the amount of \$ 570,977 was spent.

Beyond FY 2017-2018

Revenue for FY 2018-2019 is projected at \$377,000, which includes program funding allocation for home visitation services for families with children ages 0-5. On June 15, 2015, the Board of Supervisors awarded the Commission \$286,000 for the development and implementation of an Infant/Early Development Mental Health Program. The grant period is from June 15, 2015 through June 30, 2017. The Commission has contracted with Plumas Rural Services for the counseling services and also contracted with an Early Childhood Development Specialist to provide early childhood development services to children ages 0-5. On June 30, 2017, the Infant/Early Development Mental Health Program was transitioned permanently to Plumas County's largest non-profit, Plumas Rural Services.

On June 6, 2018, the First 5 Plumas County Commission completed its public annual review and update of its Long Term (5-year) Financial Plan. Management provides the Commission as well as members of the Public two opportunities, one in May and one in June of each fiscal year to provide input on the Commission's budget.

All service agreement contracts are reviewed and renewed by the Commission on an annual basis. All contracts from fiscal year 2017-2018 were approved for fiscal year 2018-2019. Service contracts are renewed on the basis of the evaluation of the program's outcomes.

In June 2015, the Commission issued a Request for Qualifications for a contractor to provide evaluation services. On August 26, 2015, the Commission approved a contract to Social Entrepreneurs, Inc. (SEI) an evaluation firm based in Reno, Nevada. SEI provides the Commission with two annual evaluation reports

and works directly with First 5 grantees on systems/change and service integration of their home visiting services.

Small County Augmentation: First 5 California (F5CA) provides annual augmentation support of 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 June 30, 2021 for eligible counties. First 5 Plumas receives a base-line amount of \$350,000 annually in Proposition 10 revenues. 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.

Since 2008, the Commission has partnered with the Public Health Agency to leverage Medi-Cal Administrative Activities (MAA) funds. First 5 Plumas County Commission received \$47,385 in MAA funding for fiscal year 2017-2018. The First 5 Executive Director participates in the Plumas County MAA program and the Commission anticipates there will be additional annual MAA revenues.

In 2015-2016 the Commission was approved to participate in IMPACT (Improve and Maximize Programs so All Children Thrive). The First 5 California initiative is an approach with a goal of helping children ages 0-5 and their families thrive by increasing the number of high-quality early learning settings. IMPACT is a reimbursable program and First 5 Plumas has been allocated \$383,040 through June 30, 2020.

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.

Basic Financial Statements

- **Government-Wide Financial Statements**

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FIRST FIVE PLUMAS COUNTY
Statement of Net Position
June 30, 2018

	<u>Total Governmental Activities</u>
ASSETS	
Cash and investments	\$ 518,812
Receivables:	
Intergovernmental	408,467
Capital assets:	
Depreciable, net	-
Total capital assets	-
Total Assets	<u>927,279</u>
LIABILITIES	
Accounts payable	77,867
Salaries and benefits payable	5,018
Total Liabilities	<u>82,885</u>
NET POSITION	
Restricted	<u>844,394</u>
Total Net Position	<u>\$ 844,394</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, 2018

<u>Functions/Programs</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
Governmental activities:					
General government	\$ 533,499	\$ -	\$ 560,291	\$ -	\$ 26,792
Total Governmental Activities	533,499	-	560,291	-	26,792
Total	\$ 533,499	\$ -	\$ 560,291	\$ -	26,792
General revenues:					
Interest and investment earnings					5,917
Total General Revenues					5,917
Change in Net Position					32,709
Net Position - Beginning					811,685
Net Position - Ending					\$ 844,394

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 Fund
June 30, 2018

	General
ASSETS	
Cash and investments	\$ 518,812
Receivables:	
Intergovernmental	408,467
Total Assets	\$ 927,279
LIABILITIES	
Accounts payable	\$ 77,867
Salaries and benefits payable	5,018
Total Liabilities	82,885
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	325,152
Total Deferred Inflows of Resources	325,152
FUND BALANCE	
Committed	227,500
Assigned	291,742
Total Fund Balance	519,242
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 927,279

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 Position - Governmental Activities
June 30, 2018

Total Fund Balance - Total Governmental Funds	\$ 519,242
Amounts reported for governmental activities in the statement of net position are different because:	
Other long-term assets are not available to pay for current period expenditures and therefore, are reported as unavailable revenues in the governmental funds.	<u>325,152</u>
Net Position of Governmental Activities	<u><u>\$ 844,394</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 Balance
Governmental Fund
For the Year Ended June 30, 2018

	General
REVENUES	
Intergovernmental revenues:	
Proposition 10 apportionment	\$ 88,915
Proposition 10 administration augmentation	260,492
Proposition 10 IMPACT	70,625
Medi-cal administrative activities	47,385
Use of money and property	5,917
Total Revenues	473,334
EXPENDITURES	
Current general government:	
Administration:	
Salaries and benefits	17,004
Communications	1,467
Insurance	6,516
Memberships	4,075
Office expenses	1,863
Professional services	33,927
Publications	218
Travel	960
Outreach	1,907
Overhead	707
Program Activity:	
Salaries and benefits	66,229
Insurance	206
Professional services	340,788
Promotion	600
Outreach	10,039
Evaluation:	
Salaries and benefits	6,265
Insurance	20
Professional services	36,674
Mental health services act:	
Professional services	4,034
Total Expenditures	533,499
Net Change in Fund Balance	(60,165)
Fund Balance - Beginning	579,407
Fund Balance - Ending	\$ 519,242

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 Balance of the Governmental Fund to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2018

Net Change in Fund Balance - Total Governmental Funds \$ (60,165)

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 unavailable revenues

92,874

Change in Net Position of Governmental Activities

\$ 32,709

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, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.

Component Units

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.

Related Organizations

The County of Plumas appoints one member to the Board of Commissioners and performs accounting functions for the Commission. However, the County is not financially accountable for this organization and therefore the Commission is not a component unit under Statement Nos. 14, 39, and 61 of the Governmental Accounting Standards Board.

B. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information on all the activities of the Commission. These statements include the financial activities of the overall Commission. 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, 2018.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

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 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.

Fund Financial Statements

Fund financial statements of the Commission are organized into one fund, which is considered to be a separate accounting entity. The fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. The fund of the Commission is organized into the governmental category. The emphasis is placed on major funds within the governmental category.

The Commission reports the following major governmental fund:

- The General fund is used to account for all revenues and expenditures related to basic governmental activities of the Commission.

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 recorded 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 is 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 30 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 position.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Commission's share in this pool is displayed in the accompanying financial statements as cash and investments.

Participant's equity in the investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Interest payments, accrued interest, accreted discounts, amortized premiums, and realized capital gains and losses, net of administrative fees, are apportioned to pool participants every quarter. This method differs from the fair value method used to value investments in these financial statements as unrealized gains or losses are not apportioned to pool participants.

F. Receivables

Receivables consist mainly of Proposition 10 revenues and Medi-Cal Administrative Activities revenues. Management believes its receivables are fully collectible and, accordingly, no allowance for doubtful accounts is required.

G. Inventory

Inventories are recorded as expenditures at the time the inventory is purchased rather than when consumed. Records are not maintained of inventory and supplies on hand, although these amounts are not considered material.

H. Capital Assets

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

Capital assets used in operations are depreciated or amortized using the straight line method over the assets 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, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Unearned Revenue

Under the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. When assets are recognized in connection with a transaction before the earnings process is complete, those assets are offset by a corresponding liability for unearned revenue.

J. 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. In the government-wide financial statements, the accrued compensated absences is recorded as an expense and related liability, with the current portion estimated based on historical trends. In the governmental fund financial statements, the expenditures and liabilities related to those obligations are recognized only when they mature. The Commission includes its share of payroll taxes payable on behalf of the employees in the accrual for compensated absences. At June 30, 2018, the compensated absences payable was \$0.

The Commission does not currently provide any postemployment benefits.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2018, the Commission did not have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues for receivables that have not been received within the modified accrual period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

L. 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, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Implementation of Governmental Accounting Standards Board Statements (GASB)

The following Governmental Accounting Standards Board (GASB) Statements have been implemented, if applicable, in the current financial statements.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This statement also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

Statement No. 81, Irrevocable Split-Interest Agreements. This statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Statement No. 85, Omnibus 2017. This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits.

Statement No. 86, Certain Debt Extinguishment Issues. This statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt.

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2018, the Commission's cash and investments consisted of the following:

Investments:	
Plumas County Treasurer's Pool	\$ 518,812
Total Cash and Investments	<u>\$ 518,812</u>

B. Cash

Custodial Credit Risk for Deposits - Custodial credit risk for deposits 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 and County comply with 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.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. Investments

The Commission does not have a formal investment policy. At June 30, 2018, all investments of the Commission were in the County of Plumas investment pool. Under the provisions of the County's investment policy and the California Government Code, the County may invest or deposit in the following:

- U.S. Treasuries and Agencies
- Banker's Acceptances
- Commercial Paper
- Medium Term Corporate Notes
- Negotiable Certificates of Deposit
- Repurchase Agreements
- Time Certificates of Deposit
- Shares of Beneficial Interest
- Local Agency Investment Fund (LAIF)
- California Asset Management Program (CAMP)

Fair Value of Investments - The Commission measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

The Commission's position in external investment pools is in itself regarded as a type of investment and looking through to the underlying investments of the pool is not appropriate. Therefore, the Commission's investment in external investment pools is not recognized in the three-tiered fair value hierarchy described above.

At June 30, 2018, the Commission had the following recurring fair value measurements.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level				
None	\$ -	\$ -	\$ -	\$ -
Total Investments Measured at Fair Value	-	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Investments in External Investment Pool				
County Treasurer's Pool	<u>518,812</u>			
Total Investments	<u>\$ 518,812</u>			

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. To limit exposure to fair value losses resulting from increases in interest rates, the County's investment policy limits investment maturities to a term appropriate to the need for funds so as to permit the County to meet all projected obligations.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

C. 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. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's investment policy sets specific parameters by type of investment to be met at the time of purchase. As of June 30, 2018, the Commission's investments were all in the County Investment Pool which is not rated by a nationally recognized statistical rating organization.

Custodial Credit Risk - Custodial credit risk for investments 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. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investments in securities through the use of mutual funds or government investment pools.

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. State law and the investment policy of the County contain limitations on the amount that can be invested in any one issuer. All investments of the Commission were in the County investment pool which contains a diversification of investments.

D. Investments in External Pool

Plumas County Pooled Investment Fund - The Plumas County Pooled Investment Fund is a pooled investment fund program governed by the County which 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. Investments in the Plumas County Pooled Investment Fund are regarded as highly liquid as deposits and withdrawals can be made at any time without penalty. The Pool does not impose a maximum investment limit. 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.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital Assets, Being Depreciated:				
Furniture and fixtures	\$ 16,351	\$ -	\$ -	\$ 16,351
Total Capital Assets, Being Depreciated	<u>16,351</u>	<u>-</u>	<u>-</u>	<u>16,351</u>
Less Accumulated Depreciation for:				
Furniture and fixtures	(16,351)	-	-	(16,351)
Total Accumulated Depreciation	<u>(16,351)</u>	<u>-</u>	<u>-</u>	<u>(16,351)</u>
Total Capital Assets, Being Depreciated, Net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Assets, Net	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

NOTE 4: NET POSITION

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net investment in capital assets** - 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 position** - consists of net position 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 position** - all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Net Position Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted net position are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 5: 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, 2018 fund balance for the governmental fund is made up of the following:

- **Nonspendable fund balance** - amounts that cannot be spent because they are either (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 and prepaid amounts.
- **Restricted fund balance** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balance** - amounts that can only be used for the specific purposes determined by formal action of the Commission’s highest level of decision-making authority. The Board of Commissioners is the highest level of decision making authority for the Commission that can, by adoption of an ordinance, commit fund balance. Once adopted, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** - amounts that are constrained by the Commission’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.
- **Unassigned fund balance** - the residual classification for the Commission’s General fund that includes all amounts not contained in other classifications.

The fund balances for all governmental funds as of June 30, 2018 were distributed as follows:

	Total
Committed to:	
FY 2018/19 contracts	\$ 227,500
Subtotal	227,500
Assigned to:	
Funds budgeted for FY 2018/19	261,618
Financial plan commitment	30,124
Subtotal	291,742
Total	\$ 519,242

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 5: FUND BALANCES (CONTINUED)

Fund Balance Flow Assumption

When a government funds outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance), a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted fund balance are available, it is considered that restricted fund balance is depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policy

The Board of Commissioners has adopted a fund balance policy for financial statement reporting. The policy establishes procedures for reporting fund balance classifications, establishes prudent reserve requirements, and establishes a hierarchy of fund balance expenditures.

NOTE 6: PROGRAM EVALUATION

The Commission spent a total of \$42,959 on program evaluation during the audit period.

NOTE 7: RELATED PARTY TRANSACTIONS

During the year ended June 30, 2018, the Commission paid the County of Plumas, a related party, \$27,668 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 8: RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Commission is covered under the insurance policy of the County of Plumas for workers' compensation, commercial, general and automobile liability and has purchased separate special liability insurance from a commercial carrier. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9: 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, 2018

NOTE 10: OTHER INFORMATION

A. Commitments and Contingencies

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, 2018 through October 6, 2018, 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
General Fund
For the Year Ended June 30, 2018

	<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	\$ 100,000	\$ 100,000	\$ 88,915	\$ (11,085)
Proposition 10 administration augmentation	250,000	250,000	260,492	10,492
Proposition 10 IMPACT	25,000	25,000	70,625	45,625
Medi-cal administrative activities	-	-	47,385	47,385
Use of money and property	2,000	2,000	5,917	3,917
Total Revenues	<u>377,000</u>	<u>377,000</u>	<u>473,334</u>	<u>96,334</u>
EXPENDITURES				
Current general government:				
Salaries and benefits	93,172	93,172	89,498	3,674
Communications	1,000	1,500	1,467	33
Insurance	7,304	6,804	6,742	62
Memberships	4,075	4,075	4,075	-
Office expenses	1,500	2,000	1,863	137
Professional services	249,461	513,482	415,423	98,059
Education	1,000	-	-	-
Promotion	500	600	600	-
Publications	800	700	218	482
Outreach	10,000	12,000	11,946	54
Overhead	707	707	707	-
Travel	4,000	2,500	960	1,540
Contingencies	574,069	310,047	-	310,047
Total Expenditures	<u>947,588</u>	<u>947,587</u>	<u>533,499</u>	<u>414,088</u>
Net Change in Fund Balance	(570,588)	(570,587)	(60,165)	510,422
Fund Balance - Beginning	<u>579,407</u>	<u>579,407</u>	<u>579,407</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 8,819</u>	<u>\$ 8,820</u>	<u>\$ 519,242</u>	<u>\$ 510,422</u>

FIRST FIVE PLUMAS COUNTY
Required Supplementary Information
Note to Budgetary Comparison Schedule
For the Year Ended June 30, 2018

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

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 General 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 following procedures are performed by the Commission in establishing the budgetary data reflected in the financial statements:

- (1) The Executive Director 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.
- (2) The Board of Commissioners review 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.
- (3) Prior to July 1, the budget is adopted through the passage of a resolution.
- (4) From the effective date of the budget, the amounts stated therein, as recommended expenditures become appropriations to the Commission. The Board may amend the budget by motion during the fiscal year.

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 reserve that portion of the applicable appropriation.

Supplementary Information

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FIRST FIVE PLUMAS COUNTY
Supplementary Information
Schedule of First 5 California (F5CA) Funding
For the Year Ended June 30, 2018

<u>Program or Project Title</u>		<u>Beginning Program/ Project Balance (As of July 1)</u>	<u>Revenue</u>	<u>Expenditures</u>	<u>Ending Program/ Project Balance (As of June 30)</u>
Small Population Augmentation	F5CA Funds	\$ -	\$ 193,665	\$ (193,665)	\$ -
Total F5CA Funds		<u>\$ -</u>	<u>\$ 193,665</u>	<u>\$ (193,665)</u>	<u>\$ -</u>

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OTHER REPORTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of First Five Plumas County, California (Commission) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 6, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

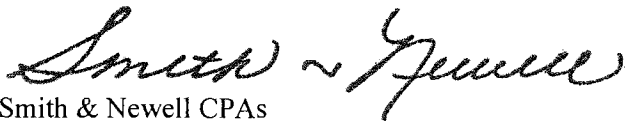
To the Board of Commissioners
First Five Plumas County
Quincy, California

Compliance and Other Matters

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

Purpose of this Report

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



Smith & Newell CPAs
Yuba City, California
October 6, 2018

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Compliance

We have audited the First Five Plumas County's (the Commission) compliance with the requirements specified in the State of California's Standards and Procedures for Audits of Local Entities Administering the California Children's 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, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Commission's compliance with the requirements referred to above based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act, issued by the State Controller's Office. Those standards and the State of California's Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on the statutory requirements listed below. 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.

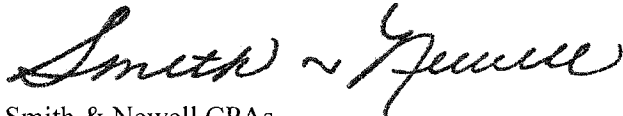
To the Board of Commissioners
First Five Plumas County
Quincy, California

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the Commission's compliance with those requirements. In connection with the audit referred to above, we selected and tested transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

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

Opinion

In our opinion, First Five Plumas County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2018.



Smith & Newell CPAs
Yuba City, California
October 6, 2018