

**FIRST FIVE PLUMAS COUNTY,
CALIFORNIA**

**FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
JUNE 30, 2012**

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**FIRST FIVE PLUMAS COUNTY
Annual Financial Report
For the Year Ended June 30, 2012**

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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, 2012**

Carol Burney	Chairperson
Joyce Scroggs	Vice Chair
Elliot Smart	Treasurer
Lori Simpson	Member
Mimi Hall	Member
Merle Rusky	Member
Colleen Kroll	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 First Five Plumas County, California (Commission), as of and for the year ended June 30, 2012, 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.

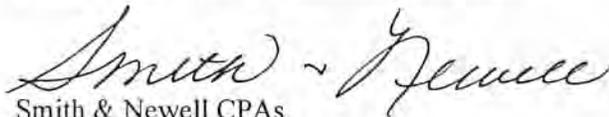
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission as of June 30, 2012, and the respective changes in financial position thereof for the year then ended 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 19, 2012, 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.

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

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 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's financial statements as a whole. The introductory section and supplementary information are presented for purposes of additional analysis and are not a required part of the 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.



Smith & Newell CPAs
Yuba City, California
September 19, 2012

**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 sixteen 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 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 2012, the Plumas County Board of Supervisors appointed Colleen Krull, a parent of two children under the age of five 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 \$24,352 for all County services provided during the year ending June 30, 2012.

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, 2012 can be found on pages 21 and 22 of this Independent Auditor's Report For The Year Ended June 30, 2012.

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.
- March 14, 2012, 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 2010-2011. 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 2010-2011 on March 14, 2012.
- Commission conducted a Public Hearing and adopted its Annual Report/Audit FY 2010-2011 on October 12, 2011.
- Commission conducted a Public Hearing prior to the adoption of the FY 2011-2012 budget on June 13, 2012.
- 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 14, 2012.
- Commission re-adopted the Memorandum of Understanding between the Commission and the County of Plumas for an additional two years on April 11, 2012.

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, 2012.

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 8 and 9 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 10 through 13 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 24 through 26 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 14 through 23 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 21 and 22 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, 2012.

	FY 2011/2012	FY 2010/2011
Total Assets	\$ 470,741	\$ 414,513
Total Liabilities	<u>27,968</u>	<u>22,760</u>
Net Assets:		
Invested in capital assets	1,934	-
Restricted	<u>440,839</u>	<u>391,753</u>
Net Assets	<u>\$ 442,773</u>	<u>\$ 391,753</u>

Following is a summary of the Statement of Activities

	FY 2011/2012	FY 2010/2011
Operating Grants and Contributions	\$ 355,091	\$ 438,082
General Revenues	<u>1,976</u>	<u>2,542</u>
Total Revenues	357,067	440,624
Expenses	<u>306,047</u>	<u>447,760</u>
Change in Net Assets	51,020	(7,136)
Net Assets - Beginning	<u>391,753</u>	<u>398,889</u>
Net Assets - Ending	<u>\$ 442,773</u>	<u>\$ 391,753</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

	FY 2011/2012	FY 2010/2011
Total Assets	<u>\$ 457,983</u>	<u>\$ 389,002</u>
Total Liabilities	\$ 27,968	\$ 22,760
Total Fund Balance	<u>430,015</u>	<u>366,242</u>
Total Liabilities and Fund Balances	<u>\$ 457,983</u>	<u>\$ 389,002</u>

Revenue, Expenditures and Changes in Fund Balance

	FY 2011/2012	FY 2010/2011
Revenues	\$ 371,754	\$ 440,589
Expenditures	<u>307,981</u>	<u>447,760</u>
(Deficiency) or Excess of Revenues	63,773	(7,171)
Fund Balance - Beginning	<u>366,242</u>	<u>373,413</u>
Fund Balance - Ending	<u>\$ 430,015</u>	<u>\$ 366,242</u>

As of the end of the current-fiscal year, First 5 Plumas County reported an ending fund balance of \$430,015, an increase of \$63,773 from the prior year.

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 \$55,813. The remaining funds were allocated to direct programs and evaluation services in accordance with the fiscal year budget.

In Fiscal Year 2011-2012, First 5 Plumas County approved funding programs and services totaling \$333,752. 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 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 2011-2012 are \$41,838 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 2011-2012

Revenue for FY 2012-2013 is projected at \$ 330,200 which includes program funding allocation for home visitation services for families with children ages 0-5. In June, 2012, the First 5 Plumas County Commission completed its annual review and update of its Long Term (5-year) Financial Plan.

In April 2012, the Commission issued a Request for Proposals in the amount of \$100,000 for implementation of the Strategic Plan's intensive home visitation strategy. Three agencies applied, and the Plumas County Public Health Agency was awarded \$100,000 for a comprehensive nurse-based home visitation program.

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.

Since 2008, the Commission has partnered with the Public Health Agency to leverage Medi-Cal Administrative Activities (MAA) funds. To date the Commission has received \$38,487.15 in MAA funding.

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, 2012

	<u>Total Governmental Activities</u>
ASSETS	
Cash and investments	\$ 444,300
Accounts receivable	24,507
Capital assets:	
Depreciable, net	1,934
Total capital assets	<u>1,934</u>
Total Assets	<u>470,741</u>
LIABILITIES	
Accounts payable	25,018
Salaries and benefits payable	<u>2,950</u>
Total Liabilities	<u>27,968</u>
NET ASSETS	
Invested in capital assets	1,934
Restricted	<u>440,839</u>
Total Net Assets	<u><u>\$ 442,773</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, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Total Governmental Activities</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental activities:					
General government	\$ 306,047	\$ -	\$ 355,091	\$ -	\$ 49,044
Total Governmental Activities	<u>306,047</u>	<u>-</u>	<u>355,091</u>	<u>-</u>	<u>49,044</u>
Total	<u>\$ 306,047</u>	<u>\$ -</u>	<u>\$ 355,091</u>	<u>\$ -</u>	<u>49,044</u>
General revenues:					
					1,976
					<u>1,976</u>
					51,020
					<u>391,753</u>
					<u>\$ 442,773</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, 2012

	<u>General</u>	<u>School Readiness</u>	<u>CARES Program</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 424,300	\$ -	\$ 20,000	\$ 444,300
Accounts receivable	13,683	-	-	13,683
Total Assets	<u>\$ 437,983</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 457,983</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,018	\$ -	\$ 20,000	\$ 25,018
Salaries and benefits payable	2,950	-	-	2,950
Total Liabilities	<u>7,968</u>	<u>-</u>	<u>20,000</u>	<u>27,968</u>
Fund Balances:				
Committed	186,500	-	-	186,500
Assigned	243,515	-	-	243,515
Total Fund Balances	<u>430,015</u>	<u>-</u>	<u>-</u>	<u>430,015</u>
Total Liabilities and Fund Balances	<u>\$ 437,983</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 457,983</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, 2012

Total Fund Balance - Total Governmental Funds	\$ 430,015
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.	1,934
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>10,824</u>
Net Assets of Governmental Activities	<u><u>\$ 442,773</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, 2012

	<u>General</u>	<u>School Readiness</u>	<u>CARES Program</u>	<u>Total</u>
REVENUES				
Intergovernmental revenues:				
Proposition 10 apportionment	\$ 110,576	\$ -	\$ -	\$ 110,576
Proposition 10 administration augmentation	201,145	-	-	201,145
Proposition 10 \$200k augmentation	14,507	-	-	14,507
Proposition 10 SMIF	63	-	-	63
Medi-Cal Administrative Activities	38,487	-	-	38,487
CA Department of Public Health	5,000	-	-	5,000
Use of money and property	1,976	-	-	1,976
Total Revenues	<u>371,754</u>	<u>-</u>	<u>-</u>	<u>371,754</u>
EXPENDITURES				
Current general government:				
Administration:				
Salaries and benefits	18,544	-	-	18,544
Communications	942	-	-	942
Insurance	5,704	-	-	5,704
Memberships	2,300	-	-	2,300
Office expenses	1,191	-	-	1,191
Professional services	24,186	-	-	24,186
Travel	795	-	-	795
Overhead	2,151	-	-	2,151
Program Activity:				
Salaries and benefits	46,362	-	-	46,362
Insurance	14	-	-	14
Professional services	122,674	-	20,000	142,674
Overhead	-	613	402	1,015
Outreach	7,668	-	20,000	27,668
Evaluation:				
Salaries and benefits	12,363	-	-	12,363
Insurance	4	-	-	4
Professional services	19,996	-	-	19,996
Capital outlay	2,072	-	-	2,072
Total Expenditures	<u>266,966</u>	<u>613</u>	<u>40,402</u>	<u>307,981</u>
Excess of Revenues Over (Under) Expenditures	<u>104,788</u>	<u>(613)</u>	<u>(40,402)</u>	<u>63,773</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	613	40,402	41,015
Transfers out	(41,015)	-	-	(41,015)
Total Other Financing Sources (Uses)	<u>(41,015)</u>	<u>613</u>	<u>40,402</u>	<u>-</u>
Net Change in Fund Balance	<u>63,773</u>	<u>-</u>	<u>-</u>	<u>63,773</u>
Fund Balances - Beginning	<u>366,242</u>	<u>-</u>	<u>-</u>	<u>366,242</u>
Fund Balances - Ending	<u>\$ 430,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 430,015</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, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ 63,773
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Expenditures for capital outlay	2,072
Less current year depreciation	(138)
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>(14,687)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 51,020</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, 2012

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 and the Commission is not regarded as a component unit of the County of Plumas.

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 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, 2012.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

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.

Fund Financial Statements

Fund financial statements of the Commission are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. The funds of the Commission are organized into the governmental category. The 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.

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.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus (Continued)

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. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Interest from pooled investments is allocated to the various funds based on average balances of the funds entitled to receive interest. Interest is allocated on the basis of average month end cash balance amounts for each fund as a percentage of the total balance.

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 the amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants every 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.

The County monitors and reviews the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of 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.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, including public domain infrastructure, are defined by the Commission as an asset with a cost 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 estimated fair market 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.

I. 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 a nonspendable fund balance account 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.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Interfund Transactions (Continued)

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.

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, 2012, the compensated absences payable was \$0.

The Commission does not currently provide any postemployment benefits.

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.

NOTE 2: CASH AND INVESTMENTS

A. Financial Statement Presentation

As of June 30, 2012, the Commission's cash and investments consisted of the following:

Investments:	
Plumas County Treasurer's Pool	\$ 444,300
Total Cash and Investments	<u>\$ 444,300</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, interest bearing 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.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

B. Cash (Continued)

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

C. Investments

Under the provisions of the County's investment policy and the California Government Code, the County may invest or deposit in the following:

- Banker's Acceptances
- Commercial paper
- Local Agency Investment Fund
- Mutual funds
- Medium-term corporate notes
- Money market funds
- Negotiable certificates of deposit
- Repurchase agreements / Reverse repurchase agreements
- Securities of the Federal government or its agencies

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. One of the ways that the County manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The County limits its exposure to interest rate risk inherent in its portfolio by limiting individual maturities to 5 years or less.

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 Standard & Poor's or P-1 or better by Moody's Investors Service; and corporate bonds to the rating of A or better by both Standard & Poor's and Moody's Investors Service. The Commission does not have a formal investment policy that would further limit its investment choices.

Custodial Credit Risk for Investments - 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 are in the County investment pool which contains a diversification of investments.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital Assets, Being Depreciated:				
Furniture and fixtures	\$ 14,279	\$ 2,072	\$ -	\$ 16,351
Total Capital Assets, Being Depreciated	<u>14,279</u>	<u>2,072</u>	<u>-</u>	<u>16,351</u>
Less Accumulated Depreciation for:				
Furniture and fixtures	(14,279)	(138)	-	(14,417)
Total Accumulated Depreciation	<u>(14,279)</u>	<u>(138)</u>	<u>-</u>	<u>(14,417)</u>
Total Capital Assets, Being Depreciated, Net	<u>-</u>	<u>1,934</u>	<u>-</u>	<u>1,934</u>
Governmental Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 1,934</u>	<u>\$ -</u>	<u>\$ 1,934</u>

Depreciation

Depreciation was charged to governmental functions as follows:

General government	\$ 138
Total Depreciation Expense - Governmental Functions	<u>\$ 138</u>

NOTE 4: INTERFUND TRANSACTIONS

Transfers

Transfers are indicative of funding for local match contributions and re-allocations of special revenues. The following are the interfund transfer balances as of June 30, 2012:

	<u>Transfer In</u>	<u>Transfer Out</u>
Program and Implementation	\$ -	\$ 41,015
School Readiness	613	-
Cares Program	<u>40,402</u>	<u>-</u>
Total	<u>\$ 41,015</u>	<u>\$ 41,015</u>

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.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 5: NET ASSETS (CONTINUED)

- 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.”

When both restricted and unrestricted net assets are available, it is considered that restricted resources are used first, followed by the unrestricted resources.

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, 2012, 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.
- 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.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 6: FUND BALANCES (CONTINUED)

The Board of Commissioners establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

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.

When both restricted and unrestricted resources are available for use, it is considered that restricted resources are used first, followed by the unrestricted committed, assigned and unassigned resources as they are needed.

The fund balances for all major governmental funds as of June 30, 2012, were distributed as follows:

	<u>General</u>	<u>School Readiness</u>	<u>CARES Program</u>	<u>Total</u>
Committed to:				
FY 2012/13 contracts	\$ 186,500	\$ -	\$ -	\$ 186,500
Subtotal	<u>186,500</u>	<u>-</u>	<u>-</u>	<u>186,500</u>
Assigned to:				
Funds budgeted for FY 2012/13	129,940	-	-	129,940
Financial plan commitment	<u>113,575</u>	<u>-</u>	<u>-</u>	<u>113,575</u>
Subtotal	<u>243,515</u>	<u>-</u>	<u>-</u>	<u>243,515</u>
Unassigned				
Total	<u>\$ 430,015</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 430,015</u>

NOTE 7: EMPLOYEE RETIREMENT PLAN

The Commission employee participated in the Federal Social Security Program. The annual rate was 6.2 percent for the employer contribution and 4.2 percent for the employee contribution. For the year ended June 30, 2012, the Commission contributions including Medicare were \$5,472.

NOTE 8: PROGRAM EVALUATION

The Commission spent a total of \$32,800 on program evaluation during the audit period.

FIRST FIVE PLUMAS COUNTY
Notes to Basic Financial Statements
For the Year Ended June 30, 2012

NOTE 9: RELATED PARTY TRANSACTIONS

During the year ended June 30, 2012, the Commission paid the County of Plumas, a related party, \$24,352 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 10: 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.

NOTE 11: 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, 2012 through September 19, 2012, the date on which the financial statements were available for issuance. Management has determined no subsequent events requiring disclosure have occurred.

**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, 2012

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues:				
Proposition 10 apportionment	\$ 312,700	\$ 319,331	\$ 326,291	\$ 6,960
State - other	15,000	28,488	43,487	14,999
Use of money and property	2,500	2,000	1,976	(24)
Total Revenues	330,200	349,819	371,754	21,935
EXPENDITURES				
Current general government:				
Salaries and benefits	82,106	79,976	77,269	2,707
Communications	1,000	1,000	942	58
Insurance	6,000	7,000	5,722	1,278
Memberships	2,300	2,500	2,300	200
Office expenses	1,400	1,500	1,191	309
Professional services	201,859	181,187	166,856	14,331
Education	-	1,000	-	1,000
Promotion	-	1,000	-	1,000
Publications	800	800	-	800
Overhead	5,278	2,175	2,151	24
Outreach	10,000	8,927	7,668	1,259
Travel	2,600	3,200	795	2,405
In-county hosting	-	400	-	400
Contingencies	13,760	16,067	-	16,067
Capital outlay	-	2,073	2,072	1
Total Expenditures	327,103	308,805	266,966	41,839
Excess of Revenues Over (Under) Expenditures	3,097	41,014	104,788	63,774
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(3,097)	(41,014)	(41,015)	(1)
Total Other Financing Sources (Uses)	(3,097)	(41,014)	(41,015)	(1)
Net Change in Fund Balance	-	-	63,773	63,773
Fund Balances - Beginning	366,242	366,242	366,242	-
Fund Balances - Ending	\$ 366,242	\$ 366,242	\$ 430,015	\$ 63,773

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.

FIRST FIVE PLUMAS COUNTY
Required Supplementary Information
Budgetary Comparison Schedule - Budgetary Basis
Major Special Revenue Fund - School Readiness
For the Year Ended June 30, 2012

	<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	\$ -	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current general government:				
Overhead	2,214	613	613	-
Total Expenditures	<u>2,214</u>	<u>613</u>	<u>613</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,214)</u>	<u>(613)</u>	<u>(613)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,214	613	613	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>2,214</u>	<u>613</u>	<u>613</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FIRST FIVE PLUMAS COUNTY
Required Supplementary Information
Budgetary Comparison Schedule - Budgetary Basis
Major Special Revenue Fund - CARES Program
For the Year Ended June 30, 2012

	<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	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current general government:				
Professional services	-	20,000	20,000	-
Overhead	883	401	402	(1)
Outreach	-	20,000	20,000	-
Total Expenditures	<u>883</u>	<u>40,401</u>	<u>40,402</u>	<u>(1)</u>
Excess of Revenues Over (Under) Expenditures	<u>(883)</u>	<u>(40,401)</u>	<u>(40,402)</u>	<u>(1)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	883	40,401	40,402	1
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>883</u>	<u>40,401</u>	<u>40,402</u>	<u>1</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FIRST FIVE PLUMAS COUNTY
Note to Required Supplementary Information
For the Year Ended June 30, 2012

A. BUDGETARY BASIS OF ACCOUNTING

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

- (1) 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.
- (2) 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.
- (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.
- (5) 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 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 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, 2012

<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>	<u>Net Assets End of FY</u>
Small Population Augmentation	F5CA Funds	201,145	201,145	-		-
Total F5CA Funds		\$ 201,145	\$ 201,145	\$ -	\$ -	\$ -

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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 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, 2012, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated September 19, 2012. 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

Management of the Commission is responsible for establishing and maintaining effective 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.

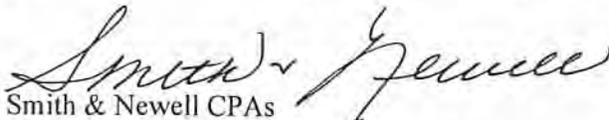
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

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

This report is intended solely for the information and use of management, 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 CPAs
Yuba City, California
September 19, 2012

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, 2012 and have issued our report thereon dated September 19, 2012. 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, 2012. 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.

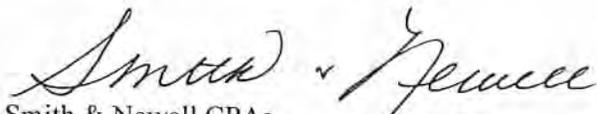
In connection with the audit referred to above, we selected and tested transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

<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, 2012.

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


Smith & Newell CPAs
Yuba City, California
September 19, 2012