

**AUDIT REPORT
OF
IMPERIAL COUNTY
CHILDREN AND FAMILIES FIRST COMMISSION
(A Component Unit of the
County of Imperial, California)

FOR THE FISCAL YEAR ENDED
JUNE 30, 2012**

TABLE OF CONTENTS

	Page
FINANCIAL SECTION:	
INDEPENDENT AUDITORS' REPORT	3 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 8
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements (Commission-wide):	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds Balance Sheet	11
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	12
NOTES TO THE FINANCIAL STATEMENTS	13 - 17
REQUIRED SUPPLEMENTARY INFORMATION:	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	18
COMPLIANCE SECTION:	
INDEPENDENT AUDITORS' 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	19 - 20
INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE	21 - 22
SUPPLEMENTARY INFORMATION:	
Imperial County Children and Families First Commission Budget for 2011/2012 Program Year	23
Imperial County Children and Families First Commission Budget for 2012/2013 Program Year	24
Roster of Commission Members	25

INDEPENDENT AUDITORS' REPORT

Commission Members
County of Imperial - Children and Families First Commission
El Centro, California

I have audited the accompanying financial statements of the governmental activities and general fund of the Imperial County Children & Families First Commission (the Commission), a component unit of the County of Imperial, California, as of and for the year ended June 30, 2012 as listed in the table of contents. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.


I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Commission as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated October 10, 2012 on my consideration of the Commission's internal control over financial reporting and on my 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 my 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 my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8 and budgetary comparison information on page 18 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's financial statements as a whole. The summary budget schedules listed on pages 23 and 24 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "Roger Tubach". The signature is written in a cursive style with a large, stylized initial "R" and "T".

October 10, 2012

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
FOR THE YEAR ENDED JUNE 30, 2012**

In November 1998, California voters passed a statewide ballot initiative to add a surtax to tobacco products (Proposition 10). The monies collected are to be used to fund programs that promote early childhood development, from prenatal to age five. The intent is for all California children to be healthy, to live in a healthy and supportive environment, and to enter school ready to learn.

The discussion and analysis of the financial performance of the Imperial County Children & Families First Commission (the Commission) provides an overview of the Commission's financial activities for the year ended June 30, 2012. The intent of this discussion and analysis is to look at the Commission's financial performance as a whole. The users of these financial statements should read this discussion.

FINANCIAL HIGHLIGHTS

- The Commission received \$2,255,816 from the State of California from revenues collected under the California Children and Families Act (Proposition 10).
- During the current fiscal year, the Commission disbursed \$1,975,048 in grants to various community programs.
- The assets of the Commission exceeded its liabilities at the close of the 2011-2012 fiscal year by \$6,343,232 (*Net Assets*). Compared to the close of the 2010-2011 fiscal year in which *Net Assets* was \$6,394,945.
- The Commission's net assets from activities decreased by \$51,713 during the current fiscal year. In comparison with the 2010-2011 fiscal year net assets from activities decreased by \$173,309.
- At the close of the 2011-2012 fiscal year *Net Assets* included \$521,582 of encumbrances. In comparison with the 2010-2011 fiscal year when encumbrances were \$709,060.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Commission's financial statements, prepared in accordance with generally accepted accounting principles (GAAP), offer key, high-level financial information about the activities during the reporting period.

1. Government-wide Financial Statements (Commission-wide)

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. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or declining.

The Statement of Activities describes changes to the Commission's net assets during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs regardless of when cash is received or paid. Thus, some revenues and expenses are reported in this statement that will only result in cash inflows and outflows in future fiscal years.

The government-wide financial statements are presented on pages 9 and 10 of this report.

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
FOR THE YEAR ENDED JUNE 30, 2012**

2. Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Imperial County Children and Families Commission like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental 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. Such information may be useful in evaluating a government's near-term financing requirements.

The Commission maintains one governmental fund, the general fund. The Commission adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the budget.

The fund financial statements are presented on pages 11 and 12 of this report. The budgetary comparison is presented on page 18 of this report.

3. Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in both government-wide and fund financial statements. The notes to the financial statements are presented on pages 13 through 17 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Commission's finances. Required supplementary information can be found on page 18 of this report.

GOVERNMENT-WIDE (Commission-Wide) FINANCIAL ANALYSIS NET ASSETS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Commission's assets exceeded liabilities by \$6,343,232 at the close of the current fiscal year. In the prior period, assets exceeded liabilities by \$6,394,945. See *Imperial County Children and Families First Commission's Net Assets* page 7

The Commission's total net assets is comprised of \$2,353,688 *Committed Funds*, \$2,571,582 *Assigned Funds*, and \$1,417,962 *Unassigned Funds*. A portion of the Commission's Assigned Funds, \$521,582 represent encumbrances. The Commission uses encumbrances to keep track of unused budgets, so prior year expenditures/contracts will be properly charged to these budgeted amounts. The balance of the Commission's Assigned Funds, \$2,050,000 is designated for Local Initiatives and Program Sustainability.

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
FOR THE YEAR ENDED JUNE 30, 2012**

The following is a summary of the Commission's Statement of Net Assets comparing balances at June 30, 2012 and June 30, 2011.

Imperial County Children and Families First Commission's Net Assets

	<u>FY 2011/2012</u>	<u>FY 2010/2011</u>	<u>Dollar Increase / (Decrease)</u>	<u>Percent Increase / (Decrease)</u>
Current Assets and Other Assets	\$ 6,343,320	\$ 6,397,165	\$ (53,845)	(0.8)%
Total Assets	<u>6,343,320</u>	<u>6,397,165</u>	<u>(53,845)</u>	<u>(0.8)%</u>
Current and Other Liabilities	\$ 88	\$ 2,220	\$ (2,132)	(96.0)%
Total Liabilities	<u>88</u>	<u>2,220</u>	<u>(2,132)</u>	<u>(96.0)%</u>
Net Assets				
Unrestricted	<u>6,343,232</u>	<u>6,394,945</u>	<u>(51,713)</u>	<u>(0.8)%</u>
Total Net Assets	<u>\$ 6,343,232</u>	<u>\$ 6,394,945</u>	<u>\$ (51,713)</u>	<u>(0.8)%</u>

The following is a summary of the Commission's Statement of Activities comparing revenues, expenses and changes in net assets for the fiscal years ended June 30, 2012 and June 30, 2011.

Imperial County Children and Families First Commission's Statement of Activities

	<u>FY 2011/2012</u>	<u>FY 2010/2011</u>	<u>Dollar Increase / (Decrease)</u>	<u>Percent Increase / (Decrease)</u>
Revenues				
Program Revenues				
Proposition 10 apportionment	\$ 2,255,816	\$ 2,186,880	\$ 68,936	3.2 %
School readiness grant	--	218,061	(218,061)	(100.0)%
Total Program Revenues	<u>2,255,816</u>	<u>2,404,941</u>	<u>(149,125)</u>	<u>(6.2)%</u>
General revenues				
Interest	46,134	58,339	(12,205)	(20.9)%
Statutory cancellations	--	7,761	(7,761)	(100.0)%
Refunds and reimbursements	5,208	--	5,208	100.0 %
Total General Revenues	<u>51,342</u>	<u>66,100</u>	<u>(14,758)</u>	<u>(22.3)%</u>
Total Revenues	<u>2,307,158</u>	<u>2,471,041</u>	<u>(163,883)</u>	<u>(6.6)%</u>
Expenses				
Professional and special services	2,221,725	2,342,149	(120,424)	(5.1)%
Service and supplies	<u>137,146</u>	<u>302,201</u>	<u>(165,055)</u>	<u>(54.6)%</u>
Total expenses	<u>2,358,871</u>	<u>2,644,350</u>	<u>(285,479)</u>	<u>(10.8)%</u>
Change in net assets	(51,713)	(173,309)	121,596	(70.2)%
Net Assets, Beginning of year	<u>6,394,945</u>	<u>6,568,254</u>	<u>(173,309)</u>	<u>(2.6)%</u>
Net Assets, End of year	<u>\$ 6,343,232</u>	<u>\$ 6,394,945</u>	<u>\$ (51,713)</u>	<u>(0.8)%</u>

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
FOR THE YEAR ENDED JUNE 30, 2012**

BUDGETARY ANALYSIS

Budget to actual analysis provides the reader with useful information regarding the Commission's use of budgets and a sense of what management was attempting to achieve during the year. Budget to actual comparisons can be found on page 18.

General Fund Budgetary Highlights

Final Revenue Budget vs. Actual Revenues

The following information provides a summary of the primary factors that caused the variances in the final budgeted revenues compared to actual revenues:

- Proposition 10 Apportionment revenue is more than the budgeted amount by \$75,816
- Interest revenue was not budgeted, therefore, is more than the budgeted amount by \$46,134
- Refunds and Reimbursement revenue was not budgeted, therefore, is more than the budgeted amount by \$5,208
- There is a favorable increase of Total Revenues in excess of the budgeted amount by \$127,158

Final Expenditure Budget vs. Actual Expenditures

The following information provides a summary of the primary factors that caused the variance the final budgeted expenditures compared to actual expenditures:

- Professional and Special Services expenses were less than the budgeted amount by \$25,635
- Services and Supplies were less than the budgeted amount by \$31,899
- There is a favorable decrease of Total Expenditures below the budgeted amount by \$57,534

Overall Final Budget vs Revenues and Expenditures

- Overall there is a favorable increase in the actual Revenues less Expenditures compared to the Final Budget of \$184,692. This is a result of the favorable increase in total revenues in excess of the budgeted amount by \$127,158 and the favorable decrease in total expenditures below the budgeted amount by \$57,534

Next Years Budget

The Commission has adopted its budget for fiscal year 2012-2013. The details of this budget can be found on page 24. The Commission anticipates funding to be approximately \$1,681,615 for major grant projects, \$200,000 for the School Readiness Initiative, \$60,000 for Early Care and Education Stipend, \$158,138 for Community Development Mini-Grants, and \$53,935 for Community Outreach Support. Evaluation and office administration costs are preliminarily budgeted at \$444,454.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, you may reach Julio Rodriguez at (760) 482-2991.

IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets	
Equity in Pooled Cash	\$ 5,935,059
Interest Receivable	9,880
Due From Other Governments	398,381
Total Assets	\$ 6,343,320
Liabilities	
Accounts Payable and Accrued Expenses	\$ 88
Total Liabilities	88
Net Assets	
Unrestricted	6,343,232
Total Net Assets	\$ 6,343,232

See accompanying Notes to the Financial Statements

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Change in Net Assets</u>
Governmental Activities			
Child Development	<u>2,358,871</u>	<u>2,255,816</u>	<u>(103,055)</u>
Total Governmental Activities	<u>2,358,871</u>	<u>2,255,816</u>	<u>(103,055)</u>
General Revenues:			
			46,134
			<u>5,208</u>
			<u>51,342</u>
			(51,713)
			<u>6,394,945</u>
			<u>6,343,232</u>

See accompanying Notes to the Financial Statements

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
GOVERNMENTAL FUNDS BALANCE SHEET
JUNE 30, 2012**

	General Fund
Assets	
Assets	
Equity in Pooled Cash	\$ 5,935,059
Due From Other Governments	398,381
Interest Receivable	<u>9,880</u>
Total Assets	<u><u>\$ 6,343,320</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts Payable and Accrued Expenses	<u>\$ 88</u>
Total Liabilities	<u>88</u>
Fund Balance	
Committed Funds	2,353,688
Assigned Funds	2,571,582
Unassigned Funds	<u>1,417,962</u>
Total Fund Balance	<u>6,343,232</u>
Total Liabilities and Fund Balance	<u><u>6,343,320</u></u>

See accompanying Notes to the Financial Statements

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012**

	General Fund
Revenues	
Proposition 10 apportionment	\$ 2,255,816
Interest	46,134
Refunds and Reimbursements	5,208
Total Revenues	2,307,158
Expenditures	
Professional and special services	2,221,725
Services and supplies	137,146
Total Expenditures	2,358,871
Net Change in Fund Balance	(51,713)
Fund Balance - Beginning of Year	6,394,945
Fund Balance - End of year	\$ 6,343,232

See accompanying Notes to the Financial Statements

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Imperial County Children and Families First Commission (the Commission) was established by the Imperial County Board of Supervisors through adoption of Ordinance No. 1301 on September 3, 1999 pursuant to Proposition 10, the California Children and Families First Act of 1998. The purpose of the Commission is to promote, support, and improve the early development of children from the prenatal stage through five years of age. The Commission is funded by taxes levied by the State of California on tobacco products. The Department of Health Services acts as administrative agent to the Commission. The Commission consists of nine voting members.

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (the 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 proprietary activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented instead as general revenues.

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

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of the subsequent year's budget pursuant to state regulations.

Due From Other Governments

Due from other governments represents amounts due to the Commission from the California Children and Families Commission ("State Commission") for Prop 10 related revenues. The amount due at June 30, 2012, is \$398,381

Equity in Pooled Cash

The Commission's cash is deposited with the Imperial County Treasurer. The County pools these funds with those of other districts in the County and invests the cash. These pooled funds are carried at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31. Information regarding categorization of investments and risk can be found in the County's financial statements. The financial statements for the County of Imperial may be obtained by contacting the Auditor-Controller's office in El Centro, CA.

The portion of the County treasury attributed to the Commission's cash was \$5,935,059 as of June 30, 2012. The fair value of the Commission's portion of this pool as of June 30, 2012 was \$5,935,059.

The Commission benefits from the Treasurer's practice of pooling cash and investing certain funds. Interest earned on these pooled investments is allocated and apportioned quarterly to the Commission, based on the average daily balance for each quarter.

New Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) effective for reporting periods after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosures of nonspendable and spendable resources. The Commission has adopted GASB 54 for fiscal years beginning with the 2011/2012 financial statements and has disclosed information about fund balance reporting in a subsequent note on fund balance reporting.

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 2. RISK MANAGEMENT

The Commission has entered into an agreement with an independent consultant to administrate its risk management program. The Commission and the consultant are covered under the County of Imperial professional liability program. The County of Imperial has a self-insured retention per claim of \$200,000 with excess liability insurance of up to \$20 million per occurrence being provided by independent carriers.

Note 3. CONTINGENT LIABILITIES

The Commission receives funding from the State of California Proposition 10, the Children and Families First Act, to fund programs that promote, support, and improve the early development of children from prenatal through age five. These programs must be in compliance with applicable laws and may be subject to financial and compliance audits by the State. The amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time, although management does not expect such amounts, if any, to be material.

Note 4. COMMITMENTS

The Commission is currently in an operating lease extension for their office space. The lease extension was signed September 30, 2009 for a term of three years and requires payments of \$2,090 per month. Rent expense for the year ended June 30, 2012 was \$25,080. This expires on September 30, 2012.

The Commission has entered into an operating lease for their new office location. The lease is for a term of three years starting October 1, 2012 and requires payments of \$2,250 per month. This lease expires on September 30, 2015.

The Commission has entered into an operating lease for a copier. The lease was signed April 24, 2008, for a term of 60 months with monthly payments of \$408. Lease expense for the year ended June 30, 2012 was \$4,894

Future minimum lease payments are as follows:

Year Ended June 30,	
2013	\$ 36,941
2014	27,000
2015	<u>6,750</u>
	<u>\$ 70,691</u>

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 5. SECTION 30131.4 - CALIFORNIA TAX AND REVENUE CODE CERTIFICATION

The Commission has certified that the supplant requirements stated in Section 30131.4 of the California Tax and Revenue Code have been met.

Note 6. PROGRAM EVALUATION

California Children and Families Program, issued by the California State Controller, the Commission is required to disclose the amounts expended during the fiscal year on program evaluation. Program evaluation costs pertain to those activities undertaken to support the collection, production, analysis and presentation of evaluation information for Commission management, Commissioners and other interested parties.

The Commission spent \$165,576 on program evaluation during the fiscal year ending June 30, 2012.

Note 7. FUND BALANCE REPORTING

The Commission has adopted GASB 54 as part of its 2011-2012 fiscal year reporting. Implementation of GASB 54 is required for fiscal years beginning after June 15, 2010. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major fund types of fund balances, which are nonspendable and spendable. In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

The following classifications describe the relative strength of the constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance: Amounts that cannot be spent either because they are in nonspendable form or are legally or contractually required to be maintained intact (e.g. prepaid assets, inventory).

Restricted: fund balances that are constrained by external parties, constitutional provisions or enabling legislation.

Committed: fund balances include amounts that can be used only for the specific purposes determined by a formal action of the Commission Members (the Commission's highest level of decision making authority).

Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.

Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 7. FUND BALANCE REPORTING (Continued)

The Commission has classified its fund balances with the following hierarchy:

Nonspendable Fund Balance: The current Nonspendable Fund Balance is \$0.

Spendable: The Commission has classified the spendable fund balances as Restricted, Committed, Assigned, and Unassigned and considered each to have been spent when expenditures are incurred.

- Restricted for Assembly Bulletin 99:

In 2011, Assembly Bulletin 99 was issued which stated by June 30, 2012, each county Commission, with exemption of those counties receiving less than \$600,000, shall remit for deposit into the Children and Families Health and Human Service Fund, 50 percent of its county Commission funding as of June 30, 2011. On November 21, 2011 Assembly Bill 99 was revoked by the court, thereby removing the restriction placed on these funds. The current restricted fund balance is \$0

- Committed for Budgeted Program, Award Grantees, and School Readiness:

The Commission has set aside certain spendable fund balance for programs that have been approved and awarded funding. At year end, the committed fund balance is \$2,353,688 of which \$2,153,688 is for budgeted programs, and \$200,000 is for school readiness.

- Assigned for Encumbrances, Local Initiatives and Program Sustainability:

Assigned Funds include Encumbrances of \$521,582 which represent amounts pending on contracts and other commitments. These encumbrances are reported on the balance sheet as a reservation of fund balance at year end since they do not constitute expenditures or liabilities. An additional amount of \$2,050,000 is designated as Assigned Funds to be used for Local Initiatives and Program Sustainability.

- Unassigned:

The unassigned fund balance is \$1,417,962.

Note 8. SUBSEQUENT EVENTS

Management has reviewed subsequent events through October 10, 2012, the report date, and has determined that there are no reportable events.

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Proposition 10 apportionment	\$ 2,180,000	\$ 2,180,000	\$ 2,255,816	\$ 75,816
Interest	-	--	46,134	46,134
Refunds and Reimbursements	<u>-</u>	<u>--</u>	<u>5,208</u>	<u>5,208</u>
Total revenues	<u>2,180,000</u>	<u>2,180,000</u>	<u>2,307,158</u>	<u>127,158</u>
Expenditures				
Professional and special services	2,247,360	2,247,360	2,221,725	25,635
Services and supplies	<u>169,045</u>	<u>169,045</u>	<u>137,146</u>	<u>31,899</u>
Total expenditures	<u>2,416,405</u>	<u>2,416,405</u>	<u>2,358,871</u>	<u>57,534</u>
Net Change in Fund Balance	<u>(236,405)</u>	<u>(236,405)</u>	<u>(51,713)</u>	<u>\$ 184,692</u>
Fund Balance - Beginning of Year	<u>6,394,945</u>	<u>6,394,945</u>	<u>6,394,945</u>	
Fund Balance - End of Year	<u>\$ 6,158,540</u>	<u>\$ 6,158,540</u>	<u>\$ 6,343,232</u>	

**REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Commission Members
Imperial County Children and Families First Commission
El Centro, California

I have audited the financial statements of the Imperial County Children and Families First Commission (the Commission), a component unit of Imperial County, as of and for the year ended June 30, 2012, and have issued my report thereon dated October 10, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion 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, I do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

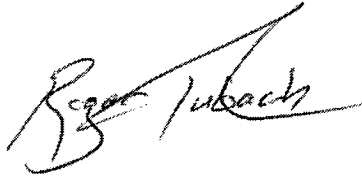
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I 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, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

I noted certain other matters that I reported to management of the Commission in a separate letter dated October 10, 2012.

This report is intended solely for the information and use of the County Board of Supervisors, the County Commission, the State Commission, the State Controller's Office, federal agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Roger Tuback". The signature is stylized with a large, sweeping initial "R" and a long, horizontal flourish extending to the right.

October 10, 2012

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Commission Members
 Imperial County Children and Families First Commission
 El Centro, California

I have audited the basic financial statements of the Imperial County California Children and Families Commission, a component unit of Imperial County, as of and for the year ended June 30, 2012 and have issued my report thereon dated October 10, 2012. I conducted my 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. I have also audited the Commission's compliance with the requirements specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2012. Compliance with the requirements referred to above is the responsibility of the Commission's management. My responsibility is to express an opinion on the Commission's compliance based on my audit.

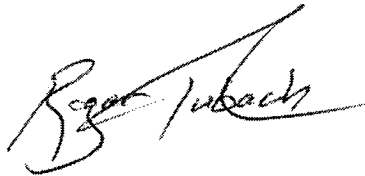
I conducted my compliance audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Those standards and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the statutory requirements listed below occurred. An audit includes examining on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Commission's compliance with those requirements.

In connection with the audit referred to above, I 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

In my opinion, Imperial County California Children and Families Commission complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed above for the year ended June 30, 2012.

This report is intended solely for the information of the County Board of Supervisors, the County Commission, the State Commission, and the State Controller's Office and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Roger Tubach". The signature is stylized with a large, sweeping initial "R" and a long, horizontal flourish extending to the right.

October 10, 2012

**IMPERIAL COUNTY CHILDREN & FAMILIES FIRST COMMISSION
BUDGET
JULY 1, 2011 THROUGH JUNE 30, 2012**

	<u>APPROVED BUDGET FY 2011/2012</u>
REVENUE	
State Aid	\$ 2,180,000
Revenue Total	<u>\$ 2,180,000</u>
EXPENDITURES	
Redemption of Benefits	\$ 4,000
Deferred Compensation	30,200
Communications - Telephone	1,700
SLIP/SPIP Insurance	2,300
Workers Compensation	5,800
Insurances	27,400
Memberships	3,145
Office Expense	4,500
Postage	1,200
Professional & Special Service	257,000
Professional & Special Services Data Systems	3,560
Professional Technical Assistance	7,500
Audit	9,000
Professional Technical - SCALAR	4,000
Media & Marketing	3,000
Rents, Leases & Maintenance	29,600
Special Department Expense	500
Travel In County Private Car	500
Travel Out County Private Car	1,000
Travel Airfare	2,000
Travel Hotel	1,000
Travel Meals	500
Travel Registration	500
Travel Miscellaneous	500
School Readiness Initiative	200,000
Community Outreach Support	74,385
Early Care PACES Stipend	60,000
Grantees Contract	<u>1,681,615</u>
Expenditure Total	<u>\$ 2,416,405</u>

**IMPERIAL COUNTY CHILDREN & FAMILIES FIRST COMMISSION
BUDGET
JULY 1, 2012 THROUGH JUNE 30, 2013**

	<u>APPROVED BUDGET FY 2012/2013</u>
REVENUE	
State Aid	\$ <u>2,257,232</u>
Revenue Total	\$ <u><u>2,257,232</u></u>
EXPENDITURES	
Redemption of Benefits	\$ 4,050
Deferred Compensation	30,200
Communications - Telephone	2,200
SLIP/SPIP Insurance	2,300
Workers Compensation	5,200
Insurances	27,600
Memberships	3,226
Office Expense	7,000
Postage	1,000
Professional & Special Service	268,700
Professional & Special Services Data Systems	25,000
Professional Technical Assistance	9,000
County Overhead	3,910
Audit	9,000
Professional Technical - SCALAR	7,500
Media & Marketing	3,000
Rents, Leases & Maintenance	29,568
Travel In County Private Car	500
Travel Out County Private Car	1,000
Travel Airfare	2,000
Travel Hotel	1,000
Travel Meals	500
Travel Registration	500
Travel Miscellaneous	500
School Readiness Initiative	200,000
Early Care PACES Stipend	60,000
Community Development Mini-Grants	158,138
Community Outreach Support	53,935
Grantees Contract	<u>1,681,615</u>
Expenditure Total	\$ <u><u>2,598,142</u></u>

**IMPERIAL COUNTY CHILDREN AND FAMILIES FIRST COMMISSION
ROSTER OF COMMISSION MEMBERS
JUNE 30, 2012**

At June 30, 2012, the Commission consisted of the following members:

Karla A. Sigmond, Chairperson
McKinley Elementary School

Barbara Deol, Vice Chairperson
Pioneers Memorial Hospital

Yurii Camacho
Calipatria School District

Ray Castillo
County Board of Supervisors

Miguel Colon, Jr.
City of Imperial, Police Department

Rebecca Green
Imperial Valley College

Robin R. Hodgkin
Imperial County Public Health

Joong S. Kim
Business Owner

James Semmes
Imperial County Social Services