

**FIRST 5 EL DORADO
CHILDREN AND FAMILIES COMMISSION
(A Component Unit of the County of El Dorado, California)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2016**

**FIRST 5 EL DORADO
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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**FIRST 5 EL DORADO CHILDREN
AND FAMILIES COMMISSION**
Commission Membership
As of June 30, 2016

<u>Name</u>	<u>Appointment</u>
Ginger Swigart, Chair	Community Representative
Dr. Trey Washburn, Vice Chair	Medical Representative
Wendy David	Community Representative
Patricia Charles-Heather, Ph.D.	EDC Health Department Representative
Ed Manansala, Ph.D.	Education Representative
Sue Novasel	EDC Board of Supervisors
Janet Saitman	Community Representative
Drew Woodall	Community Representative
Alexis Zoss	EDC Department Representative

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
First 5 El Dorado Children and Families Commission
Placerville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of First 5 El Dorado Children and Families Commission (The Commission), a component unit of El Dorado County, as of and for the year ended June 30, 2016, 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, each major fund of the Commission, as of June 30, 2016, 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.

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 on pages 4 through 8 and 22 through 23 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 other supplementary information listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information as listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2016, 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 Commission's internal control over financial reporting and compliance.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
October 10, 2016

FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

On November 3, 1998, California voters approved Proposition 10 – the Children and Families First Act (Act). The Act imposed an additional excise tax on cigarettes and tobacco related products to promote, support, and improve the early development of children from prenatal through age five. It is the intent of this act to facilitate the creation and implementation of an integrated, comprehensive, and collaborative system of information and services to enhance optimal early childhood development.

The County of El Dorado (County) Board of Supervisors created the First 5 El Dorado Children and Families Commission (Commission) in 1999 under the provisions of the Act. The Commission consists of nine members appointed by the County Board of Supervisors. The Commission is an autonomous, self-governing public entity and is considered a component unit of the County due to the operational relationship between the Commission and the County.

FISCAL YEAR 2015-16 FINANCIAL HIGHLIGHTS

In 2016, the Commission completed its 17th year of operations in El Dorado County. In 2015-16, the Commission invested \$1,434,230 in expectant parents and families with children ages 0-5 years in the areas of health, child development, early literacy, high quality child care and family support. Highlights of the 2015-16 include:

- The Commission engaged in a new, 5 year Strategic Plan. This Strategic Plan offers a framework for investments for 2016 through 2021.
- The Commission is committed to living within its means, developing a long term financial plan that is consistent with the projected declining revenue.
- Total revenues increased approximately \$26,966 (2%) from 2014-15 primarily due to a slight increase in Proposition 10 funding and reimbursements for Medi-Cal Administration Activities.
- Commission expenditures decreased by \$277,030 (16.2%) indicating the Commission's commitment to its Strategic Plan supporting the delivery of essential early childhood system services. During 2015-16, expenditures exceeded revenues by \$81,726 mostly due to finishing out the Race to the Top Program.
- Total expenditures were lower than budgeted by \$214,192 (13%) and revenues were lower by \$4,608 (0.3%).

As management of First 5, we offer readers of our First 5 financial statements this narrative overview and analysis of the financial activities for the fiscal year ending June 30, 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to First 5's basic financial statements comprising three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information.

FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of First 5's finances, in a manner similar to private sector business.

The Statement of Net Assets presents information on all of First 5's assets and liabilities, with the difference between the two reported as net assets.

The Statement of Activities presents information showing how First 5's net position 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 grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. 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.

Both the government fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and government-wide statements. The fund statements can be found on pages 8 and 9 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide fund financial statements. The notes to the financial statements can be found on pages 10-20 of this report.

Government-wide financial analysis

First 5 uses government-wide financial reporting to provide a broad overview in a manner similar to the private sector. In most cases, net assets may serve over time as a useful indicator of a government's financial position. In the case of First 5, assets exceeded liabilities by \$2,199,474 at the close of the most recent fiscal year. The most significant portion of First 5's assets of \$2,346,960 is its cash in county commingled pool balance of \$2,093,810. This represents resources received from the State Commission from Prop 10 taxes and federal funds that have not been expended. Accounts receivable from Prop 10 funds is \$193,540. First 5 liabilities primarily represent payments due on grant service contracts that have not been disbursed at year-end. First 5 net position decreased \$675,108 or 23.5% from the prior fiscal year, mostly due to the loss on the sale of the Dental Van for \$1 the loss recorded was \$ 439,551.

FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

NET POSITION

Governmental Activities

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>
Current and other assets	\$ 2,290,766	\$ 2,503,656	\$ (212,890)
Capital assets, net	<u>56,194</u>	<u>503,707</u>	<u>(447,513)</u>
Total Assets	2,346,960	3,007,363	(660,403)
Total Liabilities	147,486	132,781	14,705
 Net Position			
Invested in Capital Assets	56,194	503,707	(447,513)
Restricted	<u>2,143,280</u>	<u>2,370,875</u>	<u>(227,595)</u>
Total Net Position	<u>\$ 2,199,474</u>	<u>\$ 2,874,582</u>	<u>\$ (675,108)</u>

Changes in Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>
Revenue	\$ 1,281,634	\$ 1,450,339	\$(168,705)
 Expenses			
Salaries, Services, Supplies, Professional	358,711	318,409	40,302
Program Expenses	<u>1,598,031</u>	<u>1,443,691</u>	<u>154,340</u>
Total Expenses	<u>1,956,742</u>	<u>1,762,100</u>	<u>194,643</u>
Change in Net Position	<u>\$ (675,108)</u>	<u>\$ (311,761)</u>	<u>\$ (363,347)</u>

Total revenue consisting of Prop 10 funds, interest and investment income decreased by \$168,705 or 11.6%. Total expenses increased by \$194,642 or 11%, program expenses increased 10.7% and salaries, services and supplies, and professional expenses increased by 12.7% during fiscal year 2015-16. The difference between the expense on the Statement of Activities and Expenditures reported in the funds is the depreciate expense of \$7,961, the loss on the sale of the dental van of \$439,551 and the bad debt expense for uncollectable receivables of \$75,000. There is one difference between the revenues on the Statement of Activities and the revenues reported in the funds, the difference of \$70,689 is the receivable from the State for the Child Signature Program that was not received by 90 days after year end in 2014-15 so it is reported in 2015-16. For the fiscal year ended June 30, 2015, First 5 reported a decrease in net position of \$675,108.

FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Governmental Activities. First 5 does not have business type activities and so the analysis presented above for the government-wide financial statements also represent an analysis of First 5's governmental activities. The only differences between the government-wide financial statements and the governmental fund activities are transactions related to the fixed assets, state receivables and the loan receivable. For 2015-16, this is a difference of \$56,194 in net fixed assets, \$70,869 for the State Receivable/Child Signature Program Revenue, \$75,000 in loan receivables not collectible, depreciation expense for the year of \$7,961, and the loss on the sale of the dental van of \$439,551.

Requests for Information

This financial report is designed to provide a general overview of First 5 El Dorado Commission'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 El Dorado Commission, 2776 Ray Lawyer Drive, Placerville, California 95667.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Kathleen Guerrero". The signature is written in a cursive style.

Kathleen Guerrero
Executive Director

**FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
GOVERNMENTAL FUNDS BALANCE SHEET AND
STATEMENT OF NET POSITION
JUNE 30, 2016**

	General Fund	Race to the Top	Total Governmental Funds	Adjustments	Statement of Net Position
Assets					
Cash	\$ 2,093,810	\$ -	\$ 2,093,810	\$ -	\$ 2,093,810
Due from other Governments	196,956	-	\$ 196,956	-	196,956
Fixed Assets	-	-	-	56,194 ^a	56,194
Total Assets	\$ 2,290,766	\$ -	\$ 2,290,766	56,194	2,346,960
 Liabilities					
Accounts Payable	\$ 147,486	\$ -	\$ 147,486	-	147,486
Total Liabilities	147,486	-	147,486	-	147,486
 Fund Balances					
Restricted	1,251,465	-	1,251,465	(1,251,465)	
Committed	891,815	-	891,815	(891,815)	
Assigned	-	-	-	-	
Total Fund Balances	2,143,280	-	2,143,280	(2,143,280)	
Total Liabilities and Fund Balances	\$ 2,290,766	\$ -	\$ 2,290,766		
 Net Position					
Invested in Capital Assets				56,194	56,194
Restricted				2,143,280	2,143,280
Total Net Position				\$ 2,199,474	\$ 2,199,474

^a Capital assets used in the government activities are not financial resources and therefore are not reported in the governmental funds activities. - \$56,194

See Accompanying Notes.

**FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	Governmental Activities			Adjustments	Statement of Activities
	General Fund	RTT	Total		
Revenues					
Proposition 10 Funds	\$ 1,079,007	\$ -	\$ 1,079,007	\$ -	\$ 1,079,007
Child Signature Program	70,869	-	70,869	(70,869) a	-
SMIF	513	-	513	-	513
Race to the Top Grant	-	97,525	97,525	-	97,525
MAA	95,646	-	95,646	-	95,646
Other	1	-	1	(1)	-
Interest earned	8,496	447	8,943	-	8,943
Total Revenues	<u>1,254,532</u>	<u>97,972</u>	<u>1,352,504</u>	<u>(70,870)</u>	<u>1,281,634</u>
Expenditures					
Program service grants and other allocations	824,384	222,346	1,046,730	(1,046,730)	-
Salaries and benefits	321,503	-	321,503	(321,503)	-
Services and supplies	58,697	-	58,697	(58,697)	-
Professional and specialized services	7,300	-	7,300	(7,300)	-
Total Expenditures	<u>1,211,884</u>	<u>222,346</u>	<u>1,434,230</u>	<u>(1,434,230)</u>	<u>-</u>
Deficiency of Revenues Over Expenditures Before Other Financing Sources (Uses)	42,648	(124,374)	(81,726)	(1,363,360)	
Other Financing Sources (Uses)					
Operating Transfers In	-	71	71		
Operating Transfers Out	(71)	-	(71)		
Total Other Financing Sources (Uses)	<u>(71)</u>	<u>71</u>	<u>-</u>		
Expenses					
Administration Expenses				197,730	197,730
Program Expenses				1,598,031	1,598,031
Evaluation Expenses				160,981	160,981
Total Expenses				<u>1,956,742</u> b	<u>1,956,742</u>
Change in Fund Balance/Net Position	42,577	(124,303)	(81,726)	(593,382)	(675,108)
Fund Balance/Net Position					
Beginning of the year	<u>2,100,703</u>	<u>124,303</u>	<u>2,225,006</u>	<u>649,576</u>	<u>2,874,582</u>
End of the year	<u>\$ 2,143,280</u>	<u>\$ -</u>	<u>\$ 2,143,280</u>	<u>\$ 56,194</u>	<u>\$ 2,199,474</u>

SMIF - Surplus Money Investment Fund
RTT - Race to the Top Grant
MAA - MediCal Administrative Activities

a Revenues received more than ninety days after the fiscal year end are not considered currently available resources and therefore are not reported as revenues in the governmental funds activities. - \$70,869

b Some expenses reported in the Statement of Activities do not require the use of current resources, and therefore are not reported as expenditures in the governmental funds. - Bad debt expense \$75,000 - Loss on Sale of Dental Van \$439,551 - Depreciation Expense - \$7,961

See Accompanying Notes

FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 1: Nature of the Entity

The Reporting Entity

The First 5 El Dorado Children and Families Commission (the Commission) was established in December by ordinance of El Dorado County Board of Supervisors under the authority of the California Children and Families First Act of 1998 and Section 130100, et seq. of the Health and Safety Code. The Children and Families First Act of 1998 (Proposition 10), was adopted by voters of the State of California on November 3, 1998. The Commissions programs are funded by taxes levied by the State of California on tobacco products.

The Commission's specific purpose is to promote, support and improve the early development of children from the prenatal state to five (5) years of age, consistent with the goals and objectives of Proposition 10 within the County of El Dorado. The mission of the Commission is stated as "First 5 El Dorado Commission is committed to improving the lives of children 0 through 5 and their families by promoting, enhancing, and developing comprehensive early childhood systems through collaborative partnerships, early care and education, health, and community services."

The County Board of Supervisors appoints all nine members of the Commission. The Board can remove appointed members at will.

The Commission accounts for receipts and disbursements of California Children and Families Trust Funds (Proposition 10) allocation and appropriation to the Commission. The Commission is a discretely presented component of the County of El Dorado as the Commission's governing body is not substantially the same as that of the County.

Note 2: Summary of Significant Accounting Policies

Governmental Accounting Standards Board Statements and Interpretation

The financial statements are prepared in accordance with GASB Statement No. 34 as amended by GASB 63 and 65. This statement affects the manner in which the Commission records transactions and presents financial information.

Management's Discussion and Analysis – The GASB statements noted above require that financial statements be accompanied by a narrative introduction and analytical overview of the Commission's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2: Summary of Significant Accounting Policies - (continued)

Government-wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the Commission’s activities. This approach includes not just current assets and liabilities but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all the revenues and costs of providing services each year, not just those received or paid in the current year soon thereafter.

Statement of Net Position – 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.

Statement of Activities – The Statement of Activities reports expenses and revenues in a format that focuses on the cost of the Commission’s function. The expense of individual functions is compared to the revenue generated directly by the function.

The Commission had recorded long-term assets in the Statement of Net Position and has reported all revenues and the cost of providing services under the accrual basis of accounting in the Statement of Activities.

Basis of Presentation and Accounting

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the primary government (Commission). These statements include the financial activities of the overall government.

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

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

FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2: Summary of Significant Accounting Policies - (continued)

Non exchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) equal value in exchange, include Proposition 10 taxes and grants. Revenues from Proposition 10 taxes are recognized when all eligibility requirements are met which coincides with the State apportions Proposition 10 tax revenues to the Commission. Revenues from grants are recognized in the fiscal year which all eligibility requirements have been satisfied.

Government Fund Financial Statements

Separate financial statements are provided for the governmental fund. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. Proposition 10 apportionments, grant revenues and investment income are accrued when their receipt occurs within ninety days after the end of the accounting period so as to be both measurable and available. All receivables are expected to be collected within the current year. Expenditures are generally recorded when a liability is incurred, under the accrual basis of accounting. In the current year, the bulk of the accounts payable balance relates to payables owed to contractors used in the operation of the Commission's programs.

The Commission reports one major governmental fund, the General Fund. The General Fund is the Commission's primary operating fund. It accounts for all financial resources of the general government.

Non-current Governmental Assets/Liabilities

The GASB statements eliminate the presentation of account groups, but provides for these records to be maintained and incorporated the information into the Government-wide Statement of Net Position.

Accounts Receivable

Significant receivables included amounts due from the State of California for Proposition 10 Taxes. These receivables are due within one year. Management has determined that no allowance for bad debts is required. During the fiscal year it was determined that a note receivable for \$75,000 was not collectible. This amount was written off as bad debt on the government wide financial statements.

FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2: Summary of Significant Accounting Policies - (continued)

Property and Equipment

Fixed assets are accounts for at cost or if the cost is not determinable, at estimated cost. Donated fixed assets are recorded at their estimated fair value at the time received. Additions to property and equipment are recorded as expenditures in the year of acquisition.

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device during the year. The budget is adopted on a basis consistent with generally accepted governmental accounting principles.

Concentrations of Credit Risk

There are no financial instruments with potentially expose the program to concentrations of credit risk as defined by generally accepted accounting principles.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Advance to Grantee

The Commission may provide advances to grantee/contractors that are repayable by the end of the fiscal year unless otherwise stipulated by contract agreements.

Net Position

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

FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2: Summary of Significant Accounting Policies - (continued)

Net Position- continued

- a. *Invested in Capital Assets, Net of Related Debt* – This category groups all the capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- b. *Restricted* – This category represents net assets with external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- c. *Unrestricted* – This category represents net assets of the Commission, not restricted for any project or other purpose.

Fund Balances

The Government Accounting Standards Board (GASB) has issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as noted below.

• **Nonspendable** –

This category includes elements of the fund balance that cannot be spent because of their form, or because they must be maintained intact. For example

- Assets that will never convert to cash, such as prepaid items and inventories of supplies;
- Assets that will not convert to cash soon enough to affect the current period, such as non-financial assets held for resale; or
- Resources that must be held intact pursuant to legal or contractual requirements, such as revolving loan fund capital or the principal of an endowment.

FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 2: Summary of Significant Accounting Policies (continued)

Fund Balances-continued

• **Restricted –**

This category includes resources that are subject to constraints that are externally enforceable legal restrictions. Examples include

- Funding from the State Commission or foundations that are legally restricted to specific uses. For example, funds advanced by First 5 CA under specific agreements for services, or matching funds for specific initiatives.
- Funds legally restricted by County, state, or federal legislature, or a government's charter or constitution.
- Amounts collected from non-spendable items, such as the long term portion of loan outstanding, if those amounts are also subject to legal constraints.
- Funding that has been designated for legally enforceable contracts but not yet spent. This includes multi-year contracts.

• **Committed –**

Two criteria determine the committed fund balance:

1. Use of funds is constrained by limits imposed by the government's highest level of decision making. The highest level of decision making for Proposition 10 funds is the Commission.
2. Removal or modification of use of funds can be accomplished only by formal action of the authority (i.e., Commission) that established the constraints.

Both commitments and modifications or removal must occur prior to the end of reporting period; that is, the fiscal year being reported upon. For First 5 organizations, resources in this category would include:

- Resources committed for a future initiative as long as commission action is also required to remove this commitment.
- Resources that have been committed by a commission for specific agreements that have not yet been executed, where commission action is also required to remove this commitment.
- Resources committed as the local match for a State Commission initiative.

**FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 2: Summary of Significant Accounting Policies (continued)

Fund Balances - continued

• **Assigned –**

The assigned portion of the fund balance reflects a commission’s intended use of resources, which is established either by the county First 5 Commission, a body created by the commission, such as a commission finance committee, or an official designated by the commission (e.g., an Executive Director). The “assigned” component is similar to the “committed” component, with two essential differences, shown in the following table:

Key Differences Between Committed and Assigned Fund Balance		
	Committed	Assigned
A decision to use funds for a specific purpose requires action of First 5 Commission	Yes	No
Formal action of Commission is necessary to impose, remove or modify this constraint and formal action has taken place before end of reporting period)	Yes	No

Another key difference is that the purpose of the assignment must be narrower than the fund itself. Consequently, tobacco tax revenues would not automatically be placed in the “committed” component. Resources that fit into this category include:

- Appropriation of a portion of existing fund balance sufficient to eliminate a projected deficit in the subsequent year’s budget, where the Executive Director may decide whether to use the entire amount.
- Resources assigned to a specific program or project or organization for which the commission has approved a plan or budget.
- Resources approved by a commission for a long range financial plan where formal approval is not required to modify the amount.

The Commission can assign amounts under this category, and may also authorize the Executive Director to assign amounts under this category when that decision is consistent with the approved long term financial plan.

• **Unassigned –**

This category includes the fund balance that cannot be classified into any of the other categories.

If situations arise where there is a possibility of assignment into more than one category, the committed amount will be reduced first, followed by assigned amounts and then unassigned amounts.

FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 3: Credit Risk, Carrying Value and Market Value of Investments

Cash at June 30, 2016 consisted of the following:

Cash in County Treasury	\$ 2,093,810
-------------------------	--------------

The Commission maintains all of its cash and investments with the El Dorado County Treasurer in an investment pool. The County of El Dorado is an external investment pool for the Commission and the Commission is considered an involuntary participant. The Commission does not own any specific identifiable investments in the pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of El Dorado's financial statements may be obtained by contacting the County of El Dorado's Auditor-Controller's office. The County maintains written investment policies which address a wide variety of investment practices, including primary investments objectives, investment authority, allowable investment vehicles, investment maturity terms, eligible financial institutions, capital preservation, and cash flow management. All cash deposits at the County conform to the California Government Code Section 53646 and are fully collateralized by governmental securities pledged for the purpose of Public Deposit Collateral.

Required disclosures for the Commission's deposit and investment risks at June 30, 2016, were as follows:

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

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value. The fair value of cash was not available at the time of this report; therefore no adjustment was made for GASB 31 compliance.

Pooled Investments:	<u>Carrying Amount</u>
El Dorado County	<u>\$2,093,810</u>

FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 4: Compliance Requirements of Proposition 10 Funds

In November 1998, voters of California approved Proposition 10, the initiative being known as the “California Children and Families Act of 1998”, which increased the state surtax on cigarettes by fifty (50) cents per pack. The Commission was established by subdivision (1)(a) of Section 130140 of the California Health and Safety Code and was subsequently established on December 8, 1998 by ordinance Number 4514 of the Board of Supervisors of the County of El Dorado.

Funds are to be used to create a program for the purpose of promoting, supporting and improving the early development of children from the prenatal state through five (5) years of age.

Note 5: Lease Commitments

The contracts with the El Dorado County Office of Education for the lease of the office space for the administrative offices. The total lease expense in fiscal year 2015-2016 was \$10,800 and is paid to the El Dorado County Office of Education

Note 6: Commitments and Contingencies Agreements

The Commission has entered into an agreement with the El Dorado County Superintendent of Schools to employ an Executive Director and supporting staff on behalf of the El Dorado County of Superintendent of Schools and Commission, to act in the capacity of a liaison in the implementation of various programs. The Commission has agreed to fully reimburse the Superintendent for all costs incurred regarding this employment. This agreement is subject to annual review and renewal.

Grants – The Commission recognizes as revenue, grant monies received as reimbursement for costs incurred in certain Federal and State programs. Amounts received or receivable from grantor are subject to audit and adjustment by grantor agencies, including, the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time. The Commission expects such amounts, if any, to be immaterial.

FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 7: Related Party Transactions

The Commission is made up of nine members, of which two members are from the County Health and Mental Health Departments, one member from the County Board of Supervisors with the remaining four community members appointed by the Board of Supervisors. Of the two remaining Commissioners, one is the Superintendent of the County Office of Education and the other represents the Sierra Sacramento Valley Medical Society. The County, County Office of Education, local hospitals, and various community agencies are recipients of grants.

Note 8: Property and Equipment

Assets are stated at historical cost. Depreciation is recorded using the straight line method over the estimated useful lives of the assets presently estimated at five (5) years for furniture and equipment, fifteen years (15) for tenant improvements and dental van. Operating expenses include depreciation on all depreciable assets. Depreciation expense for the year ended June 30, 2016 was \$7,961.

During the current fiscal year the dental van was sold to another organization for \$1 to continue the dental program. Disposal of the van is noted below.

A summary of changes in fixed assets during the current year is presented as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	\$ 17,662	\$ -	\$ -	\$ 17,662
Tenant Improvements	119,357	-	-	119,357
Furniture	21,719	-	-	21,719
Dental Van	643,249	-	(643,249)	-
Accumulated Depreciation	(298,280)	(7,961)	203,695	102,544
Net Capital Assets	<u>\$ 503,707</u>	<u>\$ (7,961)</u>	<u>\$ (439,554)</u>	<u>\$ 56,194</u>

Note 9: Risk Management

The Commission is exposed to various risks of loss. The Commission has purchased insurance to cover general liability up to \$1 million each for bodily injury, property damage, personal injury, automobile liability, employment practices, and errors and omissions.

FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Note 10: Section 30131.4 of the California Tax & Revenue Code Certification

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

Note 11: Cost Allocation

The Commission allocated costs between administrative, program and evaluation activities. Direct costs are expensed directly to the category. Indirect costs are allocated based on the amount of time staff spends on each activity. Personnel costs are allocated based on the amount of time spent on those activities.

Note 12: Program Evaluation

The Commission is required by the California State Commission to disclose the amount spent on Program Evaluation. During the fiscal year ended June 30, 2016 the Commission spent \$160,981 on program evaluation during the audit period.

Note 13: Evaluation of Subsequent Events

The Commission has evaluated subsequent events through October 10, 2016, the date which the financial statements were available to be issued. No events requiring disclosure have occurred through this date.

REQUIRED SUPPLEMENTARY INFORMATION

FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
JUNE 30, 2016

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Revenues				
Proposition 10 Funds	\$ 1,099,611	\$ 992,401	\$ 1,079,007	\$ 86,606
Child Signature Program	-	70,789	70,869	80
SMIF	-	-	513	513
Race to the Top	104,450	228,922	97,525	(131,397)
MAA	60,000	60,000	95,646	35,646
Other	-	-	1	1
Interest earned	5,000	5,000	8,943	3,943
Total Revenues	1,269,061	1,357,112	1,352,504	(4,608)
Expenditures				
Program service grants and other allocations	1,099,450	1,260,922	1,046,730	214,192
Salaries and benefits	313,979	313,979	321,503	(7,524)
Services and supplies	66,221	66,221	58,697	7,524
Professional and specialized services	7,300	7,300	7,300	-
Total Expenditures	1,486,950	1,648,422	1,434,230	214,192
Excess of Revenues Over (Under)				
Expenditures	(217,889)	(291,310)	(81,726)	209,584
Fund Balance Beginning of the Year	2,225,006	2,225,006	2,225,006	
Fund Balance End of the Year	\$ 2,007,117	\$ 1,933,696	\$ 2,143,280	

See Accompanying Auditor's Report.

FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

BUDGET AND BUDGETARY ACCOUNTING

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

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

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

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the object level. Object levels of expenditures are as follows: salaries and benefits, services and supplies, rent and utilities, school readiness program expenditures, retention incentive expenditures, and other program expenditures.

OTHER SUPPLEMENTARY INFORMATION

**FIRST 5 EL DORADO CHILDREN FAMILIES COMMISSION
SCHEDULE OF EXPENDITURES
FOR THE YEAR END
JUNE 30, 2016**

	Administration	Program			Evaluation	Total	
		Improved Family Functioning	Child Development	Improved Health	Improved Systems of Care		
Government Fund Activities							
Expenditures							
Salaries and Benefits	\$ 160,752	\$ 16,315	\$ 27,364	\$ 29,356	\$ 7,340	\$ 80,376	\$ 321,503
Program contract and other allocations	-	212,475	356,360	382,306	33,473	62,116	1,046,730
Professional and specialized services	3,650	370	621	667	167	1,825	7,300
Services and supplies	29,348	2,979	4,996	5,360	1,340	14,674	58,697
Total Expenditures	<u>\$ 193,750</u>	<u>\$ 232,139</u>	<u>\$ 389,341</u>	<u>\$ 417,689</u>	<u>\$ 42,320</u>	<u>\$ 158,991</u>	<u>\$ 1,434,230</u>
Reconciliation to Government-Wide Expenses							
Depreciation Expense	\$ 3,980	\$ 404	\$ 678	\$ 727	\$ 182	\$ 1,990	\$ 7,961
Bad Debt Expense	-	-	-	75,000	-	-	75,000
Sale of Dental Van	-	-	-	439,551	-	-	439,551
Total Expenses	<u>\$ 197,730</u>	<u>\$ 232,543</u>	<u>\$ 390,019</u>	<u>\$ 932,967</u>	<u>\$ 42,502</u>	<u>\$ 160,981</u>	<u>\$ 1,956,742</u>

See Accompanying Auditor's Report.

**FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
 SCHEDULE OF EXPENDITURES BY FUND SOURCE AND
 NET ASSETS OF CALIFORNIA CHILDREN AND FAMILIES COMMISSION
 FUNDS FOR FIRST 5 PROGRAMS AND ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016**

		Revenue CCFC Funds	Expenditures	Change in Net Assets	Net Assets Beginning of Year	Net Assets End of Year
Child Signature Program	CCFC Program Funds	\$ 70,869	\$ -	\$ 70,869	\$ (70,869)	\$ -

* \$70,869 of the expenses reported in fiscal year 2015-2016 were reimbursed by the CCFC more than 90 days after the fiscal year end and therefore the revenues to reimburse these expenses are reported in the 2016-2017 fiscal year.

**FIRST 5 EL DORADO CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

None noted for fiscal year ended June 30, 2015.

See Accompanying Auditor's Report

P.O. Box 160
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Fax (916) 434-1090

**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***

Board of Commissioners
First 5 El Dorado Children and Families Commission
Placerville, 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 5 El Dorado Children and Families Commission (Commission), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 10, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered First 5 El Dorado Children and Families 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 First 5 El Dorado Children and Families Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of First 5 El Dorado Children and Families 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether First 5 El Dorado Children and Families 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
October 10, 2016

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Fax (916) 434-1090

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Commissioners
First 5 El Dorado Children and Families Commission
Placerville, California

Compliance

We have audited the First 5 El Dorado Children and Families Commission's (Commission) 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, 2016.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Commission's compliance with the requirements referred to above based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Those standards and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on the statutory requirements listed below 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 on compliance. However, our audit does not provide a legal determination of the Commission's compliance with those requirements. In connection with the audit referred to above, we

selected and tested transactions and records to determine the Commission's compliance with the state laws and regulations applicable to the following items:

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

Opinion

In our opinion, First 5 El Dorado Children and Families Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2016.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
October 10, 2016

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October 10, 2016

Kathleen Guerrero, Managing Director
Board of Commissioners
First 5 El Dorado
Children and Families Commission
Placerville, California

Dear Ladies and Gentlemen,

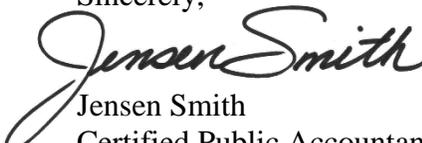
Thank you for your confidence in choosing us for your auditing needs.

In planning and performing our audit of the financial statements of First 5 El Dorado Children and Families First Commission (the Commission) for the year ended June 30, 2016, we considered the Commission's internal control in order to determine our auditing procedures for the purpose of expressing an opinion 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 separate report dated October 10, 2016 contains our report on the Commission's internal control. This letter does not affect our report dated October 10, 2016, on the financial statements of the Commission.

We wish to thank your Managing Director and staff for their assistance in completing the audit and researching our questions. We appreciated how well organized your staff is and how quickly they responded to our inquiries. They implemented our prior recommendation to develop the financial data in QuickBooks. We were happy to see the increased use of some of the resources designed in the software for reconciliations and better tracking. We are looking forward to seeing the staff's continued increase in proficiency with the software next year. We wish you success for the fiscal year 2016-2017.

Sincerely,


Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California