

**FIRST 5 PLACER
CHILDREN AND FAMILIES COMMISSION
(A Component Unit of the
County of Placer, California)**

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2008**

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
FOR THE YEAR ENDED JUNE 30, 2008**

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
First 5 Placer Children and Families Commission
Auburn, California**

We have audited the accompanying financial statements of the governmental activities and the major fund of the First 5 Placer Children and Families Commission (the Commission), a component unit of the County of Placer, as of and for the year ended June 30, 2008, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 California Counties Participating in the California Children and Families Program*, issued by the State Controller's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Commission, as of June 30, 2008, and the respective changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2008 on our consideration of the Commission's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 and the budgetary comparison information on page 17 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Schedule of Expenses by Fund Source and Net Assets of CCFC Funds for First 5 Programs (the Schedule) as of and for the year ended June 30, 2008 as 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 Schedule has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC
Sacramento, California

October 1, 2008

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2008

On November 3, 1998, California voters approved Proposition 10 – the Children and Families First Act (Act). The Act imposed additional excise tax on cigarettes and tobacco related products to fund programs that promote, support, and improve the early development of children from prenatal through 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.

The Placer County (County) Board of Supervisors created the First 5 Placer 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 a public entity legally separate and apart from the County, and is considered a component unit of the County due to the operational relationship between the Commission and the County.

As management of the Commission, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2008.

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 8 and 9 of this report.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2008

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. The Commission, like other local governments, uses fund accounting to ensure and demonstrate 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. There were no differences for the year ended June 30, 2008.

The Commission adopts an annual appropriated budget for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the annual budget.

The fund financial statements can be found on pages 10 and 11 of this report.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 12 – 16 of this report.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceed liabilities by \$10.8 million at the close of the most recent fiscal year. The most significant portion of the Commission's net assets is its cash and investments balance of \$11.0 million. This represents resources received from the State Commission from Proposition 10 taxes that have not been expended. Cash and investments are maintained in the County's cash and investment pool where interest earned on the Commission's balance is apportioned to the Commission. Another source of net assets also resides in the Commission's receivables due from the State Commission for Proposition 10 taxes in the amount of \$639,167. This receivable represents taxes that were remitted by the State but had not been received by the Commission as of June 30, 2008. The Commission also reports accounts payable of \$810,691 representing payments due on grant service contracts that had not been paid at year-end.

The Commission's net assets increased by approximately \$0.8 million for the year ended June 30, 2008. This increase is explained in the governmental fund analysis below and is primarily the result of revenues exceeding budgeted expectations coupled with expenditures being less than expected.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2008

Governmental Activities

The Commission does not have business-type activities and so the analysis presented above for the government-wide financial statements also represents an analysis of the Commission's governmental activities.

Financial Analysis of the Commission's Governmental Fund

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

First 5 Placer Children and Families Commission Statement of Net Assets (in thousands)

	<u>FY 2007/08</u>	<u>FY 2006/07</u>
Assets:		
Current assets	\$ <u>11,616</u>	\$ <u>10,750</u>
Total assets	<u>11,616</u>	<u>10,750</u>
Liabilities:		
Current liabilities	<u>811</u>	<u>774</u>
Total liabilities	<u>811</u>	<u>774</u>
Net Assets:		
Unrestricted	<u>10,805</u>	<u>9,976</u>
Total net assets	<u>\$ 10,805</u>	<u>\$ 9,976</u>

For the year-ended June 30, 2008, the Commission reported ending net assets of \$10.8 million, an increase of approximately \$.8 million from the prior year. This increase represents the amount of revenues in excess of expenses for the year ended June 30, 2008.

Of the \$10.8 million in unrestricted net assets, \$6.2 million is designated for local initiatives and program sustainability. The Commission has a three year strategic plan, of which two years are remaining. The local initiatives and program sustainability designations for both the 08/09 and 09/10 years combined are as follows: \$4.6 million for specific partners and program costs, \$.4 million for Children's Health Initiative, \$.3 million for evaluation and \$.9 million for administrative costs.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2008

First 5 Placer Children and Families Commission Statement of Activities (in thousands)

	<u>FY 2007/08</u>	<u>FY 2006/07</u>
Program Revenues:		
Operating grants and contributions	\$ 3,247	\$ 3,383
General Revenues:		
Investment earnings	475	531
Miscellaneous	-	27
Total revenues	<u>3,722</u>	<u>3,941</u>
Program Expenses:		
Professional and specialized services	2,547	2,642
Other services and supplies	346	347
Total expenses	<u>2,893</u>	<u>2,989</u>
Change in net assets	829	952
Net assets, beginning of year	<u>9,976</u>	<u>9,024</u>
Net assets, end of year	<u>\$ 10,805</u>	<u>\$ 9,976</u>

For the year ended June 30, 2008, total revenue (see table above) consisting of Proposition 10 funds, investment earnings, and State Commission matching revenue decreased \$219,000 from the prior year. This decrease was due to an unanticipated decrease in the State allocation to Placer County.

Total expenses decreased \$96,000 from the prior fiscal year. The decrease was due in part to the Commission not having the cost of providing facility rentals, refreshments, and advertising for all strategic planning activities including the Community Conversations, Applicant Workshop event, and the review of applications for funding in the current year.

Also, with the planned retirement of the Executive Director, the Commission intended to hire a replacement in April and retain the previous director for 3 months to provide training and complete the succession process. The hiring of the new Executive Director was delayed, however, which resulted in a savings in salaries.

Additionally, the \$5,000 and under mini-grant program was under utilized by potential partners which resulted in savings in that program.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis
For the Year Ended June 30, 2008

Fund Budgetary Highlight

Total revenues were over budget by 6% or \$198,000 while total expenditures were under budget by 14% or \$475,000, because of the Director's financial management practices and promotion of sustainability, as well as the Commission's philosophy of stewardship in the handling of the Proposition 10 Trust Fund.

Capital Assets and Debt Administration

Capital Assets and Debt Administration

At the end of the current fiscal year, the Commission did not have any capital assets or long-term obligations outstanding.

Economic Factors and Next Year's Budget

The Commission of Placer County is committed to focusing Proposition 10 funds on the purposes for which it is intended: To promote and sustain comprehensive, integrated programs and services that will help to nurture children 0-5 so that their young brains and bodies will develop appropriately.

The Commission views Proposition 10 as a mechanism to establish and fund a sustainable system of results-oriented early childhood development and family support services for the 0-5 population that is achieving outcomes, not as just another funding source for programs' annual budgets. In that regard, in FY 2008/09 the Commission will increase its focus on evaluating all funded programs, as well as the Commission's impact in the community to determine what is working or has promise to improve the health and well being of children. This information will be used to help evaluate the overall impact of Proposition 10 in Placer County and provide the Commission with information to develop its 2010 – 2013 strategic plan.

Requests for Information

This financial report is designed to provide a general overview of the First 5 Placer Children and Families Commission 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 the First 5 Placer Children and Families Commission, 379 Nevada Street, Auburn, California, 95603.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Statement of Net Assets

June 30, 2008

Assets

Cash in County treasury	\$	10,977,160
Due from other governments		<u>639,167</u>

Total assets		<u>11,616,327</u>
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Liabilities

Accounts payable		<u>810,691</u>
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Net Assets

Unrestricted	\$	<u><u>10,805,636</u></u>
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FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

**Statement of Activities
For the Year Ended June 30, 2008**

Program Expenses

Professional and specialized services	\$	2,546,653
Services and supplies		346,391
Total program expenses		<u>2,893,044</u>

Program Revenues

Operating grants and contributions:		
Proposition 10 apportionment		3,082,579
Proposition 10 retention incentive		148,472
Proposition 10 surplus money investment fund		16,513
Total program revenues		<u>3,247,564</u>
Net program revenue		<u>354,520</u>

General Revenues

Investment earnings		<u>474,951</u>
Total general revenues		<u>474,951</u>
Change in net assets		829,471
Net assets, beginning of year		<u>9,976,165</u>
Net assets, end of year	\$	<u><u>10,805,636</u></u>

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

**Balance Sheet - General Fund
June 30, 2008**

Assets	
Cash in County treasury	\$ 10,977,160
Due from other governments	639,167
	<hr/>
Total assets	<u>\$ 11,616,327</u>
 Liabilities and fund balance	
Liabilities:	
Accounts payable	<u>\$ 810,691</u>
 Fund balance:	
Reserved:	
Reserved for encumbrances	<u>86,423</u>
Unreserved:	
Designated for local initiatives and program sustainability	6,186,808
Undesignated	4,532,405
	<hr/>
Total unreserved fund balance	<u>10,719,213</u>
	<hr/>
Total fund balance	<u>10,805,636</u>
	<hr/>
Total liabilities and fund balance	<u>\$ 11,616,327</u>

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

**Statement of Revenues, Expenditures and
Changes in Fund Balance - General Fund
For the Year Ended June 30, 2008**

Revenues

Proposition 10 apportionment	\$	3,082,579
Proposition 10 retention incentive		148,472
Proposition 10 surplus money investment fund		16,513
Investment earnings		474,951
		<hr/>
Total revenues		3,722,515
		<hr/>

Expenditures

Professional and specialized services		2,546,653
Services and supplies		346,391
		<hr/>
Total expenditures		2,893,044
		<hr/>
Net change in fund balance		829,471
Fund balance, beginning of year		9,976,165
		<hr/>
Fund balance, end of year	\$	10,805,636
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FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

Note 1: **Summary of Significant Accounting Policies**

A. Reporting Entity

The First 5 Placer Children and Families Commission (Commission) was established by the Placer County Board of Supervisors in 1999 under the provisions of the California Children and Families First Act of 1998 (Act). The Commission is a public entity legally separate and apart from the County of Placer (County). The purpose of the Commission is to develop, adopt, promote and implement early childhood development programs in the County consistent with the goals and objectives of the Act. The Commission's programs are funded by taxes levied by the State of California on tobacco products.

The Commission is administered by a governing board of nine members, which are appointed by the County Board of Supervisors. The composition of Commission membership is guided by Health and Safety Code Section 130140 (A). Commissioners serve three-year terms. No member may serve more than two consecutive three-year terms. The County Board of Supervisors may remove any Commissioner at any time. Since the County Board of Supervisors can impose their will on the Commission; the Commission is considered a component unit of the County.

The Commission includes all activities (operations of its administrative staff and commission officers) considered to be a part of the Commission. The Commission reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to determine whether the Commission is financially accountable for other entities. The Commission has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the financial statements.

Upon termination of the Commission, all assets of the Commission shall be returned to the State of California. The liabilities of the Commission shall not become liabilities of the County upon either termination of the Commission or the liquidation or disposition of the Commission's remaining assets.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements For the Year Ended June 30, 2008

Note 1: **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation and Accounting

Government-Wide Statements

The statement of net assets and statement of activities display information about the primary government (Commission). These statements include the financial activities of the overall Commission.

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 operating grants and contributions that are restricted to meeting the operational requirements of the Commission. Revenues that are not classified as program revenues, such as investment earnings, are presented instead 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.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

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. For this purpose, the Commission considers Proposition 10 tax revenues to be available if collected within 90 days after the end of the current period. All receivables are expected to be collected within the Commission's availability period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) value in exchange, include sales taxes, grants, entitlements and donations. On the modified accrual basis, revenues from sales taxes are recognized when the underlying transactions take place and have met the availability criteria. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements
For the Year Ended June 30, 2008

Note 1: **Summary of Significant Accounting Policies (continued)**

B. Basis of Presentation and Accounting (continued)

Fund Financial Statements

The General Fund is the Commission's primary operating fund and its only major fund. The General Fund accounts for all financial resources of the Commission.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

D. Reservations of Fund Balance

Reservations of fund balance are used to indicate that a portion of reported fund balance is (1) legally restricted to a specific use or (2) not available for appropriation or expenditure.

The Commission has reserved fund balances as follows:

Reserve for Encumbrances – A reserve is set aside for certain contractual obligations that the Commission has with its subrecipients in the operation of programmatic activities. These obligations in the current year do not constitute expenditures or liabilities, but once the subrecipient fulfills certain eligibility requirements, will represent expenditures or liabilities.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements For the Year Ended June 30, 2008

Note 2: **Cash and Investments**

Cash and investments shown on the statement of net assets and the balance sheet represent the Commission's share of the County Treasurer's cash and investment pool. The Commission voluntarily participates in the County Treasurer's cash and investment pool. California Government Code Section 53600, et. seq., and the County investment policy authorizes the following investments; local agency bonds, U.S. Treasury securities, U.S. agency securities, mortgage backed securities, collateralized obligations, asset backed securities, bankers acceptances, commercial paper, certificates of deposit, repurchase agreements, reverse repurchase agreements, corporate notes, money market mutual funds and the California Local Agency Investment Fund (LAIF). The County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134. Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. However, the value of the pool shares in the County, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the Commission's position in the pool. The Commission's investment in the County Treasurer as of June 30, 2008 is stated at fair value.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure – an amendment of GASB Statement No. 3*, requires additional disclosures about a government's deposit and investment risks that include credit risk, custodial credit risk, concentration of credit risk and interest rate risk. The Commission does not have an investment policy that addresses these specific types of risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The weighted average to maturity of the County's external investment pool as of June 30, 2008 was 1,068 days.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Commission's investment in the County external investment pool is not rated.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements For the Year Ended June 30, 2008

Note 2: **Cash and Investments** (continued)

Custodial Credit Risk and Concentration of Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Commission will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Concentration of credit risk is the risk of loss attributed to the magnitude of the Commission's investment in a single issuer. The Commission is not exposed to custodial credit or concentration of credit risk as it participates in the County's external investment pool, and therefore, is not subject to such risks.

Note 3: **Related Party Transactions**

During the fiscal year ended June 30, 2008, the Commission paid the County, a related party, \$237,705 for accounting, legal and administrative services.

Note 4: **Risk Management**

The Commission is exposed to various risks of loss related to general liability and workers' compensation. Insurance for the Commission is secured through commercial lines for both general liability and workers' compensation coverage.

Note 5: **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 improves 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.

Note 6: **Future Commitments**

The Commission has committed \$150,000 for state grant matching funds for the fiscal year ending June 30, 2009.

Note 7: **Program Evaluation**

During the fiscal year ended June 30, 2008, the Commission spent \$185,156 on program evaluation.

REQUIRED SUPPLEMENTARY INFORMATION

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Proposition 10 apportionment	\$ 3,000,000	\$ 3,000,000	\$ 3,082,579	\$ 82,579
Proposition 10 retention incentive	125,000	125,000	148,472	23,472
Proposition 10 surplus money investment fund	-	-	16,513	16,513
Investment earnings	400,000	400,000	474,951	74,951
Total revenues	<u>3,525,000</u>	<u>3,525,000</u>	<u>3,722,515</u>	<u>197,515</u>
Expenditures				
Professional and specialized services	2,844,635	2,844,635	2,546,653	297,982
Services and supplies	522,970	522,970	346,391	176,579
Total expenditures	<u>3,367,605</u>	<u>3,367,605</u>	<u>2,893,044</u>	<u>474,561</u>
Net change in fund balance	<u>\$ 157,395</u>	<u>\$ 157,395</u>	829,471	<u>\$ 672,076</u>
Fund balance, beginning of year			<u>9,976,165</u>	
Fund balance, end of year			<u>\$ 10,805,636</u>	

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Note to the Required Supplementary Information
For the Year Ended June 30, 2008

BUDGET AND BUDGETARY REPORTING

The Commission is required to prepare a budget each year based on estimates of revenues and expected expenditures. The budget is adopted on a basis consistent with generally accepted accounting principles. The legal level of budgetary control is exercised at the budget unit (departmental) level. All changes to the budget during the year are reflected in these financial statements and require the approval of the governing board. All unencumbered annual appropriations lapse at the end of each fiscal year.

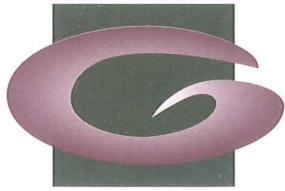
SUPPLEMENTARY INFORMATION

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

**Schedule of Expenses by Fund Source and
Net Assets of CCFC Funds for First 5 Programs
For the Year Ended June 30, 2008**

	CARES	
	CCFC Program Funds	County and Other Local Funds
Revenues		
CCFC funds	\$ 148,472	\$ -
Expenses		
Program expenses	148,472	296,945
Change in net assets	--	
Net assets - beginning of year	--	
Net assets - end of year	\$ -	

OTHER REPORTS



**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 Directors
First 5 Placer Children and Families Commission
Auburn, California**

We have audited the financial statements of the governmental activities and the major fund of the First 5 Placer Children and Families Commission (the Commission), a component unit of the County of Placer, as of and for the year ended June 30, 2008, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

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

Compliance and Other Matters

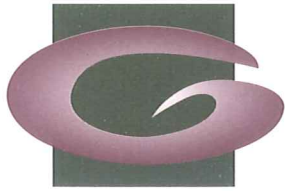
As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

This report is intended solely for the information and use of the Commission's management and Board of Directors, County Board of Supervisors, and 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.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC
Sacramento, California

October 1, 2008



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

**Board of Commissions
First 5 Placer Children and Families Commission
Auburn, California**

We have audited the basic financial statements of the First 5 Placer Children and Families Commission (the Commission), a component unit of the County of Placer, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 1, 2008.

Our audit was conducted 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 California Counties Participating in the California Children and Families Program*, issued by the State Controller's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Commission's management is responsible for the Commission's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the Commission's compliance with the 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 Benefits Policies	2	Yes

Board of Directors
First 5 Placer Children and Families Commission
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Based on our audit, we found that, for the items tested, the Commission complied with the laws and regulations of the items referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Commission had not complied with the laws and regulations of the California Children and Families program.

This report is intended solely for the information of and use of the Commission's management and Board of Directors, 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.

Gilbert Associates, Inc.

GILBERT ASSOCIATES, INC.
Sacramento, California

October 1, 2008