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**FIRST 5 COMMISSION OF SAN DIEGO**

(A component unit of the County of San Diego, California)

**SINGLE AUDIT REPORT**

**JUNE 30, 2014**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

Heather Daud

Board of Commissioners  
First 5 Commission of San Diego  
San Diego, 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 the major fund of the First 5 Commission of San Diego, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the First 5 Commission of San Diego's basic financial statements, and have issued our report thereon dated September 2, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the First 5 Commission of San Diego's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the First 5 Commission of San Diego's internal control. Accordingly, we do not express an opinion on the effectiveness the First 5 Commission of San Diego'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.

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State Board of Accountancy

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the First 5 Commission of San Diego'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*.

## **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.

*Christy White Associates*

San Diego, California  
September 2, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Christy White, CPA

Michael Ash, CPA

Tanya M. Rogers, CPA, CFE

Heather Daud

Board of Commissioners  
First 5 Commission of San Diego  
San Diego, California

**Report on Compliance for Each Major Federal Program**

We have audited the First 5 Commission of San Diego's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the First 5 Commission of San Diego's major federal programs for the year ended June 30, 2014. The First 5 Commission of San Diego's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the First 5 Commission of San Diego's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the First 5 Commission of San Diego'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 for each major federal program. However, our audit does not provide a legal determination of the First 5 Commission of San Diego's compliance.

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### ***Opinion on Each Major Federal Program***

In our opinion, the First 5 Commission of San Diego complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

### **Report on Internal Control over Compliance**

Management of the First 5 Commission of San Diego is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The First 5 Commission of San Diego's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The First 5 Commission of San Diego's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities and the major fund of the First 5 Commission of San Diego, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the First 5 Commission of San Diego's basic financial statements. We issued our report thereon dated September 2, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Christy White Associates*

San Diego, California

September 2, 2014

**FIRST 5 COMMISSION OF SAN DIEGO  
A PROPOSITION 10 COMMISSION  
(A component unit of the County of San Diego, California)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2014**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U. S. DEPARTMENT OF EDUCATION:</b>			
<i>Passed through California Department of Education:</i>			
Race to the Top – Early Learning Challenge (RTT-ELC)	84.412A	15181	\$ <u>1,657,897</u>
<b>Total U. S. Department of Education</b>			<u>1,657,897</u>
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>			
<i>Passed through California Department of Health Services</i>			
Medi-Cal Administrative Activities	93.778	10060	\$ <u>93,553</u>
<b>Total U. S. Department of Health &amp; Human Services</b>			<u>93,553</u>
<b>Total Federal Expenditures</b>			<u>\$ <u>1,751,450</u></u>

**FIRST 5 COMMISSION OF SAN DIEGO  
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**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General**

The accompanying Schedule of Expenditures of Federal Awards presents the expenditure of federal awards of the First 5 Commission of San Diego a Proposition 10 Commission (Commission). The Commission's reporting entity is defined in Note 1 of the Commission's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included in the schedule.

**B. Basis of Accounting**

The Single Audit Act defines major federal award programs based upon total federal expenditures of the grantee during the period reported and risk of the programs audited. The Schedule of Expenditures of Federal Awards includes expenditures incurred for Medi-Cal Administrative Activities (CFDA No. 93.778) in the fiscal year 2012-2013, which were approved for reimbursement by the grantor agency in the fiscal year 2013-2014.

**C. Relationship to Basic Financial Statements**

Federal award revenues are generally reported within the Commission's financial statements under Note 7 – Revenue and Note 8 – Special Funding.

**D. Pass Through Awards to Subrecipients**

Included in the total expenditures of federal awards, the amount of \$1,648,124 has been passed through to subrecipients under CFDA# 84.412A.

**E. Relationship to Federal Financial Reports**

Amounts reported in the accompanying Schedule of Expenditures to Federal Awards agree with the amounts reported in the related federal financial reports. However, certain federal financial reports are filed based on cash expenditures. As such, certain timing differences may exist in the recognition of revenues and expenditures between the Schedule of Expenditures of Federal Awards and the federal financial reports.

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**I. SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified not considered to be material weakness?	None reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major programs:	
Material weakness identified?	No
Significant deficiencies identified not considered to be material weakness?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A -133, Section .510(a)	No
Identification of major programs:	

CFDA Number	Name of Federal Program
84.412A	Race to the Top- Early Learning Challenge

Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee	No

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
II. FINANCIAL STATEMENT FINDINGS**

None noted.

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings for this audit.

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**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014**

There were no findings for the year ended June 30, 2014.