

**FIRST FIVE PLUMAS COUNTY,  
CALIFORNIA**

**FINANCIAL STATEMENTS  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2013**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**FIRST FIVE PLUMAS COUNTY  
Annual Financial Report  
For the Year Ended June 30, 2013**

**Table of Contents**

	Page
<b>INTRODUCTORY SECTION</b>	
Board of Commissioners. . . . .	i
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Report. . . . .	1-2
Management’s Discussion and Analysis (Required Supplementary Information - Unaudited). . . . .	3-7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position. . . . .	8
Statement of Activities. . . . .	9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet. . . . .	10
Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position - Governmental Activities. . . . .	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. . . . .	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities - Governmental Activities. . . . .	13
Notes to Basic Financial Statements. . . . .	14-25
Required Supplementary Information (other than MD&A - Unaudited):	
Budgetary Comparison Schedule - Budgetary Basis - General Fund. . . . .	26
Budgetary Comparison Schedule - Budgetary Basis - School Readiness. . . . .	27
Budgetary Comparison Schedule - Budgetary Basis - CARES Program. . . . .	28
Note to Budgetary Comparison Schedule. . . . .	29
Supplementary Information:	
Schedule of First 5 California (F5CA) Funding. . . . .	30
<b>OTHER REPORTS</b>	
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. . . . .	31-32
Independent Auditor’s Report on State Compliance. . . . .	33-34

**THIS PAGE INTENTIONALLY LEFT BLANK**

---

## **INTRODUCTORY SECTION**

- **Board of Commissioners**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**FIRST FIVE PLUMAS COUNTY  
Board of Commissioners  
For the Year Ended June 30, 2013**

Carol Burney	Chairperson
Joyce Scroggs	Vice Chair
Elliot Smart	Treasurer
Lori Simpson	Member
Mimi Hall	Member
Merle Rusky	Member
Colleen Kroll	Member
Joanne Burgueno	Member

**THIS PAGE INTENTIONALLY LEFT BLANK**

---

## **FINANCIAL SECTION**

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

**THIS PAGE INTENTIONALLY LEFT BLANK**

**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 each major fund of First Five Plumas County, California (Commission), as of and for the year ended June 30, 2013, 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.

**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, 2013, 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.

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

### **Emphasis of Matter**

As described in Note 1M to the financial statements, in 2013, the Commission adopted new accounting guidance, GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position, and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. 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.

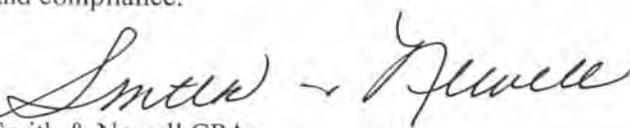
#### *Other Information*

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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated September 11, 2013 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 in considering the Commission's internal control over financial reporting and compliance.



Smith & Newell CPAs  
Yuba City, California  
September 11, 2013

---

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

**THIS PAGE INTENTIONALLY LEFT BLANK**



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. The Commission currently has two parent representatives, Colleen Kroll was appointed by the Board of Supervisors in December 2012, and Joanne Burgueno was appointed by the Board in December 2013.

#### 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 \$30,940 for all County services provided during the year ending June 30, 2013.

#### 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 Standards Accounting 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, 2013 can be found on pages 22 through 24 of the notes to the financial statements.

#### 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 13, 2013, 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 2011-2012 on March 13, 2013.
- Commission conducted a Public Hearing and adopted its Annual Report/Audit FY 2011-2012 on October 9, 2012.
- Commission conducted a Public Hearing prior to the adoption of the FY 2012-2013 budget on June 12, 2013.
- 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, 2013.

#### 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 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 26 through 29 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 25 of this report.

## Governmental-Wide Financial Analysis

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

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. GASB 54 alters the focus and terminology to be used for fund balance reporting. GASB No. 54 compliance can be found on pages 22 through 24 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, 2013.

	<u>FY 2012/2013</u>	<u>FY 2011/2012</u>
Total Assets	\$ 468,041	\$ 470,741
Total Liabilities	<u>17,968</u>	<u>27,968</u>
Net Position:		
Invested in capital assets	1,520	1,934
Restricted	<u>448,553</u>	<u>440,839</u>
Net Position	<u>\$ 450,073</u>	<u>\$ 442,773</u>

Following is a summary of the Statement of Activities:

	<u>FY 2012/2013</u>	<u>FY 2011/2012</u>
Operating Grants and Contributions	\$ 317,765	\$ 355,091
General Revenues	<u>1,646</u>	<u>1,976</u>
Total Revenues	319,411	357,067
Expenses	<u>312,111</u>	<u>306,047</u>
Change in Net Position	7,300	51,020
Net Position - Beginning	<u>442,773</u>	<u>391,753</u>
Net Position - Ending	<u>\$ 450,073</u>	<u>\$ 442,773</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 2012/2013</u>	<u>FY 2011/2012</u>
Total Assets	<u>\$ 466,521</u>	<u>\$ 457,983</u>
Total Liabilities	\$ 17,968	\$ 27,968
Total Deferred Inflows of Resources	11,362	-
Total Fund Balance	<u>437,191</u>	<u>430,015</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 466,521</u>	<u>\$ 457,983</u>

#### Revenue, Expenditures and Changes in Fund Balance

	<u>FY 2012/2013</u>	<u>FY 2011/2012</u>
Revenues	\$ 318,873	\$ 371,754
Expenditures	<u>311,697</u>	<u>307,981</u>
(Deficiency) or Excess of Revenues	7,176	63,773
Fund Balance - Beginning	<u>430,015</u>	<u>366,242</u>
Fund Balance - Ending	<u>\$ 437,191</u>	<u>\$ 430,015</u>

As of the end of the current-fiscal year, First 5 Plumas County reported an ending fund balance of \$437,191, an increase of \$7,176 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 \$55,968. The remaining funds were allocated to direct programs and evaluation services in accordance with the fiscal year budget.

In Fiscal Year 2012-2013, First 5 Plumas County approved funding programs and services totaling \$308,600. 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 funded service programs are as follows: 1) Plumas County Public Health Agency-\$80,000, 2) Plumas Unified School District-Early Intervention-\$20,000, 3) Roundhouse Council-\$25,000, 4) Jaye Bruce, Early Childhood Development Specialist-\$25,000.

### Budgetary Highlights

Total expenditures for Fiscal Year 2012-2013 are \$18,503 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 2012-2013

Revenue for FY 2013-2014 is projected at \$320,200 which includes program funding allocation for home visitation services for families with children ages 0-5. In June, 2013, the First 5 Plumas County Commission completed its public 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 \$80,000 for a comprehensive nurse-based home visitation program. A Request for Qualifications was issued in September 2012 in the amount of \$25,000 for early childhood development in-home services. An Early Childhood Developmental Specialist was awarded a Service Agreement Contract FY 2012-2013 for home visitation services. All service agreement contracts are reviewed and renewed by the Commission on an annual basis.

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 \$46,254.15 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.

**THIS PAGE INTENTIONALLY LEFT BLANK**

---

## **Basic Financial Statements**

- **Government-Wide Financial Statements**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**FIRST FIVE PLUMAS COUNTY**  
**Statement of Net Position**  
**June 30, 2013**

	<u><b>Total Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 444,653
Accounts receivable	21,868
Capital assets:	
Depreciable, net	1,520
Total capital assets	<u>1,520</u>
<b>Total Assets</b>	<u>468,041</u>
<b>LIABILITIES</b>	
Accounts payable	15,018
Salaries and benefits payable	<u>2,950</u>
<b>Total Liabilities</b>	<u>17,968</u>
<b>NET POSITION</b>	
Invested in capital assets	1,520
Restricted	<u>448,553</u>
<b>Total Net Position</b>	<u><u>\$ 450,073</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, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Total Governmental Activities</u>
Governmental activities:					
General government	\$ 312,111	\$ -	\$ 317,765	\$ -	\$ 5,654
<b>Total Governmental Activities</b>	<u>312,111</u>	<u>-</u>	<u>317,765</u>	<u>-</u>	<u>5,654</u>
<b>Total</b>	<u>\$ 312,111</u>	<u>\$ -</u>	<u>\$ 317,765</u>	<u>\$ -</u>	<u>5,654</u>
<b>General revenues:</b>					
Interest and investment earnings					<u>1,646</u>
<b>Total General Revenues</b>					<u>1,646</u>
<b>Change in Net Position</b>					7,300
<b>Net Position - Beginning</b>					<u>442,773</u>
<b>Net Position - Ending</b>					<u>\$ 450,073</u>

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

---

## **Basic Financial Statements**

- **Fund Financial Statements**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**FIRST FIVE PLUMAS COUNTY**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	<u>General</u>	<u>School Readiness</u>	<u>CARES Program</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and investments	\$ 444,653	\$ -	\$ -	\$ 444,653
Accounts receivable	21,868	-	-	21,868
<b>Total Assets</b>	<u>\$ 466,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 466,521</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 15,018	\$ -	\$ -	\$ 15,018
Salaries and benefits payable	2,950	-	-	2,950
<b>Total Liabilities</b>	<u>17,968</u>	<u>-</u>	<u>-</u>	<u>17,968</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	11,362	-	-	11,362
<b>Total Deferred Inflows of Resources</b>	<u>11,362</u>	<u>-</u>	<u>-</u>	<u>11,362</u>
<b>FUND BALANCES</b>				
Committed	191,500	-	-	191,500
Assigned	245,691	-	-	245,691
<b>Total Fund Balances</b>	<u>437,191</u>	<u>-</u>	<u>-</u>	<u>437,191</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 466,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 466,521</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 Position - Governmental Activities**  
**June 30, 2013**

<b>Total Fund Balance - Total Governmental Funds</b>	\$ 437,191
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheets.	1,520
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>11,362</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 450,073</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, 2013**

	<u>General</u>	<u>School Readiness</u>	<u>CARES Program</u>	<u>Total</u>
<b>REVENUES</b>				
Intergovernmental revenues:				
Proposition 10 apportionment	\$ 119,611	\$ -	\$ -	\$ 119,611
Proposition 10 administration augmentation	189,805	-	-	189,805
Proposition 10 SMIF	44	-	-	44
Medi-Cal Administrative Activities	7,767	-	-	7,767
Use of money and property	1,646	-	-	1,646
<b>Total Revenues</b>	<u>318,873</u>	<u>-</u>	<u>-</u>	<u>318,873</u>
<b>EXPENDITURES</b>				
Current general government:				
Administration:				
Salaries and benefits	13,312	-	-	13,312
Communications	1,133	-	-	1,133
Insurance	5,947	-	-	5,947
Memberships	2,300	-	-	2,300
Office expenses	1,196	-	-	1,196
Professional services	22,359	-	-	22,359
Publications	372	-	-	372
Travel	1,268	-	-	1,268
Overhead	4,984	2,214	883	8,081
Program Activity:				
Salaries and benefits	57,165	-	-	57,165
Insurance	215	-	-	215
Professional services	157,732	-	-	157,732
Outreach	5,257	-	-	5,257
Evaluation:				
Salaries and benefits	7,831	-	-	7,831
Insurance	29	-	-	29
Professional services	27,500	-	-	27,500
<b>Total Expenditures</b>	<u>308,600</u>	<u>2,214</u>	<u>883</u>	<u>311,697</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>10,273</u>	<u>(2,214)</u>	<u>(883)</u>	<u>7,176</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	2,214	883	3,097
Transfers out	(3,097)	-	-	(3,097)
<b>Total Other Financing Sources (Uses)</b>	<u>(3,097)</u>	<u>2,214</u>	<u>883</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>7,176</u>	<u>-</u>	<u>-</u>	<u>7,176</u>
<b>Fund Balances - Beginning</b>	<u>430,015</u>	<u>-</u>	<u>-</u>	<u>430,015</u>
<b>Fund Balances - Ending</b>	<u>\$ 437,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 437,191</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, 2013**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 7,176
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.	
Less current year depreciation	(414)
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	<u>538</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 7,300</u></u>

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

---

## **Basic Financial Statements**

- **Notes to Basic Financial Statements**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**FIRST FIVE PLUMAS COUNTY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2013**

**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 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, 2013.

**FIRST FIVE PLUMAS COUNTY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2013**

**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, each displayed in a separate column.

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, 2013**

**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. The Plumas County Treasury is an external investment pool for the Commission and the Commission is considered an involuntary participant. The Treasurer invests on behalf of most funds of the County and external participants in accordance with the California State Government Code and the County's investment policy.

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 each quarter based on the participant's average daily cash balance at quarter end in relation to the total pool investments. This method differs from the fair value method used to value investments in these financial statements. In these financial statements, the fair value of the Commission's investments in the pool was based on unaudited quoted market values as provided by the County Treasurer. The pool has not provided or obtained any legally binding guarantees during the period to support the value of investments.

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, 2013**

**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 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, 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, 2013**

**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, 2013, 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, 2013, 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, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**GASB Statement No. 63**

For the fiscal year ended June 30, 2013, the Commission implemented GASB 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” The requirements of this statement are effective for financial statement periods beginning after December 15, 2011.

GASB 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period and an acquisition of net assets by the government that is applicable to a future reporting period, respectively.

GASB 63 also amends net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the required components of the residual measure and by renaming that measure as net position, rather than net assets.

**GASB Statement No. 65**

For the fiscal year ended June 30, 2013, the Commission elected to implement GASB 65, “Items Previously Reported as Assets and Liabilities.” The requirements of this statement are effective for financial statement periods beginning after December 15, 2012. Earlier application is encouraged.

GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB 65 also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations.

**NOTE 2: CASH AND INVESTMENTS**

**A. Financial Statement Presentation**

As of June 30, 2013, the Commission’s cash and investments consisted of the following:

Investments:	
Plumas County Treasurer’s Pool	\$ 444,653
Total Cash and Investments	<u>\$ 444,653</u>

**FIRST FIVE PLUMAS COUNTY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2013**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**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.

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 the County's 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.

**FIRST FIVE PLUMAS COUNTY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2013**

**NOTE 2: CASH AND INVESTMENTS (CONTINUED)**

**C. Investments (Continued)**

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.

**NOTE 3: CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</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	( 14,417)	( 414)	-	( 14,831)
Total Accumulated Depreciation	<u>( 14,417)</u>	<u>( 414)</u>	<u>-</u>	<u>( 14,831)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,934</u>	<u>( 414)</u>	<u>-</u>	<u>1,520</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,934</u>	<u>(\$ 414)</u>	<u>\$ -</u>	<u>\$ 1,520</u>

**Depreciation**

Depreciation was charged to governmental functions as follows:

General government	<u>\$ 414</u>
Total Depreciation Expense - Governmental Functions	<u>\$ 414</u>

**FIRST FIVE PLUMAS COUNTY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2013**

**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, 2013:

	Transfer In	Transfer Out
Program and Implementation	\$ -	\$ 3,097
School Readiness	2,214	-
Cares Program	883	-
Total	\$ 3,097	\$ 3,097

**NOTE 5: NET POSITION**

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

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- Restricted net 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 “invested in capital assets, net of related debt.”

**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 is 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, 2013, 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 and prepaid amounts.

**FIRST FIVE PLUMAS COUNTY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2013**

**NOTE 6: FUND BALANCES (CONTINUED)**

- 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 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.
- Assigned fund balance - comprises amounts intended to be used by the Commission for specific purposes that are neither restricted nor committed. The Board of Commissioners has by resolution authorized the Executive Director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.
- 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.

The fund balances for all major governmental funds as of June 30, 2013, were distributed as follows:

	<u>General</u>	<u>School Readiness</u>	<u>CARES Program</u>	<u>Total</u>
<b>Committed to:</b>				
FY 2013/14 contracts	\$ 191,500	\$ -	\$ -	\$ 191,500
Subtotal	<u>191,500</u>	<u>-</u>	<u>-</u>	<u>191,500</u>
<b>Assigned to:</b>				
Funds budgeted for FY 2013/14	124,724	-	-	124,724
Financial plan commitment	<u>120,967</u>	<u>-</u>	<u>-</u>	<u>120,967</u>
Subtotal	<u>245,691</u>	<u>-</u>	<u>-</u>	<u>245,691</u>
<b>Unassigned</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 437,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 437,191</u>

**FIRST FIVE PLUMAS COUNTY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2013**

**NOTE 6: 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 is 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 7: PROGRAM EVALUATION**

The Commission spent a total of \$35,360 on program evaluation during the audit period.

**NOTE 8: RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2013, the Commission paid the County of Plumas, a related party, \$30,940 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 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.

**NOTE 10: 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.

**FIRST FIVE PLUMAS COUNTY**  
**Notes to Basic Financial Statements**  
**For the Year Ended June 30, 2013**

**NOTE 10: OTHER INFORMATION (CONTINUED)**

**B. Subsequent Events**

Management has evaluated events subsequent to June 30, 2013 through September 11, 2013, 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)**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**FIRST FIVE PLUMAS COUNTY**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - Budgetary Basis**  
**General Fund**  
**For the Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Intergovernmental revenues:				
Proposition 10 apportionment	\$ 312,700	\$ 312,700	\$ 309,460	\$ (3,240)
State - other	15,000	15,000	7,767	(7,233)
Use of money and property	2,500	2,500	1,646	(854)
<b>Total Revenues</b>	<u>330,200</u>	<u>330,200</u>	<u>318,873</u>	<u>(11,327)</u>
<b>EXPENDITURES</b>				
Current general government:				
Salaries and benefits	82,106	80,906	78,308	2,598
Communications	1,000	1,350	1,133	217
Insurance	6,000	5,900	6,191	(291)
Memberships	2,300	2,300	2,300	-
Office expenses	1,400	1,400	1,196	204
Professional services	201,859	208,859	207,591	1,268
Publications	800	372	372	-
Overhead	5,278	5,278	4,984	294
Outreach	10,000	5,478	5,257	221
Travel	2,600	1,500	1,268	232
Contingencies	13,760	13,760	-	13,760
<b>Total Expenditures</b>	<u>327,103</u>	<u>327,103</u>	<u>308,600</u>	<u>18,503</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>3,097</u>	<u>3,097</u>	<u>10,273</u>	<u>7,176</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	(3,097)	(3,097)	(3,097)	-
<b>Total Other Financing Sources (Uses)</b>	<u>(3,097)</u>	<u>(3,097)</u>	<u>(3,097)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	-	-	7,176	7,176
<b>Fund Balances - Beginning</b>	<u>430,015</u>	<u>430,015</u>	<u>430,015</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ 430,015</u>	<u>\$ 430,015</u>	<u>\$ 437,191</u>	<u>\$ 7,176</u>

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

**FIRST FIVE PLUMAS COUNTY**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule - Budgetary Basis**  
**Major Special Revenue Fund - School Readiness**  
**For the Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Intergovernmental revenues:				
Proposition 10 School Readiness	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current general government:				
Overhead	2,214	2,214	2,214	-
<b>Total Expenditures</b>	<u>2,214</u>	<u>2,214</u>	<u>2,214</u>	<u>-</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(2,214)</u>	<u>(2,214)</u>	<u>(2,214)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,214	2,214	2,214	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>2,214</u>	<u>2,214</u>	<u>2,214</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances - Beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>				
Intergovernmental revenues:				
Proposition 10 Cares Program	\$ -	\$ -	\$ -	\$ -
<b>Total Revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Current general government:				
Overhead	-	883	883	-
<b>Total Expenditures</b>	<u>-</u>	<u>883</u>	<u>883</u>	<u>-</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>-</u>	<u>(883)</u>	<u>(883)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	883	883	-
Transfers out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>883</u>	<u>883</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances - Beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**FIRST FIVE PLUMAS COUNTY**  
**Required Supplementary Information**  
**Note to Budgetary Comparison Schedules**  
**For the Year Ended June 30, 2013**

**A. 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 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 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.

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**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**FIRST FIVE PLUMAS COUNTY**  
**Supplementary Information**  
**Schedule of First 5 California (F5CA) Funding**  
**For the Year Ended June 30, 2013**

<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	189,805	189,805	-	-	-
Total F5CA Funds		\$ 189,805	\$ 189,805	\$ -	\$ -	\$ -

**THIS PAGE INTENTIONALLY LEFT BLANK**

---

## **OTHER REPORTS**

**THIS PAGE INTENTIONALLY LEFT BLANK**

**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 each major fund of First Five Plumas County, Quincy, California (Commission) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated September 11, 2013.

**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 entity'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.

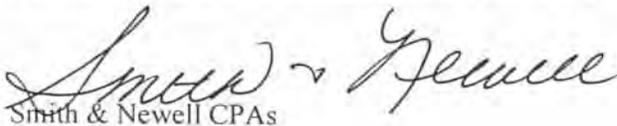
To the Board of Commissioners  
First Five Plumas County  
Quincy, California

### **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  
September 11, 2013

**INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE**

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

**Compliance**

We have audited the basic financial statements of First Five Plumas County, Quincy, California (Commission), as of and for the year ended June 30, 2013 and have issued our report thereon dated September 11, 2013. 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, 2013.

**Management's Responsibility**

Compliance with the requirements referred to above is the responsibility of the Commission's management.

**Auditor's Responsibility**

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.

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

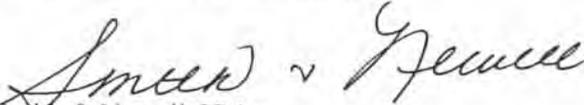
In connection with the audit referred to above, we selected and tested transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

<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, 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, 2013.

This report is intended solely for the information and use of the County Commission, the County Board of Supervisors, 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 11, 2013