

**FIRST 5 BUTTE COUNTY
CHILDREN AND FAMILIES COMMISSION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2020**

**FIRST 5 BUTTE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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Commission Membership 2019-20

<u>Name</u>	<u>Professional Affiliation</u>	<u>Original Appointment</u>	<u>Current Term Expire(s/d)</u>
Shelby Boston	Butte County Department of Employment and Social Services	1/1/17	Per Code position
Shaun-Adrián Choflá, Chair	Butte College, Child & Family Studies Professor	1/8/19	7/1/22
Shelley Hart	California State University, Chico Child Development Department	9/24/19	7/1/21
Scott Kennelly	Butte County Department of Behavioral Health	9/24/19	7/1/22
Andy Miller	Health Officer, Butte County	12/16/16	5/12/20
Tami Ritter	Butte County Supervisor	1/7/19	Per Code position
Lourdes Valdez	Pediatrician, Northern Valley Indian Health	10/27/17	7/1/21
Seng Yang	Hmong Cultural Center Director	12/16/16	7/1/20
Danette York	Butte County Department of Public Health	7/1/19	Per Code position
Wendy Whitlock-Brown (Alt.)	Children's Hope Foster Agency	1/8/19	7/1/22
Matt Reddam (Alternate)	Butte County Office of Education	11/19/19	7/1/22
Holly Kralj (Alternate)	California State University, Chico Nursing Department	9/24/19	7/1/21

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
First 5 Butte County
Children and Families Commission
Oroville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the First 5 Butte County Children and Families Commission (The Commission), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise The Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of The Commission, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 22 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

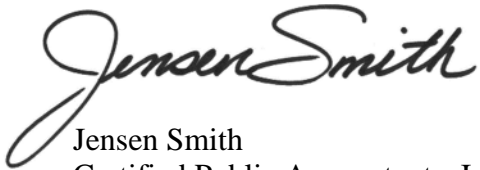
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Commission's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information as listed in the table of contents is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 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.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
October 30, 2020

MANAGEMENT'S DISCUSSION & ANALYSIS

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION & ANALYSIS
for the year ended June 30, 2020

Introduction


The First 5 Butte County Children and Families Commission (the Commission) is a public entity which disburses Proposition 10 dollars (a 50-cent per pack tax on tobacco products), to implement its Mission (“***To improve the lives of children from the prenatal stage through age five, and promote their optimal development.***”) and to support its Vision (“***The Commission envisions a future where all children are healthy, loved, nurtured, and ready to succeed in school.***”), as per California Health and Safety Code 130100.


To attain these objectives, the Commission invested in three Initiatives: Health, Family Strengthening, and Systems Strengthening in fiscal year 2019-20, and funded efforts totaled \$1,324,049.


A narrative overview and analysis of the Commission’s financial activities for the year ended June 30, 2020 follows.


Financial Highlights

The Commission’s Strategic Plan guides the funding activities of the Commission. Financial highlights of the year on a fund accounting basis include:

 Total revenues amounted to \$1,793,393, an increase of \$52,133 from the previous year.


 While the Prop 10 tax apportionment declined by \$157,779, it was more than offset by an increase of \$217,702 in Prop 56 backfill revenues (the latter intended to make up for losses occurring to Prop 10 due to the enactment of the \$2 tobacco tax, Prop 56). The fair market value of investments increased slightly from the last fiscal year to \$90,337, while interest income declined to \$90,945, down \$23,696 from the prior fiscal year. The Commission also received a \$10,000 restricted grant from the North Valley Community Foundation to support COVID-19 relief efforts.


 Total FY 2019-20 expenditures were \$1,324,049, a decrease of \$355,067 from the previous year’s investments in Butte County children and families.


 During FY 2019-20, \$651,313 was expended in support of the Strengthening Families Initiative. Funded services under the Strengthening Families Initiative include primary prevention and early intervention programs such as case management and intensive, evidence-based home visitation and group activities for pregnant mothers, parents of newborns, teen parents, and families with children at risk for abuse and neglect. These programs also promote early entry into prenatal care and age-appropriate oral health care for children and pregnant women, thereby complimenting the Health Initiative. Strengthening Families Initiative includes funding for mini-grants and provides opportunities for play


FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION & ANALYSIS
for the year ended June 30, 2020


groups, parent education and cultural fairs. The Commission also provided funding to the Butte 2-1-1 resource and referral line.


 During FY 2019-20, \$178,016 was expended on the Systems Strengthening Initiative, primarily in the development of the new Help Me Grow Butte project. Help Me Grow Butte is a collaborative of three local organizations working together to provide outreach to the medical and early learning community, as well as telephonic Ages and Stages screening and case management for families with young children. Funds also support staff time to participate in collaborative community initiatives and committees.

 During FY 2019-20, \$87,896 was expended on the Health Initiative. Funding was utilized to provide training, professional development and collaboration to medical professionals and social service providers in an effort to improve the consistency and quality of perinatal care in Butte County. First 5 dollars provided oral health screenings and fluoride varnish to children attending the E-Center Head Start program in Butte County, as well as oral health education for preschoolers, pregnant women, teen parents, and foster care providers. Early literacy was invested in through the distribution of books in health settings, including Reach Out and Read (an evidence-based literacy program designed to occur during pediatric well-baby checks) and the Women, Infants, Children program (WIC). First 5 invested in the Adverse Childhood Experiences (ACEs) community coalition to increase community awareness of ACEs and to provide training and professional development to organizations working with individuals experiencing ACEs.

 During FY 2019-20, \$86,884 was expended in general program support and development. General support funds are deployed to provide for staff time to attend and participate in a variety of community collaborative and stakeholder groups.

 During FY 2019-20, \$41,540 was expended on evaluation support and activities including the utilization of the Persimmony data collection system, and a contract with EvalCorp to provide retrospective evaluation and technical assistance to the Butte Baby Steps program.

 During FY 2019-20, \$95,705 was expended on Emergency Response and Recovery efforts to support families impacted by COVID-19 and the statewide Shelter In Place order. Funds were deployed to community organizations where direct support was provided to families to address financial crisis. Funds also paid for First 5 staff time to coordinate the distribution of large quantities of diapers, wipes, books, cleaning supplies and personal protective equipment delivered to the County by First 5 California.

 During FY 2019-20, \$182,785 was expended on administrative expenses, including hiring and training staff, supporting Commissioner travel to First 5 California and First 5 Association events, Strategic Planning, the required annual financial and compliance audits, county charges, and staff time dedicated to carrying out Commission business. The administrative costs equaled approximately 14.0% of total expenditures.

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION & ANALYSIS
for the year ended June 30, 2020

Overview of the Financial Statements

The following discussion and analysis serves as an introduction to the Commission's basic financial statements.

The Commission's basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report contains supplementary information.

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

The government-wide financial statements are found on pages 10 – 11 of this report, and include:

- a. The *Statement of Net Position* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as *net position*.
- b. The *Statement of Activities*, which presents information showing how the Commission's net position changed during the fiscal year. All changes are reported as soon as the underlying event occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods (employee leaves earned but not yet used; etc.).

2) *Fund Financial Statements.* A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. The fund financial statements are found on pages 12 – 13 of this report, and include the:

- a. Balance Sheet, and
- b. Statement of Revenues, Expenditures, and Changes in Fund Balance.

Because the focus of fund financial statements is narrower than that of the government-wide financial statements, it is useful to compare them. Both the Fund Balance Sheet and the Fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate the comparison. (The slight numerical differences between the two types of statements involve employee leaves earned but not yet taken.)

The Commission adopts annual revenue and expenditure budgets for its fund. A budgetary comparison statement is provided to demonstrate compliance with the budget (pages 22 & 23).

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION & ANALYSIS
for the year ended June 30, 2020

3) *Notes to the Financial Statements.* The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 14 of this report.

Analysis of the Government-wide Financial Statements

The Commission has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements and Management's Discussion and Analysis (MD&A) – for State and Local Governments.

A government's financial position can be determined by examining its net position over time. At the close of the current fiscal year, the Commission's assets exceed liabilities by \$6,085,159.

The Commission's assets are maintained in the County Treasurer's investment pool where interest earned on the Commission's balance is apportioned to the Commission. Assets are primarily Proposition 10 tax disbursements received from the State Commission that have not yet been spent. All of the Commission's assets are invested in A or better securities and are committed to multi-year initiatives as per the Strategic Plan. Accounts receivable, Proposition 10 taxes remitted by the State but not received by the Commission at June 30, 2020, are other assets.

At June 30, 2020, the Commission had liabilities of \$276,779. These are payments due on contracts at year-end, and employee leave hours earned but not yet taken.

Government-Wide Financial Statements

FIRST 5 BUTTE COUNTY CHILDREN & FAMILIES COMMISSION

Net Position Comparison

	FY 19-20	FY 18-19	Difference	FY 17-18
Total Assets	\$ 6,361,938	\$5,837,640	\$ 524,298	\$ 5,839,857
Total Liabilities	<u>(276,779)</u>	<u>(250,682)</u>	<u>(26,097)</u>	<u>(300,235)</u>
Net Position	<u>\$ 6,085,159</u>	<u>\$5,586,958</u>	<u>\$ 498,201</u>	<u>\$ 5,539,622</u>

Statement of Activities Comparison

	FY 19-20	FY 18-19	Difference	FY 17-18
Program Expenses	\$ (1,295,192)	\$(1,693,924)	\$ 398,732	\$ (1,758,108)
Program Revenues	1,612,111	1,542,188	69,923	1,421,483
General Revenues	<u>181,282</u>	<u>199,072</u>	<u>(17,790)</u>	<u>35,926</u>
Change in Net Position	<u>\$ 498,201</u>	<u>\$47,336</u>	<u>\$ 450,865</u>	<u>\$ (300,699)</u>

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION & ANALYSIS
for the year ended June 30, 2020

The Commission's net position increased by \$498,201 during the 2019-20 fiscal year. This change stemmed largely from lower-than-budgeted staffing and program expenditures, as well as an increase in program revenues of \$69,923 from the prior fiscal year.

Governmental Activities

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

Analysis of the Fund Financial Statements

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

For the year ended June 30, 2020, the Commission's ending fund balance is \$6,089,782, an increase of \$469,344 from the prior year, although the Commission's plan is to use the Fund Balance to augment current year revenues to support programs for children and families.

Fund Financial Statements

FIRST 5 BUTTE COUNTY CHILDREN & FAMILIES COMMISSION

Balance Sheet Comparison

	FY 19-20	FY 18-19	Difference	FY 17-18
Total Assets	\$ 6,361,938	\$ 5,837,640	\$ 524,298	\$ 5,839,857
Total Liabilities	<u>(272,156)</u>	<u>(217,202)</u>	<u>54,954</u>	<u>(281,563)</u>
Fund Balance	<u>\$ 6,089,782</u>	<u>\$ 5,620,438</u>	<u>\$ 469,344</u>	<u>\$ 5,558,294</u>

Revenue and Expense Comparison

	FY 19-20	FY 18-19	Difference	FY 17-18
Total Revenues	\$ 1,793,393	\$ 1,741,260	\$ 52,133	\$ 1,457,409
Total Expenses	<u>(1,324,049)</u>	<u>(1,679,116)</u>	<u>(355,067)</u>	<u>(1,762,321)</u>
Change	<u>\$ 469,344</u>	<u>\$ 62,144</u>	<u>\$ 407,200</u>	<u>\$ (304,912)</u>

Total revenues were over budget by \$259,831, which equals 16.9% over budget. Total expenditures ended under the final budget by \$510,519, or 27.8% under budget.

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION
MANAGEMENT'S DISCUSSION & ANALYSIS
for the year ended June 30, 2020

Capital Assets

The Commission's investment in capital assets for its governmental activities as of June 30, 2020, amounts to zero. Purchases of capital assets were below the Commission's threshold for capitalization and as such, were charged to expenses when purchased.

Economic Factors and Next Year's Budget

The Commission is committed to focusing Proposition 10 funds on the purposes for which they were intended: To promote and sustain comprehensive, integrated programs and services that will help to nurture children ages 0 through 5 so that their young brains and bodies will develop appropriately. The following economic factors were considered in preparing the Commission's financial plan for fiscal year 2020-21:

- Following through on commitments made to organizations for contiguous year funding.
- Based on figures from the state Department of Finance, the Commission's Prop. 10 revenue is projected to decrease an average of 3% each year.
- Interest rate earnings of 0.5% on the local Children and Families Trust Fund.
- While following the intent of Prop 10, the Commission is updating its Strategic Plan for 2021 through 2025, to make investments in its new Systems Strengthening Initiative to support changes and develop stronger networks that more effectively address issues affecting children and families. The Commission recognizes that with the projection of declining revenues, investing in the capacity building of networks and systems will be a more effective use of its limited resources in ensuring children have access to the resources they need.
- The Commission continues to collaborate actively with its community partners and grantees. This is reflected in its current grant funding initiatives and commitments which extend through the current fiscal year, FY 2020-21.
- Due to the ongoing nature of natural disasters and pandemic, the Commission plans to designate funding annually for emergency and disaster response.

The Commission views Proposition 10 as a mechanism to establish and fund a sustainable system of results-oriented early childhood development and family support services for the 0-5 population, not as just another funding source for programs. In that regard, in FY 2020-21 the Commission will continue to evaluate funded programs to determine what most improves the health and well-being of children. This information will be used to help evaluate the overall effect of Proposition 10 in Butte County. The result of these evaluation activities will help to inform the Commission as it plans for its future investments.

Requests for Information

Questions or requests for additional information should be addressed to First 5 Butte County Children and Families Commission, 82 Table Mountain Boulevard, Oroville, California, 95965; or submitted to abauer@buttecounty.net.

BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION

Statement of Net Position

June 30, 2020

ASSETS

Cash invested with the County Treasurer's pool	\$ 6,032,004
Fair market value adjustment on cash invested with the County Treasurer	111,074
Due from other agencies	195,552
Interest receivable	23,308
	<hr/>
Total Assets	6,361,938

LIABILITIES

Accounts payable	262,095
Accrued salaries and benefits	14,684
	<hr/>
Total Liabilities	276,779

NET POSITION

Unrestricted	6,085,159
	<hr/>
Total Net Position	\$ 6,085,159

See accompanying notes to financial statements.

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION

Statement of Activities
For the Year Ended June 30, 2020

PROGRAM EXPENSES

Salaries and employee benefits	\$ 222,277
Other operating	98,298
Special funds:	
Proposition 10	<u>974,617</u>
Total Program Expenses	1,295,192

PROGRAM REVENUES

Operating grants and contributions:	
Proposition 10 apportionment	1,232,704
Proposition 56 backfill	369,407
Restricted private contribution	<u>10,000</u>
Total Program Revenues	<u>1,612,111</u>
Net Program Revenues	<u>316,919</u>

GENERAL REVENUES

Interest income	90,945
Unrealized gain on investments	<u>90,337</u>
Total General Revenues	<u>181,282</u>
Change in Net Position	498,201
Net Position, Beginning of Year	<u>5,586,958</u>
Net Position, End of Year	<u>\$ 6,085,159</u>

See accompanying notes to financial statements.

BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION

Balance Sheet
June 30, 2020

ASSETS

Cash invested with the County Treasurer's pool	\$ 6,032,004
Fair market value adjustment on cash invested with the County Treasurer	111,074
Due from other agencies	195,552
Interest receivable	<u>23,308</u>
 Total Assets	 <u><u>\$ 6,361,938</u></u>

LIABILITIES

Accounts payable	\$ 262,095
Accrued salaries and benefits	<u>10,061</u>
 Total Liabilities	 <u>272,156</u>

FUND BALANCE

Fund Balance:	
Non-Spendable	-
Restricted	-
Committed	2,498,292
Assigned	3,591,490
Unassigned	<u>-</u>
 Total Fund Balance	 <u>6,089,782</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 6,361,938</u></u>

**Reconciliation of the Governmental Fund Balance Sheet
to the Government-Wide Statement of Net Position - Governmental Activities**

Fund Balance - Total Governmental Fund	\$ 6,089,782
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In the governmental fund, only current and near-term assets and liabilities are reported. In the statement of net position, all transactions are reported as soon as the transaction occurs. These consist of:

Employee leave balances	<u>(4,623)</u>
 Net Position of Governmental Activities	 <u><u>\$ 6,085,159</u></u>

See accompanying notes to financial statements.

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION

Statement of Revenues, Expenditures and Changes in Fund Balance For the Year Ended June 30, 2020

REVENUES

Proposition 10 apportionment	\$ 1,232,704
Backfill from Proposition 56	369,407
Fair market value adjustment--unrealized gain on investments	90,337
Interest income	90,945
Restricted private contribution	<u>10,000</u>
Total Revenues	1,793,393

EXPENDITURES

Salaries and employee benefits	251,134
Other operating	98,298
Special funds	
Prop 10	<u>974,617</u>
Total Expenditures	1,324,049
Change in Fund Balance	469,344
Fund Balance, Beginning of Year	<u>5,620,438</u>
Fund Balance, End of Year	<u><u>\$ 6,089,782</u></u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Government-Wide Statement of Activities - Governmental Activities

Net change to fund balance - total governmental fund (from above)	\$ 469,344
Change in Employee leave balances	<u>28,857</u>
Change in net position of governmental activities	<u><u>\$ 498,201</u></u>

See accompanying notes to financial statements.

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1. Nature of the Entity and Summary of Significant Accounting Policies

A. Reporting Entity

The First 5 Butte County Children and Families Commission (the Commission), was established in December 1998 pursuant to Health and Safety Code §130100, and in accordance with the provisions of the California Children and Families First Act of 1998, and by Butte County Ordinance #3470. The nine members of the Commission and two alternates are appointed by the Butte County Board of Supervisors.

The Commission's charge is the creation and implementation of a comprehensive, collaborative, and integrated system of information and services to enhance early childhood development.

The Commission considers all activities of its administrative staff and Commission officers as part of the Commission. The Commission reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) in its issuance of Statement No. 14, relating to the financial reporting entity, to determine whether it is financially accountable for other entities. The Commission has determined that no other entity meets the above criteria, and therefore, no agency is included as a component unit in the financial statements. In addition, the Commission is not aware of any entity that would be financially accountable for the Commission that would result in the Commission being considered a component unit of that entity.

The financial statements included in this report are intended to present the financial position and results of operations for the Commission only. They are not intended to present the financial position and results of operations of the County of Butte taken as a whole.

B. Basis of Presentation and Accounting

Government- Wide Statements

The statement of net position and statement of activities display information about the primary government, the Commission. The financial activities of the overall Commission are included.

The statement of activities presents a comparison between program expenses and program revenues for the Commission's governmental activity. Program expenses are those that are specifically associated with the Commission's charge. Program revenues include tax revenues, grants and contributions restricted to meeting the operational or capital requirements of the Commission's charge. Income not classified as program revenues, such as investment income, is presented as general revenue.

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

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1. Nature of the Entity and Summary of Significant Accounting Policies (continued)

Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. Proposition 10 taxes and investment income are accrued when their receipt occurs within ninety days after the end of the accounting period so as to be both measurable and available.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. Most of the Commission's expenditures are non-exchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) value in exchange. These include sales taxes and grants.

The Commission reports one major governmental fund, the general fund. The general fund is the Commission's primary operating fund, accounting for all financial resources.

C. Due From Other Agencies

This amount represents receivables from the State Commission. Management has determined the Commission's receivables are fully collectible. Accordingly, no allowance for doubtful accounts has been made.

D. Net Position / Fund Balances

Net Position

The government-wide financial statements utilize a net position presentation. Net Position is categorized as invested capital assets (net of related debt), restricted and unrestricted. The Commission's net position is unrestricted in its entirety, as none of the monies have limits narrower than the purpose of the entire fund itself.

Fund Balance

Fund balance is the arithmetic difference between the assets and liabilities of a governmental fund.

The focus of fund balance reporting is "the extent to which a government is bound to honor constraints on the specific purposes for which the amounts in the fund can be spent." The Governmental Accounting Standards Board (GASB) Statement No. 54 established five components of Fund Balance:

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1. Nature of the Entity and Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

1. Non-spendable. The elements of the Fund Balance that cannot be spent, because of their form, or because they must remain intact. Examples are pre-paid expenses or the principal of an endowment.
2. Restricted. The portion of the Fund Balance that has externally enforceable legal limitations that include:
 - Funding from the State Commission or foundations that are legally restricted to specific uses. For example, funds advanced by First 5 California under specific agreements for services, or matching funds for specific initiatives.
 - Funds legally restricted by county, state, or federal legislature, or government's charter or constitution.

Tobacco tax allocations to county commissions are not automatically categorized as restricted. This is because the purposes for which tobacco tax allocation may legally be used are no narrower than the purpose for which the commissions were created in Proposition 10 enabling legislation.

3. Committed. Two criteria determine if the fund balance is committed as follows:
 - The use of funds is constrained by limits imposed by the government's highest level of decision making authority, and
 - Removal or modification of the use of funds can be accomplished only by formal action of the authority that established the constraints.

The highest level of decision-making is the First 5 Butte County Commission. Both commitments and modification or removal must occur prior to the end of the reporting period. Formal action of the Commission is defined as an action taken at a publicly-noticed First 5 Butte County Commission meeting. For First 5 organizations, resources in this category include:

- Resources committed for a future initiative as long as Commission action is also required to remove this commitment,
- Resources that have been committed by the Commission for specific agreements that have not yet been executed (such as an Intent to Award Decision), where Commission action is also required to remove this commitment,
- Resources committed as the local match for a State Commission initiative, and
- Funding that has been set aside for previously-executed legally-enforceable contracts, but not yet spent, including multi-year contracts, if such contracts have been approved by the Commission and if cancellation of such contracts would require Commission approval.

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1. Nature of the Entity and Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

4. Assigned. The portion of the Fund Balance on which an “intended use” is placed by either the highest level of decision-making of the government, a body established for that purpose, or an official designated for that purpose.
5. Unassigned. Any portion of fund balance in excess of the above categories (a surplus), or in excess of Non-spendable, Restricted, or Committed over total fund balance (a deficit).

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

Note 2. Cash

Cash at June 30, 2020 consisted of the following:

Cash invested with the County Treasurer’s pool	\$6,032,004
Fair market value adjustment on invested cash	<u>111,074</u>
Fair market value of cash invested by the County Treasurer	<u>\$6,143,078</u>

The Commission maintains all of its cash and investments with the Butte County Treasurer in an investment pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances.

Required disclosure information regarding fair value measurements, categorization of investments, and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Butte's financial statements may be obtained by contacting the County of Butte's Auditor-Controller's office at 25 County Center Drive, Oroville, California 95965. The Butte County Treasury Oversight Committee oversees the Treasurer's investments and policies. Investment reports may be obtained at <http://ttc.buttecounty.net> .

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest. Unrealized gains and losses are recognized as income or expense and as the asset called “Fair market value adjustment on cash in the County Treasury.”

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

**FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 3. Related Party Transactions

During the fiscal year ended June 30, 2020, the Commission paid the County of Butte, a related party, \$328,524 for accounting and other services including commission staffing, as detailed in the following table.

Related Party Transactions

<u>County Dept.</u>	<u>19-20 Costs</u>
Public Health (staffing & misc. operating)	\$ 310,008
General Services (contracting)	9,600
Butte County Administration (Board of Supervisors items & County fiscal)	9,000
County Auditor (accounting)	4,116
County Counsel (legal services)	300
Information Systems (Time keeping & Accounting system support, etc.)	768
Treasurer (investing)	96
Support Services Carry-Forward (true out services used two-years prior)	(5,364)
Total	\$ 328,524

Note 4. Program Evaluation and Allocation of Costs

The Commission allocated costs between administrative, program and evaluation activities. Direct costs are expensed directly to the category. Indirect costs are allocated based on the amount of time staff spends on each activity. Personnel costs are allocated based on the amount of time spent on those activities. The adjustment between the general fund expenses and the government-wide expenses was the change in the accrued vacation of \$28,857. The expenses were allocated as follows:

	<u>General Fund</u>	<u>Adjustment</u>	<u>Government-Wide</u>
Program	\$ 1,099,814	\$ --	\$ 1,099,814
Administrative	182,785	(28,857)	153,928
Evaluation	41,450	--	41,450
Total	<u>\$ 1,324,049</u>	<u>\$ (28,857)</u>	<u>\$ 1,295,192</u>

Note 5. Concentrations

The Commission receives most of its funding from Prop. 10 tobacco tax revenue distributed by the State of California. If these funds were to become unavailable, the Commission may not be able to continue its programs.

Note 6. Capital Assets

Capital assets are capitalized at cost and updated for additions and retirements during the year. The Commission does not possess any infrastructures. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are expensed. The Commission's investment in capital assets for its governmental activities as of June 30, 2020, amounts to zero. Purchases of assets were below the Commission's threshold for capitalization and, as such, were charged to expense when purchased.

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 7. Joint Powers Agreements

The Commission participates in an agreement with the joint powers authority (JPA) California State Association of Counties Excess Insurance Authority (CSAC - EIA). The relationship between the Commission and the JPA is such that the JPA is not a component unit of the Commission for financial reporting purposes.

The JPA arranges for and provides liability and workers' compensation coverage for its members. The JPA is governed by a board consisting of representatives from the members. The Board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the members beyond their representation on the Board. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. The Commission's share of year-end assets, liabilities, or fund equity is not calculated by the JPA. Separately issued financial statements can be requested from the JPA.

Note 8. Risk Management

The Commission is exposed to various risks including loss or damage to property, general liability, and injuries to employees. No significant changes in insurance coverage from the prior year have been made. As described in Note 7, the Commission participates in risk pools under a JPA for liability and workers' compensation coverage.

Note 9. California Public Employees Retirement System

Plan Description

The Commission contracts with the County for personnel. As such the employees are employees of the Public Health Department of Butte County and not the Commission. Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by the California Public Employees' Retirement System (CalPERS). The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

The Commission reimburses the County for contributions to the pension plan at an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for the 2019-20 fiscal year was \$33,461 (which is calculated at 22.03% of salaries: 8.92% goes to employee retirement accounts, 11.24% to pension unfunded liability, and 1.87% to bond payments). This amount is included within the Salaries and Benefits line item. In addition, employees are required to contribute 7% of their salary.

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 9. California Public Employees Retirement System Continued

Because the Commission's employees are actually employees of the County, the County's financial statements include the required information and disclosures relating to pension liability. The County allocates certain pension costs to the Commission, and requests reimbursements accordingly.

Note 10. Other Post-Retirement Health Benefits

In addition to the pension benefits described in Note 9, the County provides post-retirement health benefits to its retirees under various plans. In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and display of Other Postemployment Benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosure, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. Because the Commission's employees are actually employees of the County, the County's financial statements include the required information and disclosures relating to the OPEB benefits. The County allocates certain OPEB costs to the Commission, and requests reimbursements accordingly.

Note 11. Section 30131.4 of the California Tax & Revenue Code Certification

The Commission has certified that the no-supplanting requirement stated in Section 30131.4 of the California Tax & Revenue Code has been met.

Note 12. Contingent Liabilities

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

Note 13. Budgets and Sustainability

Budgets are set by the Commission in June of each year. The budget is periodically amended when significant new information becomes available. The Commission's Financial Plan provides a framework for investing the Commission's resources in the community over time. The plan is used as a planning tool, and updated at least once a year after the completion of the annual audit with the actual revenues and expenditures for the year. The Commission revisits the underlying assumptions of the plan every year.

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 14. Subsequent Events

Subsequent events were evaluated through October 30, 2020, which is the date the financial statements were available to be issued. The following event required disclosure:

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. As a result, the outbreak has caused uncertainty in the financial markets. Although the Commission's services are considered essential, the office was closed to the public, certain other services transitioned to online-only and because the Commission's major revenue sources, including businesses that collect sales taxes related to the Proposition 10 and Proposition 56 taxes, are directly impacted by these events, it is probable that this matter will negatively impact the Commission state funding in the future. However, the ultimate financial impact and duration cannot be estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Budgetary Fund Balances, July 1, 2019	\$ 5,620,438	\$ 5,620,438	\$ 5,620,438	\$ -
<u>RESOURCES (INFLOWS)</u>				
Proposition 10 apportionment	1,290,862	1,290,862	1,232,704	(58,158)
Proposition 56 backfill	145,000	145,000	369,407	224,407
Fair market value adjustment--unrealized gain on investments	-	-	90,337	90,337
Interest income	97,700	97,700	90,945	(6,755)
Restricted private contribution	-	-	10,000	10,000
Total Resource Inflows	<u>1,533,562</u>	<u>1,533,562</u>	<u>1,793,393</u>	<u>259,831</u>
Amounts Available for Appropriation	<u>7,154,000</u>	<u>7,154,000</u>	<u>7,413,831</u>	<u>259,831</u>
<u>CHARGES TO APPROPRIATIONS (OUTFLOWS)</u>				
Salaries and employee benefits	356,746	356,746	251,134	(105,612)
Other operating	127,939	127,939	98,298	(29,641)
Special funds:				
Proposition 10	<u>1,349,883</u>	<u>1,349,883</u>	<u>974,617</u>	<u>(375,266)</u>
Total Charges to Appropriations	<u>1,834,568</u>	<u>1,834,568</u>	<u>1,324,049</u>	<u>(510,519)</u>
Net Change in Fund Balances	<u>(301,006)</u>	<u>(301,006)</u>	<u>469,344</u>	<u>770,350</u>
Fund Balances, June 30, 2020	<u><u>5,319,432</u></u>	<u><u>5,319,432</u></u>	<u><u>6,089,782</u></u>	<u><u>770,350</u></u>

See Independent Auditor's Report and
Notes to Required Supplementary Information.

**FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

BUDGET AND BUDGETARY ACCOUNTING

The Commission prepares and legally adopts its revenue and expenditure budgets before the beginning of each fiscal year. The Commission operation, commencing on July 1st, is governed by the proposed budgets.

The fiscal year operating budget is on a modified accrual basis. The budgets line items are closely monitored and adjustments are made as necessary. Appropriations lapse at year-end.

The legal level of budgetary control (the level on which expenditures may not legally exceed appropriations) is at the object level. Object levels of expenditures are as follows: salaries and benefits, services and supplies, and capital outlay.

The budget is adopted on a basis consistent with generally accepted accounting principles.

OTHER SUPPLEMENTARY INFORMATION

**FIRST 5 BUTTE COUNTY CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020**

There were no findings noted in the audit for fiscal year ended June 30, 2019.

See Accompanying Auditor's Report

P.O. Box 160
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Office (916) 434-1662
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**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
INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners
First 5 Butte County Children and Families Commission
Oroville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of First 5 Butte County Children and Families Commission (The Commission), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise The Commission's basic financial statements, and have issued our report thereon dated October 30, 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) as a basis for designing 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.

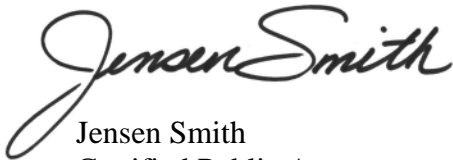
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
October 30, 2020

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

P.O. Box 160
Lincoln, CA 95648
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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Commissioners
First 5 Butte County Children and Families Commission
Oroville, California

Compliance

We have audited the First 5 Butte County Children and Families Commission's (Commission) compliance with the requirements specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2020.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the Commission's compliance with the requirements referred to above based on our audit.

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

We believe that our audit provides a reasonable basis for our opinion on compliance. However, our audit does not provide a legal determination of the Commission's

compliance with those requirements. In connection with the audit referred to above, we selected and tested transactions and records to determine the Commission’s compliance with the state laws and regulations applicable to the following items:

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

Opinion

In our opinion, First 5 Butte County Children and Families Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2020.



Jensen Smith
 Certified Public Accountants, Inc.
 Lincoln, California
 October 30, 2020

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October 30, 2020

Anna Bauer, Director
Board of Commissioners
First 5 Butte County
Children and Families Commission
Oroville, California

Dear Ladies and Gentlemen,

Thank you for your confidence in choosing us for your auditing needs. The audit went very smoothly even with the COVID-19 precautions and the terrible fires during the audit field days.

In planning and performing our audit of the financial statements of First 5 Butte County Children and Families Commission (the Commission) for the year ended June 30, 2020, we considered the Commission's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A separate report dated October 30, 2020 contains our report on the Commission's internal control. This letter does not affect our report dated October 30, 2020, on the financial statements of the Commission.

We wish to thank your Director and Administrative Analyst for their assistance in completing the audit and researching our questions. We know they spent many hours preparing for the audit and drafting statements. We appreciated the quick responses and care taken to make sure we had all the information we needed in order to complete the audit. We wish you success for the fiscal year 2020-2021.

Sincerely,



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California