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Special Meeting Agenda

January 27, 2020

2:30 PM

Kings County Board of Supervisors Chambers,
Kings County Government Center
1400 West Lacey Blvd.
Hanford, CA 93230

Call to Order & Welcome

Commissioners Roll Call

Review and Modification to Agenda

Opportunity for Public Comment

This portion of the meeting is reserved for persons to address the Commission on any matter not on this agenda but under the jurisdiction of the Commission. Commissioners may respond to statements made or questions posed. They may ask a question for clarification; make a referral to staff for factual information or request staff to report back to the Commission at a later meeting. Also, the Commission may take action to direct staff to place a matter of business on a future agenda.

Speakers are limited to two minutes. Please state your name before making your presentation.

Action Items

- P. 002 **2020-01-050 18/19 Audit:** Commission to review, discuss and consider approving the FY 18/19 audit prepared by Hudson & Henderson.
- P. 051 **2020-01-051 18/19 Annual Report:** Commission to review, discuss and consider approving the FY 18/19 annual report to be submitted to First 5 California.

Commissioner Comments

Review Next Meeting Date & Adjournment

- February 11, 2020 at 3:00 PM

Public Comment is Taken on Each Agenda Item

Please note that the order in which the agenda items are considered may be subject to change.

Agenda backup information and any public records provided to the Commission after the posting of the agenda for this meeting will be available for public review at the first 5 office: 330 Campus Drive, Hanford, CA 93230. Upon a timely request, reasonable efforts will be made to provide such information or records in alternative formats.



330 Campus Drive • Hanford • CA • 93230 • (559) 585-0814

Date of Meeting: January 27, 2020

2020-01-050

**FY 2018/2019
Audit Report**



330 Campus Drive • Hanford • CA • 93230 • (559) 585-0814

Date of Meeting: January 27, 2020
Agenda Item Number: 2020-01-050
Agenda Item Type: Action

AGENDA ITEM: 2018-2019 First 5 Kings County Annual Audit & Report

A. Background/History:

Proposition 10 legislation requires that the audit be transmitted to the First 5 California, and the State Controller's Office by November 1st of each year, and that the reports be made available to the general public on request at no cost.

To that end, Commission Staff had an audit report prepared by Hudson Henderson & Company, Certified Public Accounts. This report is presented to the Commission today for discussion, review and approval of the annual report and adoption of the audit report.

B. Summary of Request, Description of Project and/or Primary Goals of Agenda Item:

Commission staff is requesting the Commission review, discuss, and adopt the Annual Audit report for the period July 1, 2018 through June 30, 2019.

C. Timeframe:

The Audit Report for Fiscal Year 2018-2019 was originally due November 1st; however, due to the delay in receiving the Final Audit Report, an extension was requested and granted. The Audit Report will be submitted to First 5 California and the State Controllers Office by the January 30th deadline and is before the Commission for final approval and adoption.

D. Costs:

There are no additional costs associated with this agenda item.

E. Staff Recommendation:

Commission staff is requesting the Commission review, discuss, and adopt the Audit Report for the period July 1, 2018 through June 30, 2019.

F. Attachments:

- FY 2018-2019 Financial Audit
- FY 2018-2019 Management's Discussion and Analysis

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2019**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors’ Report	1
Management’s Discussion and Analysis.....	3
Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	8
Statement of Activities.....	9
Fund Financial Statements:	
Balance Sheet- Governmental Fund.....	10
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Fund	12
Reconciliation of the Changes in Fund Balance to the Statement of Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget to Actual (GAAP)- Governmental Fund	14
Notes to Financial Statements.....	15
Required Supplementary Information.....	29
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 <i>Government Auditing Standards</i>	33
Independent Auditors’ Report on State Compliance.....	35
Schedule of Findings and Recommendations.....	37
Summary Schedule of Prior Year Findings and Recommendations.....	38
Supplementary Information:	
Supplemental Schedule of First 5 California (F5CA) Funding	39



INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
County of Kings, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of the First 5 Kings County Children and Families Commission (the Commission), a component unit of the County of Kings, as of and for the year ended June 30, 2019, the related notes to the financial statements, and the respective budgetary comparison for the general fund, which collectively comprise the Commission's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the Commission, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Commission's proportionate share of the County's net pension liability, schedule of contributions- pension plan, schedule of changes in the net OPEB liability and related ratios and the schedule of contributions- OPEB plan on pages 3-7 and pages 29-32 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's financial statements. The Supplemental Schedule of First 5 California (F5CA) Funding is presented for purposes of additional analysis and is not a required part of the financial statements.

The Supplemental Schedule of First 5 California (F5CA) Funding is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 our opinion, the Supplemental Schedule of First 5 California (F5CA) Funding is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2020, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California
January 13, 2020



**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

INTRODUCTION

First 5 Kings County Children and Families Commission (First 5 Kings County) is funded primarily by a tax on tobacco products as established by Proposition 10, passed in 1998. All tax revenues are distributed to First 5 California Children and Families Commission (First 5 California) who utilizes 20% of those revenues and distributes the remainder to local First 5 county commissions formed by local ordinances after Proposition 10 was adopted. Kings County adopted its county ordinance establishing the First 5 Kings County on December 29, 1998. Funds are disbursed to the county by First 5 California based upon the number of children born to mothers with a residence in Kings County. The revenue from this tax is to be used for tobacco education and cessation programs and for programs that promote, support, and improve the early development of children from prenatal through age five. The intent is for California children to be healthy, to live in a healthy and supportive family environment, and to enter school ready to learn.

First 5 Kings County has developed a strategic plan to guide how funds are disbursed for this purpose. First 5 Kings County has adopted initiatives that set aside funding for implementation of certain goals from the strategic plan. A financial plan supplements and operationalizes the strategic plan and any accompanying initiatives.

Our discussion and analysis of First 5 Kings County financial performance provides an overview of its financial activities for the fiscal year ending June 30, 2019. It should be read in conjunction with the First 5 Kings County's basic financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Government Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*, issued June 1999, and GASB Statement No. 37, *Basic Financial Statements – and Management and Discussion and Analysis – for State and Local Governments: Omnibus*, an amendment to GASB Statement No. 21 and Statement No. 34, issued in June 2001.

FINANCIAL HIGHLIGHTS

- Total net position was \$1,034,788 as of June 30, 2019.
- Total liabilities were \$491,243.
- Revenues were \$2,037,023.
- Expenditures totaled \$2,350,026, for a total decrease in net position of \$313,003.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – the management’s discussion and analysis (this section), the basic financial statements, and supplementary information. The three sections together provide a comprehensive overview of First 5 Kings County. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about First 5 Kings County’s overall financial position.
- **Fund financial statements** focus on reporting the individual parts of First 5 Kings County’s operations in more detail. The fund financial statements comprise the remaining statements.
 - **Government funds** statements tell how general governmental services were financed in the short-term as well as what remains for future spending.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required supplementary information that further explains and supports the basic financial statements.

Government-Wide Statements

The government-wide statements report information about First 5 Kings County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of First 5 Kings County’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report First 5 Kings County’s net position and how they have changed. Net position – the difference between assets and liabilities – is one way to measure the financial health and position of First 5 Kings County.

- Over time, increases or decreases in First 5 Kings County’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of First 5 Kings County, one needs to consider additional non-financial factors such as decreases in Proposition 10 tax revenue due to decreased tobacco sales.

The government-wide financial statements of First 5 Kings County include only governmental activities.

Fund Financial Statements

The fund financial statements provide more detailed information about First 5 Kings County’s most significant funds – not First 5 Kings County as a whole. Funds are accounting devices that First 5 Kings County uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. First 5 Kings County establishes other funds to control and manage money for particular purposes or to show that First 5 Kings County is meeting legal responsibility for using certain revenues. First 5 Kings County has only one kind of fund:

- **Governmental funds** – All of First 5 Kings County’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statement provides a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance First 5 Kings County’s programs.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

The First 5 Kings County's combined net position was \$1,034,788 and \$1,347,791 at June 30, 2019 and 2018, respectively. See Table 1.

**Table 1:
Net Position**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
ASSETS		
Current Assets	\$ 1,458,131	\$ 1,760,192
Capital Assets	-	-
Total Assets	<u>1,458,131</u>	<u>1,760,192</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Pensions	68,523	97,389
Deferred OPEB	6,104	6,436
Total Deferred Outflows of Resources	<u>74,627</u>	<u>103,825</u>
LIABILITIES		
Current Liabilities	118,749	126,513
Noncurrent Liabilities	372,494	382,303
Total Liabilities	<u>491,243</u>	<u>508,816</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Pensions	6,727	7,410
NET POSITION		
Net Investment in Capital Assets	-	-
Unrestricted	1,034,788	1,347,791
Total Net Position	<u>\$ 1,034,788</u>	<u>\$ 1,347,791</u>

Changes in Net Position

The First 5 Kings County's total revenues were \$2,037,023 and \$1,741,202 for fiscal years ended June 30, 2019 and 2018, respectively. The revenue comes from a tax on tobacco products implemented with Proposition 10 (1998) and Proposition 56 (2016) as collected and distributed by First 5 California.

The total costs of all programs and services were \$2,350,026 and \$2,192,456 for fiscal years ended June 30, 2019 and 2018, respectively. The First 5 Kings County's expenses are predominately related to funding organizations to provide services for children ages 0 to 5 and their families. The remaining expenses were for internally operated programs, administrative activities, program expenses, and evaluation services.

**Table 2:
Changes in Net Position**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Program Revenues	\$ 1,996,496	\$ 1,723,341
General Revenues	<u>40,527</u>	<u>17,861</u>
Total Revenues	<u>2,037,023</u>	<u>1,741,202</u>
Expenses	<u>2,350,026</u>	<u>2,192,456</u>
Change in Net Position	(313,003)	(451,254)
Net Position, Beginning of Year	1,347,791	1,862,392
Prior Period Adjustment	<u>-</u>	<u>(63,347)</u>
Net Position, End of Year	<u>\$ 1,034,788</u>	<u>\$ 1,347,791</u>

FINANCIAL ANALYSIS OF THE FIRST 5 KINGS COUNTY'S FUND

For the fiscal year ended June 30, 2019, First 5 Kings County reported an ending fund balance of \$1,339,382, a decrease of \$294,297 from the prior year. The decrease represents the amount of excess of expenditures over revenues for the year ended June 30, 2019.

General Fund Budgetary Highlights

Budget comparisons for Proposition 10 revenue and expenditures reveal minor variances from previous spending trends. These variances are explained below.

➤ **Decrease to Office Expenses:**

During FY 18/19 there was a decrease in office expenses costs due to an increase in practice of saving electronic copies, versus printing hard copies.

➤ **Decrease to Program Expenses:**

In FY 18/19 the Linkages to Learning backpack program had a decrease in program expenses, due to changes with the vendor that was previously used.

➤ **Decrease to Administration Allocation:**

The methodology used to calculate and distribute the Administrative Allocation by the Kings County Department of Public distributes costs based on a percentage of Employee Salaries, and the cap set by County Administration and/or revenue streams.

➤ **Increase to E3 Initiative:**

FY 18/19 marked the fourth year of the IMPACT project in partnership with First 5 California. The increase in expenditures occurred as a result of the IMPACT budget modification approved by First 5 California, due to unspent funding in the first year of the IMPACT project.

➤ **Increase to Travel and Transportation:**

In FY 18/19, the Prop 56 Local Oral Health Program contributed to the increase in spending in this area, related to travel required by California Department of Public Health, as well as travel directly related to local efforts to implement the Local Oral Health Program.

A schedule of the First 5 Kings County's original and final budget amounts compared with actual revenues and expenses is provided in the audited financial report.

CAPITAL ASSETS AND LONG-TERM DEBT

First 5 Kings County's Net Investment in Capital Assets line item remained consistent with the prior year, due to no new assets purchased or depreciation recorded. The decrease in long-term liabilities is due to the decrease in compensated absences, offset by minor increases in the net OPEB liability and and the net pension liability net of deferred expenses.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Fiscal year 18-19 was the fourth year of the Strategic Plan; this plan sets the direction of the organization starting FY 15-16 and extends 5 years through FY 19-20. This plan sets stable level funding to initiatives over 5 years. The Strategic and Fiscal Plan relies on the Proposition 10 fund balance and these funds will reach a minimal level by June 30, 2020. At that time, the First 5 Kings County will no longer be able to sustain all of its current funding investments.

CONTACTING THE FIRST 5 KINGS COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors, and creditors with a general overview of the First 5 Kings County's finances and to demonstrate the First 5 Kings County's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact Ms. Clarissa Ravelo, Program Officer, First 5 Kings County, 330 Campus Drive Hanford, California 93230 (559) 585-0814.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 1,421
Treasurer's Investments	911,951
Receivables	544,759
Capital Assets, Net	-
Total Assets	1,458,131
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension	68,523
Deferred OPEB	6,104
Total Deferred Outflows of Resources	74,627
LIABILITIES	
Accounts Payable	118,749
Long-Term Liabilities	
Portion due within one year:	
Compensated Absences	2,555
Portion due in more than one year:	
Compensated Absences	2,660
Net OPEB Liability	39,125
Net Pension Liability	328,154
Total Liabilities	491,243
DEFERRED INFLOWS OF RESOURCES	
Deferred Pensions	6,727
NET POSITION	
Net Investment in Capital Assets	-
Unrestricted	1,034,788
Total Net Position	\$ 1,034,788

The accompanying notes are an integral part of the financial statements.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) and Revenue and Changes in Net Position Governmental Activities
Governmental Activities:			
Child Development Services	\$ 2,350,026	\$ 1,996,496	\$ (353,530)
Totals	\$ 2,350,026	\$ 1,996,496	(353,530)
General Revenues:			
Interest and Investment Earnings			36,674
Miscellaneous Income			3,853
Total General Revenues			40,527
Change in Net Position			(313,003)
Net Position, Beginning of Year			1,347,791
Net Position, End of Year			\$ 1,034,788

The accompanying notes are an integral part of the financial statements.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2019**

ASSETS

Cash and Cash Equivalents	\$	1,421
Treasurer's Investments		911,951
Receivables		<u>544,759</u>
 Total Assets	 \$	 <u><u>1,458,131</u></u>

LIABILITIES AND FUND BALANCE

Liabilities		
Accrued Expenses	\$	<u>118,749</u>
 Total Liabilities		 <u>118,749</u>
 Fund Balance		
Committed		1,971,775
Unassigned		<u>(632,393)</u>
 Total Fund Balance		 <u>1,339,382</u>
 Total Liabilities and Fund Balance	 \$	 <u><u>1,458,131</u></u>

The accompanying notes are an integral part of the financial statements.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
RECONCILIATION OF GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019**

Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position:

Total Fund Balance - Governmental Fund	\$	1,339,382
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund (net of accumulated depreciation of \$37,958).		-
Deferred outflows of pension and OPEB contributions reported in the Statement of Net Position.		74,627
Long-term liabilities are not due in the current period and, therefore, are not included in the governmental fund. (Net Pension Liability- \$328,154, Net OPEB Liability- \$39,125, Compensated absences- \$5,215).		(372,494)
Deferred inflows of pension reported in the Statement of Net Position.		<u>(6,727)</u>
Total Net Position - Governmental Activities	\$	<u><u>1,034,788</u></u>

The accompanying notes are an integral part of the financial statements.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

REVENUES

Proposition 10 General Allocation	\$	1,253,825
Proposition 56		274,176
First 5 IMPACT Funding		468,495
Interest and Investment Earnings		36,674
Miscellaneous Income		3,853
		3,853
Total Revenues		2,037,023

EXPENDITURES

Program Services:		
FRC Initiative	\$	722,705
CARES Initiative		558,011
School Readiness Initiative		439,800
First 5 Initiative		39,835
		39,835
Total Program Services		1,760,351
Salaries and Benefits		280,349
Office Expense		1,824
Professional and Specialized Services		128,560
Auditing and Accounting		6,560
Legal Services		815
Program Expenses		54,090
Informational and Technology Services		15,480
Administrative Cost (Kings County)		55,658
Travel and Transportation		12,040
Utilities		3,619
Communications		2,304
Maintenance		4,204
Memberships		4,000
Postage and Freight		232
Community Outreach		817
Purchasing Charges		283
Board and Commission Membership		134
		134
Total Expenditures		2,331,320
Net Change in Fund Balance		(294,297)
Fund Balance, Beginning of Year		1,633,679
Fund Balance, End of Year	\$	1,339,382

The accompanying notes are an integral part of the financial statements.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
RECONCILIATION OF THE CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of the Governmental Fund to the Statement of Activities:

Net change in Fund Balance - Governmental Fund	\$ (294,297)
Long-term liabilities are not due during the current year and, therefore, the change is not recorded in the governmental fund.	<u>(18,706)</u>
Change in Net Position - Governmental Activities	<u>\$ (313,003)</u>

The accompanying notes are an integral part of the financial statements.

FIRST 5 KINGS COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL (GAAP)
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variance with Final Budget
	Original	Final		
REVENUES				
Proposition 10 General Allocation	\$ 1,391,451	\$ 1,577,555	\$ 1,253,825	\$ (323,730)
Proposition 56	186,104	186,104	274,176	88,072
First 5 IMPACT Funding	408,760	408,760	468,495	59,735
Interest and Investment Earnings	16,000	16,000	36,674	20,674
Miscellaneous Income	800	800	3,853	3,053
Total Revenues	<u>2,003,115</u>	<u>2,189,219</u>	<u>2,037,023</u>	<u>(152,196)</u>
EXPENDITURES				
Program Services	1,689,716	1,689,716	1,760,351	(70,635)
Salaries and Benefits	304,092	304,092	280,349	23,743
Office Expense	3,700	3,700	1,824	1,876
Professional and Specialized Services	142,631	142,631	128,560	14,071
Auditing and Accounting	6,560	6,560	6,560	-
Legal Services	1,000	1,000	815	185
Program Expenses	60,964	60,964	54,090	6,874
Informational and Technology Services	16,607	16,607	15,480	1,127
Administrative Cost (Kings County)	85,674	85,674	55,658	30,016
Travel and Transportation	17,490	17,490	12,040	5,450
Utilities	4,177	4,177	3,619	558
Communications	2,325	2,325	2,304	21
Maintenance	10,187	10,187	4,204	5,983
Memberships	4,000	4,000	4,000	-
Publications and Legal Notices	100	100	-	100
Postage and Freight	1,800	1,800	232	1,568
Community Outreach	1,750	1,750	817	933
Purchasing Charges	273	273	283	(10)
Board and Commission Membership	500	500	134	366
Total Expenditures	<u>2,353,546</u>	<u>2,353,546</u>	<u>2,331,320</u>	<u>22,226</u>
Net Change in Fund Balance	<u>\$ (350,431)</u>	<u>\$ (164,327)</u>	<u>(294,297)</u>	<u>\$ (129,970)</u>
Fund Balance, Beginning of Year			<u>1,633,679</u>	
Fund Balance, End of Year			<u>\$ 1,339,382</u>	

The accompanying notes are an integral part of the financial statements.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: In November of 1998, California voters approved Proposition 10, which levied a 50-cent tax on each pack of cigarettes sold. Revenues generated from the tobacco tax are used to fund local health, child care, and education programs that promote early childhood development. These programs target children during their first five years of life and focus on anti-tobacco education programs.

On December 29, 1998, the County of Kings Board of Supervisors, in accordance with Proposition 10, passed and adopted Ordinance No. 578, which created the First 5 Kings County Children and Families Commission (the Commission). Ordinance No. 609, on April 2, 2002, established the Commission, a component unit of the County of Kings, as an agency with independent authority over the strategic plan described in Kings County Code of Ordinances Section 2-45 and the Kings County Children and Families Trust Fund described in Kings County Code of Ordinances Section 2-50. The Commission consists of nine voting members.

The basic financial statements included in this report are intended to present the financial position and results of operations of only the Commission. They are not intended to present the financial position and the results of operations of the County of Kings taken as a whole. For additional information regarding the County of Kings, please refer to the Comprehensive Annual Financial Report available from the County of Kings.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The basic financial statements of the Commission are prepared on the basis of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management Discussion and Analysis – for State and Local Governments*, and related standards. GASB Statement No. 34 established standards for external financial reporting for all state and local government entities which includes a management’s discussion and analysis section, a statement of net position, a statement of activities, and a statement of cash flows. The financial statements consist of the following:

- Government-Wide Financial Statements-

The Statement of Net Position and the Statement of Activities display information about the Commission as a whole. The Statement of Net Position presents the financial condition of the governmental activities of the Commission at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the Commission’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Commission, with certain limited exceptions.

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

- Fund Financial Statements-

The Commission’s governmental fund is accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Revenues are recognized as soon as they are both measurable and available.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued): 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 Commission considers revenues to be available if they are collected within 9 months of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, compensated absences are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, then unrestricted resources as they are needed. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the fund financial statements for the governmental fund.

The Commission reports the following major governmental fund:

The **Governmental Fund** is the general operating fund of the Commission and accounts for all revenues and expenditures of the Commission.

Cash and Investments: The Commission maintains its cash account with the County of Kings Treasurer – Tax Collector as part of the common investment pool. The County of Kings is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

State statutes and the County of Kings' investment policy authorize the County Treasurer to invest in U.S. Government Treasury and Agency Securities, bankers' acceptances, commercial paper, corporate bonds and notes, repurchase agreements, supranational debt obligations, and the State Treasurer's Local Agency Investment Fund (LAIF). In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer.

Credit quality ratings are not available for the Commission investments as all cash is invested as part of the common investment pool of the County of Kings Treasurer – Tax Collector. The Commission does not have any deposits with financial institutions as of June 30, 2019.

Accounts Receivable: The Commission utilizes the allowance method of accounting for and reporting uncollectible or doubtful accounts. At June 30, 2019, management considered all accounts to be fully collectible and, therefore, no allowance was recorded in the accompanying financial statements.

Capital Assets: Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of the asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment: 5-10 years

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-Exchange Transactions: Non-exchange transactions, in which the Commission gives or receives value without directly receiving or giving equal value in exchange, include Proposition 10 tax increments and other grants. With the accrual basis of accounting, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Deferred Outflows and Inflows of Resources: Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the County recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the Commission that is applicable to a future reporting period.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the Commission that is applicable to a future reporting period.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences: Commission employees earn vacation and sick leave with pay every year. The amount of vacation and sick leave earned is based on the years of continuous service. All vacation pay is accrued when incurred, while employees are generally vested to twenty-five percent of their sick leave balance after five years of service for accrual purposes. There is a cap on the maximum amount of vacation hours an employee can accrue ranging from 160 to 320 hours based on years of service.

Once the maximum accrual for vacation has been reached, employees stop earning additional vacation hours until the accumulation level drops below the established limits. At the close of each fiscal year, the balance of this accumulated time at the last pay period is computed for each employee at the current salary range. In the basic financial statements, these amounts are referred to as “Compensated Absences.”

In the governmental fund financial statement, a liability for these amounts is reported only if they have matured, for example, as a result of employee resignations or retirements prior to year-end, and payment of the liability is made subsequent to year-end. This is in accordance with GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity: In the fund financial statements, in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the Commission is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable* – Amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- *Restricted* – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed* – Amounts constrained to specific purposes by the Commission itself, using its highest level of decision-making authority (First 5 Kings County Children and Families Commission). To be reported as committed, amounts cannot be used for any other purpose unless the Commission takes the same highest level action to remove or change the constraint.
- *Assigned* – Amounts the Commission intends to use for a specific purpose. Intent can be expressed by the Commission or by an official or body to which the Board of Commissioners delegates the authority.
- *Unassigned* – Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The Commission establishes and modifies or rescinds fund balance commitments by passage of an ordinance or policy. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget as a designation or commitment of the fund, such as approved contracts. Assigned fund balance is established by the Commission through adoption or amendment of the budget, or future year budget, plan as intended for a specific purpose.

For the Commission's governmental fund, the Commission strives to maintain a budgeted total fund balance reserve that is at minimum 25% of any annual operating budget.

Net Position: Net position represents the residual interest in the Commission's assets after liabilities are deducted. In accordance with GASB Statement No. 34, the fund equity section on the statement of net position was combined to report total net position and present it in three broad components: net investment in capital assets, restricted, and unrestricted. Net position, net investment in capital assets includes capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Net position is restricted when constraints are imposed by third parties or by law through constitutional provisions or enabling legislation. All other net position is unrestricted. The Commission's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Budgeting Procedures: Each year management of the Commission prepares a proposed budget, which is presented to the Commission's Board of Commissioners. The annual budget is then legally enacted through adoption of a budget resolution.

An operating budget is adopted each fiscal year on the modified accrual basis of accounting. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Operating budgets that have not been encumbered lapse at the end of the fiscal year.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update: During the year ending June 30, 2019, the Commission implemented the following standards:

GASB Statement No. 83 – *Certain Asset Retirement Obligations*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 88 – *Certain Disclosure Related to Debt, including Direct Borrowings and Direct Placements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90 – *Majority Equity Interests- an amendment of GASB Statements No. 14 and No 61*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through January 13, 2020, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2019, consist of the following:

Cash and Cash Equivalents in County of Kings Treasury	\$ 1,421
Treasurer's Investments in County of Kings Treasury	\$ 911,951
Total Interest and Investment Earnings from County of Kings	\$ 36,674

See the County of Kings Comprehensive Annual Financial Report for disclosure related to cash, investment and related risks, including the fair market valuations of the pooled investments.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	\$ 37,958	\$ -	\$ -	\$ 37,958
Less Accumulated Depreciation	(37,958)	-	-	(37,958)
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense for the year ended June 30, 2019, was \$0.

NOTE 4 – DEFICIENCY OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2019, expenditures exceeded appropriations as follows:

Expenditures	Amount
Program Services	\$ (70,635)
Purchasing Charges	(10)

NOTE 5 – EVALUATION EXPENDITURES

The Commission spent \$55,057 on program evaluation during the fiscal year ended June 30, 2019, which consisted of \$28,248 in contracted evaluation activities and \$26,809 for internally managed costs associated with evaluation efforts and annual report submission.

NOTE 6 – LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2019 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated Absences	\$ 11,534	\$ 10,897	\$ (17,216)	\$ 5,215	\$ 2,555
Total	<u>\$ 11,534</u>	<u>\$ 10,897</u>	<u>\$ (17,216)</u>	<u>\$ 5,215</u>	<u>\$ 2,555</u>

NOTE 7 – ECONOMIC DEPENDENCY

The Commission received the majority of its funding from one source, taxes imposed by the California Tax and Revenue Code. This code imposes additional taxes on the sale of cigarettes and tobacco products. The total amount of funding from the additional taxes was \$1,528,001, or 75.01%, of the total revenue for the year ending June 30, 2019. The Commission is thus subject to possible risk of reductions in services and/or closure due to potential future changes of the California Tax and Revenue Code.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 8 – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2019, the Commission paid the County of Kings, a related party, \$68,603 for the following costs: \$815 in legal services, \$12,130 in information technology services, \$2,372 in motor pool services, and \$53,286 for administrative and indirect cost allocation services. The Commission is a component unit of the County of Kings as stated in Note 1. The Commission is reported as a discretely presented component unit in the County of Kings' Comprehensive Annual Financial Report.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

During the year ended June 30, 2018, the Commission implemented GASB No. 75 which changed the accounting, presentation and disclosures required for Other Postemployment Benefits.

Plan Description: The County of Kings provides health insurance benefits (medical, dental, vision, chiropractic, and mental health) through a self-insured plan administered by Blue Cross using the Blue Cross PPO. The County of Kings contributes toward the cost of such coverage for its employees as set forth in the bargaining memoranda of understanding. The County of Kings does not explicitly contribute toward the cost of health benefits for retirees. As the Commission is part of the County of Kings, these benefits are applicable to the Commission. However, there are two benefits offered to County retirees that give rise to an implicit cost to the County under GASB Statement No. 75:

1. Retirees with more than a stated number of service hours at the time they retire are entitled to convert a portion of their accumulated sick leave to a dollar amount which is held in a Medical Incentive Account (MIA) for the purpose of helping defray some or all of the costs of health insurance coverage through the County's plan until the account is exhausted.
2. Premiums charged to retirees in the plan are the same as those used for active employees. Because the plan is self-insured, the County is actually paying claims and administrative expenses on behalf of all participating retirees – the premiums are a mechanism for budgeting and negotiations, but do not reflect the underlying cost of providing retiree healthcare coverage. The excess of the actual cost of retiree and dependent coverage over the premiums charged to those retirees constitutes a significant financial benefit, sometimes called an employer's "implicit subsidy" under GASB Statement No. 75.

When the retiree reaches Medicare eligibility, he/she is no longer eligible to participate in the County plan; however, any remaining account balance may be used for purposes of defraying Medicare Supplement insurance premiums purchased outside the County's plan. All employee groups except Elected Officials follow the same general rule, in that there are two tiers of employees, those hired before a given cutoff date and those hired on or after that date. Employees hired before the cutoff date may make a one-time election to receive a portion of cash from their accumulated sick-leave hours rather than convert them to an MIA, an option not available to post-cutoff date hires. Also, the benefit percentage applied dollar value of accumulated sick-leave hours may differ between the two tiers, and number of service hours required to be eligible for a given benefit percentage may differ as well.

Employees Covered: All Commission employees are covered by the benefit terms of the OPEB Plan of the County of Kings. See the County of Kings Comprehensive Annual Financial Report for more information regarding total employees covered.

Net OPEB Liability: The Commission's net OPEB liability of \$39,125 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017. Standard actuarial update procedures were used to roll forward to the measurement date from the actuarial valuation.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Net OPEB Liability (continued):

The changes in the net OPEB liability for the plan year was as follows:

	Net OPEB Liability
Balance at June 30, 2018	\$ 37,086
Changes in the year:	
Service cost	2,844
Interest on the total OPEB liability	1,152
Changes in assumptions	(1,536)
Benefit Payments, including Refunds of Employee Contributions	(421)
Net change	2,039
Balance at June 30, 2019	\$ 39,125

Actuarial assumptions and other inputs: The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases:	2.785%
Discount rate:	3.5%
Medical/Rx trend rate	6.0%

Pre-retirement mortality rates were based on CalPERS tables.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percent lower (2.56 percent) or 1-percentage point higher (4.56 percent) than the current discount rate:

	Discount Rate - 1% (2.56%)	Current Discount Rate 3.56%	Discount Rate + 1% (4.56%)
Net OPEB Liability	\$ 42,827	\$ 39,125	\$ 35,706

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate: The following presents the total OPEB liability of the Commission, as well as what the Commission’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percent lower (5.5 percent) or 1-percentage point higher (7.5 percent) than the current discount rate:

	Trend Rate - 1% (5.50%)	Current Healthcare Trend Rate 6.50%	Trend Rate + 1% (7.50%)
Net OPEB Liability	\$ 34,505	\$ 39,125	\$ 44,696

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the year ended June 30, 2019, the Commission recognized OPEB Expense of \$3,822. At June 30, 2019, the Commission reported deferred outflows of resources related to the OPEB Plan from the following sources:

	Deferred Outflows of Resources
Changes in assumptions	\$ 4,893
Contributions subsequent to the measurement date	1,211
Total	\$ 6,104

Contributions subsequent to the measurement date will be expensed during the year ended June 30, 2020. Other deferred outflows of resources related to the OPEB Plan will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2020	\$ 445
2021	445
2022	445
2023	445
2024	445
Remaining	2,668
Total	\$ 4,893

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 10 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN

Plan Description: The County of Kings contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer defined benefit pension plan in which all full-time employees of the County of Kings are eligible to participate. CalPERS provides retirement, disability, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. CalPERS acts as a common investment agent for participating public entities within the State of California and is administered by the CalPERS Board of Administration according to the provisions set forth in the California Public Employees Retirement Law. Benefit provisions and other requirements are established by County ordinance and contract. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website. As the Commission is part of the County of Kings, these benefits are applicable to the Commission.

Employees Covered: All Commission employees are covered by the benefit terms of the Miscellaneous Benefit Plan of the County of Kings. See the County of Kings Comprehensive Annual Financial Report for more information regarding total employees covered.

Contributions: Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1st following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County of Kings is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2018 (the measurement date), the average active employee contribution rate is 7.000 percent of annual pay, and the employer's contribution rate is 14.886 percent of annual payroll for those employees in the Miscellaneous Plan.

Net Pension Liability: The Commission's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability for the Plans is measured as of June 30, 2018, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions: The total pension liabilities in the June 30, 2017 and the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2018
Actuarial Cost Method:	Entry Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate-	7.15%
Inflation-	2.75%
Salary Increases-	Varies by entry age and service
Investment Rate of Return-	7.50%
Mortality Rate Table ¹ -	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit-	Contract COLA up to 2.75% until Purchasing Power
Increase-	Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

¹ The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvement using Society of Actuaries Scale BB. For more details on this table, please refer to the 2017 experience study report.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 10 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN (continued)

Change of Assumptions: For the June 30, 2017 measurement date, the accounting discount rate reduced from 7.65 percent to 7.15 percent. No changes were made for the June 30, 2018 measurement date actuarial calculations.

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach.

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00	0.80	2.27
Inflation Sensitive	6.00	0.60	1.39
Private Equity	12.00	6.60	6.63
Real Estate	11.00	2.80	5.21
Infrastructure and Forestland	3.00	3.90	5.36
Liquidity	2.00	(0.40)	(0.90)
Total	<u>100.00%</u>		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 10 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN (continued)

Net Pension Liability: At June 30, 2019, the Commission reported a liability of \$328,154 for its proportionate share of the County's Proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the liability used to calculate the net pension liability was determined by an actuarial valuation date of June 30, 2017, updated to June 30, 2018. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all pension plan participants, actuarially determined. At June 30, 2018, the Commission's proportion share of the County's proportionate share was 0.34%, compared to 0.35% at June 30, 2017, an decrease of 0.01%.

The Commission's contributions to CalPERS for the fiscal year ended June 30, 2018, was equal to the required contributions. The required contributions for the last three fiscal years are noted in the below chart.

Fiscal Year End	Contributions
June 30, 2016	\$ 24,533
June 30, 2017	\$ 27,944
June 30, 2018	\$ 28,497

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the Commission, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate 7.15%	Discount Rate + 1% (8.15%)
Net Pension Liability	\$ 517,271	\$ 328,154	\$ 172,239

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: For the year ended June 30, 2019, the Commission recognized pension expense of \$32,192. At June 30, 2019, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 30,423	\$ -
Changes in assumptions	35,004	(4,609)
Differences between expected and actual experiences	-	(2,118)
Net differences between projected and actual earnings	3,096	-
Total	\$ 68,523	\$ (6,727)

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 10 – EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN (continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (continued): Deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2020	\$ 28,279
2021	15,498
2022	(9,738)
2023	(2,666)
Total	\$ 31,373

NOTE 11 – FUND BALANCES

Fund balances are presented in the following categories: committed and unassigned (See Note 1 for a description of these categories). A detailed schedule of fund balances at June 30, 2019, is as follows:

Committed:	
Approved contracts not yet executed	\$ 1,771,408
California First 5 Initiative Programs	175,367
Evaluation Services	25,000
Total Committed Fund Balance	1,971,775
Unassigned	(632,393)
Total Fund Balance	\$ 1,339,382

As of June 30, 2019, the Commission’s governmental fund reported a negative unassigned balance of \$632,393. This was caused by the Commission approving several multi-year contracts that increased their committed balance. Future revenues and the disbursement of such funds will decrease the committed balance to alleviate the negative unassigned fund balance.

NOTE 12 – RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission provides coverage for these losses through commercial insurance policies and/or through participation in the County of Kings’ Self-Insurance Program. Refer to the County of Kings Comprehensive Annual Financial Report for additional information.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse effect on the financial position of the Commission.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION**

REQUIRED SUPPLEMENTARY INFORMATION

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE COUNTY'S NET PENSION LIABILITY

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Commission's proportion of the County's proportionate net pension liability (asset)	0.34%	0.35%	0.36%	0.38%	0.36%
Commission's proportionate share of the County's proportionate net pension liability (asset)	\$ 328,154	\$ 333,683	\$ 287,455	\$ 277,611	\$ 186,969
Commission's covered-employee payroll	\$ 187,360	\$ 194,835	\$ 184,990	\$ 165,024	\$ 163,074
Commission's proportionate share of the County's proportionate net pension liability (asset) as a percentage of its covered-employee payroll	175.15%	171.26%	155.39%	168.22%	114.65%
Plan fiduciary net position	\$296,742,769	\$279,852,259	\$256,012,190	\$259,618,018	\$259,446,155
Plan fiduciary net position as a percentage of the Commission's proportionate share of the County's proportionate share of the total pension liability (asset)	76.54%	75.14%	76.33%	81.23%	83.32%

Notes to Schedule:

Benefit changes: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2017. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown. As time passes, additional years will be shown until a full ten-year history is available.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION (continued)**

SCHEDULE OF CONTRIBUTIONS – PENSION PLAN

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Contractually Required Contribution (Actuarially determined contribution)	\$ 28,497	\$ 27,944	\$ 24,533	\$ 22,163	\$ 19,122
Actual contributions	<u>\$ 28,497</u>	<u>\$ 27,944</u>	<u>\$ 24,533</u>	<u>\$ 22,163</u>	<u>\$ 19,122</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered-employee payroll	\$187,360	\$194,835	\$184,990	\$165,024	\$163,074
Actual contributions as a percentage of the County's covered-employee payroll	15.21%	14.34%	13.26%	13.43%	11.73%

Notes to Schedule:

Valuation date: June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method/Period:	See June 30, 2011 Funding Valuation Report
Asset Valuation Method:	See June 30, 2011 Funding Valuation Report
Inflation:	2.50%
Salary Increases:	Varies by Entry Age and Service
Payroll Growth:	3.00%
Investment Rate of Return:	7.15%
Retirement Age:	Probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality:	Probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* Fiscal year 2015 was the 1st year of implementation, therefore only five years are shown. As time passes, additional years will be shown until a full ten-year history is available.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION (continued)**

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years*	2019	2018
Total OPEB Liability		
Service cost	\$ 2,844	\$ 2,765
Interest on the total OPEB liability	1,152	1,058
Changes in assumptions	(1,536)	(1,609)
Benefit Payments, including Refunds of Employee Contributions	(421)	(1,262)
Net change in Total OPEB Liability	2,039	952
Total Net OPEB Liability - Beginning	37,086	36,134
Total Net OPEB Liability - Ending	\$ 39,125	\$ 37,086
Commission's covered-employee payroll- Measurement Period	\$ 187,360	\$ 194,835
Net OPEB liability as a percentage of covered-employee payroll	20.88%	19.03%

*Omitted Years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. As time passes, additional years will be shown until a full ten-year history is available.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION (continued)**

SCHEDULE OF CONTRIBUTIONS – OPEB PLAN

Last 10 Fiscal Years*	2019	2018
Actuarially determined contribution	\$ 3,560	\$ 5,933
Contributions in relation to the actuarially determined contribution	(1,059)	(1,765)
Contribution Deficiency (Excess)	\$ 2,501	\$ 4,168
 Commission's covered-employee payroll- Measurement Period	 \$ 187,360	 \$ 194,835
 Contributions as a percentage of covered-employee payroll	 1.33%	 2.14%

Notes to Schedule:

Valuation date: June 30, 2018

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Entry Age Normal
Discount Rate:	3.50%
Inflation:	2.75%
Salary Increases:	3.00%
Investment Rate of Return:	3.00%
Healthcare Cost Trend Rate:	7.00%
Retirement Age:	Probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007
Mortality:	Probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

*Omitted Years: GASB Statement No. 75 was implemented during the year ended June 30, 2018. No information was available prior to this date. As time passes, additional years will be shown until a full ten-year history is available.



**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**

To the Board of Supervisors
County of Kings, 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 general fund of the First 5 Kings County Children and Families Commission (the Commission), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's financial statements, and have issued our report thereon dated January 13, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
January 13, 2020



INDEPENDENT AUDITORS’ REPORT ON STATE COMPLIANCE

To the Board of Supervisors
County of Kings, California

Compliance

We have audited the First 5 Kings County Children and Families Commission’s (the Commission) compliance with the requirements specified in the State of California’s *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller’s Office, applicable to the Commission’s statutory requirements identified below for the year ended June 30, 2019.

Management’s Responsibility

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

Auditors’ Responsibility

Our responsibility is to express an opinion on the Commission’s compliance with the requirements referred to above based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the State of California’s *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller’s Office. Those standards and the State of California’s *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on the statutory requirements listed below. An audit includes examining, on a test basis, evidence about the Commission’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the Commission’s compliance with those requirements. In connection with the audit referred to above, we selected and tested transactions and records to determine the Commission’s compliance with the state laws and regulations applicable to the following items:

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

Opinion

In our opinion, the Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2019.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
January 13, 2020

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2019**

There are no reportable findings as required by *Government Auditing Standards* for the year ended June 30, 2019.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no reportable findings as required by *Government Auditing Standards* for the year ended June 30, 2018.

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION**

SUPPLEMENTARY INFORMATION

**FIRST 5 KINGS COUNTY
CHILDREN AND FAMILIES COMMISSION
SUPPLEMENTAL SCHEDULE OF
FIRST 5 CALIFORNIA (F5CA) FUNDING
FOR THE YEAR ENDED JUNE 30, 2019**

Program or Project Title		REVENUE		CHANGE IN	NET POSITION	NET POSITION
		F5CA FUNDS	EXPENDITURES	NET POSITION	BEG OF YEAR	END OF YEAR
First 5 IMPACT Program	F5CA Program Funds	\$ 468,495	\$ 468,495	\$ -	\$ -	\$ -
	County, Local Funds	89,516	89,516	-	-	-
TOTAL F5CA FUNDS		\$ 558,011	\$ 558,011	\$ -	\$ -	\$ -

January 13, 2020

Hudson Henderson & Company, Inc.
7473 N. Ingram Ave., Suite 102
Fresno, CA 93711

This representation letter is provided in connection with your audit(s) of the financial statements of the First 5 Kings County Children and Families Commission (the Commission), which comprise the respective financial position of the governmental activities and major fund information as of June 30, 2019, the respective changes in financial position for the year then ended, the budgetary comparison, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of January 13, 2020 the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 31, 2019, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

Kings County Children & Families Commissioners

Dr. Lisa Lewis,
Kings County Behavioral Health,
Director

Sanja Bugay,
Kings County Health & Human
Services, Director

Joe Neves,
Kings County Board of Supervisors

Milton Teske, M.D.,
Department of Public Health
Health Officer

Todd Barlow,
Educator

Staff

Edward Hill,
Executive Director

Clarissa Ravelo,
Program Officer

Vanessa Avila,
School Readiness Coordinator

Amy Luna,
Family Resource Specialist

- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Commission is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

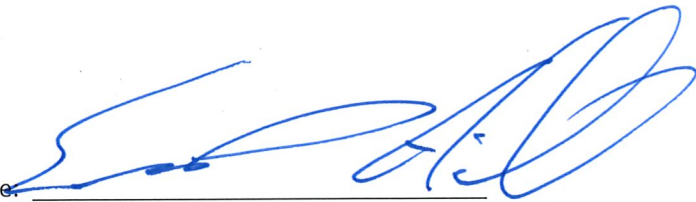
- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Commission from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of Board of Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the Commission and involves—
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Commission's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.

- 31) The Commission has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 32) The financial statements include all component units, as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 33) The financial statements properly classify all funds and activities in accordance with [GASBS No. 34](#), as amended, and [GASBS No. 84](#).
- 34) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 35) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 36) Provisions for uncollectible receivables have been properly identified and recorded.
- 37) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 38) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 40) Deposits and investment securities are properly classified as to risk and are properly disclosed in the financial statements.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 42) We have appropriately disclosed the Commission's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 43) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 44) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 45) With respect to the Supplemental Schedule of First 5 California (F5CA) Funding:
 - a) We acknowledge our responsibility for presenting the Supplemental Schedule of First 5 California (F5CA) Funding in accordance with accounting principles generally accepted in the United States of



America, and we believe the Supplemental Schedule of First 5 California, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the Supplemental Schedule of First 5 California (F5CA) Funding have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- b) If the Supplemental Schedule of First 5 California (F5CA) Funding is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signature: 
Edward Hill

Title: Executive Director, First 5 Kings County



330 Campus Drive • Hanford • CA • 93230 • (559) 585-0814

Date of Meeting: January 27, 2020

2020-01-051

**FY 2018/2019
Annual Report**

AGENDA ITEM: 2018-2019 First 5 Kings County Annual Report

A. Background/History:

The California Children and Families First Act of 1998 requires that, “On or before October 15 of each year, ...each county commission shall conduct an audit of, and issue a written report on the implementation and performance of their respective functions during the preceding fiscal year, including at a minimum, the manner in which funds were expended, the progress toward, and the achievement of program goals and objectives, and the measurement of specific outcomes through appropriate reliable indicators”.

To that end, Commission Staff have prepared an annual report. This report is presented to the Commission today for discussion, review and approval of the annual report and adoption of the audit report.

B. Summary of Request, Description of Project and/or Primary Goals of Agenda Item:

Commission staff is requesting the Commission review, discuss, and adopt the Annual Report for the period July 1, 2018 through June 30, 2019.

C. Timeframe:

The Annual Report for Fiscal Year 2018-2019 was originally due for submission to First 5 California and the State Controllers Office by November 1st; however, due to delays in receipt of the Annual Audit Report, an extension for submission was submitted and granted. The Annual Report will be submitted by the new January 30th deadline and is before the Commission for final approval and adoption.

D. Costs:

There are no costs associated with this agenda item.

E. Staff Recommendation:

Commission staff is requesting the Commission review, discuss, and adopt the Annual Report for the period July 1, 2018 through June 30, 2019.

F. Attachments:

- FY 2018-2019 Annual Report (AR1 – Revenue & Expenditure, AR2 – Demographic Worksheets, and AR3 – Evaluation Summary)



Annual Report AR-1
Kings Revenue and Expenditure Summary
July 1, 2018 - June 30, 2019

Revenue Detail

Category	Amount
Tobacco Tax Funds	\$1,528,001
First 5 Impact Funds	\$468,495
Small Population County Augmentation Funds	\$0
DLL Pilot Funds	\$0
Other First 5 California Funds	\$0
Other First 5 California Funds Description	
Other Public Funds	\$0
Other Public Funds Description	
Donations	\$0
Revenue From Interest Earned	\$36,674
Grants	\$0
Grants Description	
Other Funds	\$3,853
Other Funds	
Total Revenue	\$2,037,023

Improved Family Functioning

Service	Grantee	Program(s)	Children	Caregivers	Providers	Amount
General Family Support	Higher Education	<ul style="list-style-type: none"> FRCs Core Support 	93	75	0	\$90,000
General Family Support	CBO/Non-Profit	<ul style="list-style-type: none"> FRCs Core Support 	204	315	0	\$116,000
General Family Support	CBO/Non-Profit	<ul style="list-style-type: none"> FRCs Core Support 	89	72	0	\$90,000
General Family Support	County Office of Education/School District	<ul style="list-style-type: none"> FRCs Core Support 	1232	1070	0	\$425,012
					Total	\$721,012

Improved Child Development

Service	Grantee	Program(s)	Children	Caregivers	Providers	Amount
Quality Early Learning Supports	County Office of Education/School District	<ul style="list-style-type: none"> Quality Counts California 	0	0	264	\$557,931
Early Learning Programs	CBO/Non-Profit	<ul style="list-style-type: none"> Preschool/Childcare 	233	193	0	\$349,800
Early Learning Programs	First 5 County Commission	<ul style="list-style-type: none"> Not Applicable 	2332	0	83	\$181,042
Early Learning Programs	CBO/Non-Profit	<ul style="list-style-type: none"> Not Applicable 	210	91	0	\$90,000
					Total	\$1,178,773

Improved Child Health

No data entered for this section as of 1/15/2020 12:28:16 PM.

Improved Systems Of Care

Service	Grantee	Program(s)	Amount
Programs and Systems Improvement Efforts	CBO/Non-Profit	<ul style="list-style-type: none">Family Strengthening Systems	\$39,835
Total			\$39,835

Expenditure Details

Category	Amount
Program Expenditures	\$1,939,620
Administrative Expenditures	\$263,140
Evaluation Expenditures	\$128,560
Total Expenditures	\$2,331,320
Excess (Deficiency) Of Revenues Over (Under) Expenses	(\$294,297)

Other Financing Details

Category	Amount
Sale(s) of Capital Assets	\$0
Other	\$0
Total Other Financing Sources	\$0

Net Change in Fund Balance

Category	Amount
Fund Balance - Beginning	\$1,356,361
Fund Balance - Ending	\$1,062,064
Net Change In Fund Balance	(\$294,297)

Fiscal Year Fund Balance

Category	Amount
Nonspendable	\$0
Restricted	\$0
Committed	\$1,062,064
Assigned	\$0
Unassigned	\$0
Total Fund Balance	\$1,062,064

Expenditure Note

No data entered for this section as of 1/15/2020 12:28:16 PM.

Small Population County Funding Augmentation

Category	Amount	Comment
Administration	\$0	
Evidence Based Programs	\$0	
Evidence Informed Programs	\$0	
Funded Programs	\$0	
Professional Development, Training and Technical Assistance	\$0	
Evaluation	\$0	
Other (Please Explain)	\$0	
	Total	\$0
If unspent funds occurred during the FY, please list amount and provide explanation.	\$0	



Annual Report AR-2
Kings Demographic Worksheet
July 1, 2018 - June 30, 2019

Population Served

Category	Number
Children Less than 3 Years Old	1,122
Children from 3rd to 6th Birthday	3,271
Primary Caregivers	1,773
Providers	390
Total Population Served	6,556

Primary Languages Spoken in the Home

Category	Number of Children	Number of Adults
English	2,029	901
Spanish	1,022	771
Other - Specify with text box Tagalog	4	2
Korean	38	1
Unknown	1,300	98
Totals	4,393	1,773

Race/Ethnicity of Population Served

Category	Number of Children	Number of Adults
Asian	84	54
Black/African-American	52	33
Hispanic/Latino	2,072	1,313
Native Hawaiian or Other Pacific Islander	2	10
White	492	196
Two or more races	346	45
Other – Specify with text box Not specified	38	26
Unknown	1,291	86
Alaska Native/American Indian	16	10
Totals	4,393	1,773

Duplication Assessment

Category	Data
Degree of Duplication	30%
Confidence in Data	Not sure
Additional Details (Optional)	Although grantees capture duplicated versus unduplicated services, there is potentially some crossover between programs, due to the size of Kings County, and mobility of the population. Current systems will continue to be evaluated to minimize duplicate counts.



Annual Report AR-3

Kings County Evaluation Summary and Highlights

July 1, 2018 - June 30, 2019

County Evaluation Summary

Evaluation Activities Completed, Findings, and Policy Impact

First 5 Kings County supports a five-year contract with an external evaluation research firm, EMT Associates, Inc., to evaluate its funded programs and initiatives. The evaluation approach is guided by a results-based accountability framework detailed in the 2015-2020 Strategic Plan. The plan defines performance indicators within key result areas for use in monitoring progress over time. The indicators and performance benchmarks are framed as increases in service outputs or related outcomes. Accordingly, the evaluation design is structured to compare baseline measurements from FY 2014-15 to annual follow-up timepoints to assess growth in outputs over time. The evaluation approach involves three components: (1) countywide monitoring of community archival indicators identified by First 5 California to provide standard measurement of community conditions related to children's health and early development, (2) an annual evaluation of funded initiatives using measurement of key result indicators defined by the First 5 Kings County Commission in collaboration with the external evaluation team, and (3) a cost-effectiveness analysis to be completed at the end of the contract period that will inform decisions regarding future resource allocation. The First 5 Kings County evaluation report documents the scope and reach of Commission investments in early education, health, and family support for Kings County families with young children 0 to 5 years of age. These investments include a mix of proven community-based programs and newer initiatives that have expanded the scope and impact of Commission investments over time. It is important to note that although the strategic plan focuses on increases in service delivery as the key benchmark for program success, funded programs have struggled to maintain service levels in the face of a declining revenue base. This trend necessitates a future focus on resource development and collaboration to help identify new funding streams and to better leverage existing resources. The evaluation team will continue to actively monitor the impacts of declining revenues on the number of children and families reached and the scope and quality of services and interventions. Despite funding constraints, programs have continued to effectively engage and provide services to high need children and families. Findings from the First 5 Kings County evaluation effort for FY 2017-18 demonstrate that most established programs, including family resource centers, kindergarten transition programs, and early childhood education programs serving children with special needs, have continued to deliver valued services to underserved children and families at levels consistent with previous fiscal years. These programs have experienced only marginal decreases in service output and utilization despite a declining revenue base. The evaluation findings also show that selected programs are expanding their reach or are building capacity in key areas, for example, in the area of developmental screening. The evaluation findings also highlight successes promoting access to quality early care and education opportunities for young children through implementation of KCCAQ and the provision of professional development and system-wide quality monitoring approaches in early care and education. KCCAQ has continued to achieve gains in adopting and implementing the state-led Quality Rating Improvement System (QRIS) and is working toward ensuring compliance with QRIS requirements. These efforts have resulted in measurable changes in program quality among participating center-based early education programs and family child-care homes throughout Kings County.

County Highlights

County Highlight

During this past fiscal year, one of the most significant accomplishments of First 5 Kings County was the First 5 Kings County Family Resource Centers. The Kings County Family Resource Centers provided Early Childhood Education, Home Visitation, Developmental Screening, Parent Education and Referral services to 1641 children 0-5 and 1532 parents, with a total number of 27306 services delivered. First 5 Kings County also supported a variety of quality childcare and early childhood education programs, as well as a Spanish-translation of the 211 database, to further inform the community of the services available in their native language. Below are some examples of First 5 Kings County- supported success areas:

- Parent and me programs serving children at risk for developmental delays filled a critical gap , providing developmental screenings to 233 unduplicated children in FY 2017-18 and serving an increasing proportion of children 0-3 years of age.
- School readiness programs implemented at 16 public elementary schools provided kindergarten transition services across 60 classrooms reaching a potential pool of 1,320 enrolled kindergarten children. All schools reached in 2017-18 were Title 1 schools serving a high proportion of socio-economically disadvantaged children and families.
- Family resource centers reached 2,040 children and their parents or caregivers offering an array of health, education, childcare, and family support services in community-based settings. Participants served by FRCs were diverse and representative of the communities and programs targeted for services.
- Kings County CARES About Quality (KCCAQ) enrolled 54 active agencies, including 80 center-based or Family Child Care Home (FCCH) sites, and 162 classrooms or ECE sessions. Children served through participating programs represent approximately one-third of the county population, or 4,465 children 0 to 5 years of age.