

**FIRST 5 LAKE**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2019**

**FIRST 5 LAKE**

Financial Statements  
For the Year Ended June 30, 2019

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**FIRST 5 LAKE**

Commission Membership  
June 30, 2019

<b><u>Name</u></b>	<b><u>Position</u></b>	<b><u>Date of Original Appt.</u></b>
Brock Falkenberg	Superintendent of Schools, Lake County Office of Education Chair	Mandated
Carly Swatosh-Sherman	Education Specialist Lake County Office of Ed. Vice-Chair	August 2017
Denise Pomeroy	Director, Department of Health Services Commissioner	Mandated
Crystal Markytan	Director, Department of Social Services Commissioner	Mandated
Pam Klier	Retired Kindergarten Teacher	April 2002
Tina Scott	Supervisor – District 4 Commissioner	Mandated
Susan Jen	Director Health Leadership Network Commissioner	April 2004
Allison Panella	Family Advocate Commissioner	August 2017
Derrick J Barnes, M.D.	Sutter Lakeside Hospital Commissioner	January 2019

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Lincoln, CA 95648  
Office (916) 434-1662  
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## **INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
First 5 Lake  
Lakeport, California

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of First 5 Lake (Commission) as of and for the year ended June 30, 2019, 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, 2019, 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, Budgetary Comparison Information and CalPERS schedules on pages 4 through 9; 26 through 27; and 28 through 30 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 summary schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 October 21, 2019, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



Jensen Smith  
Certified Public Accountants, Inc.  
Lincoln, California  
October 21, 2019

## FIRST 5 LAKE

### Management's Discussion and Analysis For the Year Ended June 30, 2019

On November 3, 1998, California voters approved Proposition 10 – the Children and Families First Act (Act). The Act imposed additional excise tax on cigarettes and tobacco related products to fund programs that promote, support, and improve the early development of children from prenatal through age five. The intent is for all California children to be healthy, to live in a healthy and supportive family environment, and to enter school ready to learn.

The Lake County (County) Board of Supervisors created the First 5 Lake Commission (Commission) (formerly Lake County Children and Families Commission) in 1998 under the provisions of the Act. The Commission consists of nine members. Four members sit on the Commission by virtue of their respective official positions as identified in the enabling ordinance. Five members are members at-large. They are appointed by the seated Commissioners and the County Board of Supervisors re-affirms their appointments. As of June 30, 2019, all nine seats on the Commission were filled. The Commission is a public entity with independent status, with the County's governmental structure providing staff services, including accounting, personnel and legal counsel.

As management of the Commission, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2019.

#### ***Overview of the Financial Statements***

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

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

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

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

The government-wide financial statements can be found on pages 10 - 11 of this report.

## FIRST 5 LAKE

### Management's Discussion and Analysis For the Year Ended June 30, 2019

*Fund Financial Statements.* A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements.

However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and government wide statements.

The Commission adopts an annual appropriated budget for its fund. Revisions to the budget are allowed and appropriate during the fiscal year to reflect more accurately revenues and expenditures. A budgetary comparison statement has been provided for the fund to demonstrate compliance with the original and final budgets approved by the Commission.

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

*Notes to the Financial Statements.* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 - 25 of this report.

#### ***Government-wide Financial Analysis***

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.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceed liabilities by \$443,411 at the close of the most recent fiscal year. The most significant portion of the Commission's net position is its cash in county treasury balance of \$456,549. This represents primarily resources received from the State Commission from Proposition 10 taxes that have not been expended. Cash and investments are maintained in the County's cash and investment pool where interest earned on the Commission's balance is apportioned to the Commission. Another source of net position also resides in the Commission's receivables due from the State Commission for Proposition 10 taxes (\$129,030), IMPACT grant (\$60,040), and IMPACT Region 1 Hub reimbursements (\$4,253), and return of unspent grant funds (\$43,510). The Commission also reports accounts payable of \$93,029 representing

## FIRST 5 LAKE

### Management's Discussion and Analysis For the Year Ended June 30, 2019

payments due to LCOE for Q4 IMPACT grant and Hub reimbursements, the final Imagination Library grant payment, and Q4 utility payments.

The Commission's net position decreased overall by \$132,454 during the 18-19 fiscal year. This decrease is explained in the governmental activities analysis (below) and is primarily a result of change in Net Pension Liability/Deferred Inflows/Deferred Outflows of \$63,742, and disposal of assets of \$1,195 (a shed that was no longer needed and donated to the Mother-Wise program) and a mid-year emergency grant to the Mother-Wise program in the amount of \$47,919.

## FIRST 5 LAKE

### Statement of Net Position Comparison

	<u>FY 2018-19</u>	<u>FY 2017-18</u>	<u>Difference</u>
Total Assets & Deferred outflows	\$ 749,435	\$ 779,514	\$ (30,079)
Total Liabilities & Deferred inflows	<u>306,024</u>	<u>203,649</u>	<u>102,375</u>
Net Position	<u>\$ 443,411</u>	<u>\$ 575,865</u>	<u>\$ (132,454)</u>

### Statement of Activities Comparison

	<u>FY 2018-19</u>	<u>FY 2017-18</u>	<u>Difference</u>
Total Revenues	\$ 957,851	\$ 841,832	\$ 116,019
Total Expenses	<u>1,090,305</u>	<u>903,271</u>	<u>187,034</u>
Change in Net Assets	<u>\$ (132,454)</u>	<u>\$ (61,439)</u>	<u>\$ (71,015)</u>

### *Financial Analysis of the Commission's Governmental Fund*

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

For the year-ended June 30, 2019, the Commission reported an ending fund balance of \$603,221, a decrease of \$67,517 from the prior year. The Commission will use the combined revenues of annual Proposition 10 allocations plus its reserve fund to sustain the current level of programs and services.

Of the fund balance at June 30, 2019, the Commission had committed assets of \$51,261, assigned assets of \$534,169, and non-spendable assets of \$17,431.

Total revenue consisting of Proposition 10 funds, interest income, and State Commission matching revenue and local revenue increased from \$843,089 to \$957,851 for the year ended June 30, 2019. This increase was due primarily to an increase in IMPACT grant revenue and interest income.

## FIRST 5 LAKE

### Management's Discussion and Analysis For the Year Ended June 30, 2019

Total expenditures increased to \$1,025,368 in 2018-19, an increase of \$148,288 from the prior fiscal year. The total expenditures increased primarily due to the further roll out of the IMPACT grant program (\$104,121) and the spend down of grant funds by Lake County Office of Education programs (\$44,221).

#### ***Fund Budgetary Highlight***

Total revenues were under budget by 4.6% or \$44,930, while total expenditures were slightly under budget by .1% or \$1,049. The under budget of total revenues was due primarily to the delay in IMPACT program implementation and funding. Expenditures for general administrative services and supplies were \$184,289 or 16.9%. The cost of evaluation services was \$52,899 or 4.9%.

The remaining funds were allocated to program design and implementation. First 5 Lake invested \$853,117 across multiple programs to positively impact family functioning, child development, child health and early childhood systems in Lake County. Collectively, these programs served 3,440 different children ages 0-5, 3,552 parents/caregivers and other family members, and 310 service providers. Outputs/Outcomes include:

#### Family Functioning:

- 101 parents completed parenting classes using the Nurturing Parenting curriculum. Of those parents, 22 completed the Adult-Adolescent Parenting Inventory (AAPI) before and after classes and showed improvements in four of the five domains measured.
- 2,299 children received a free book monthly from Imagination Library to promote early literacy and reading as a family.
- 1,161 adults interacted with the Bloom Facebook pages with information about activities, games, and resources.
- 3,400 "Bloom into Kindergarten" books were distributed to prepare parents and children for the transition to kindergarten.
- 146 parents and/or children received transportation assistance to access health care services.

#### Child Development:

- 275 preschool children received Second Step lessons from AmeriCorps members to build their social, emotional and interpersonal skills. 84.6% of the children were assessed to be kindergarten-ready in social-emotional development after the lessons.
- Two Early Learning Centers served 201 children in a setting where they could play and socialize with peers while their parents connected with other parents and child development specialists.
- 44 early care and education (ECE) sites have participated in the Quality Rating and Improvement System (QRIS) program to improve the quality of early learning settings. ECE staff received a total of 170.5 hours of coaching and technical assistance from QRIS coaches to improve practices.

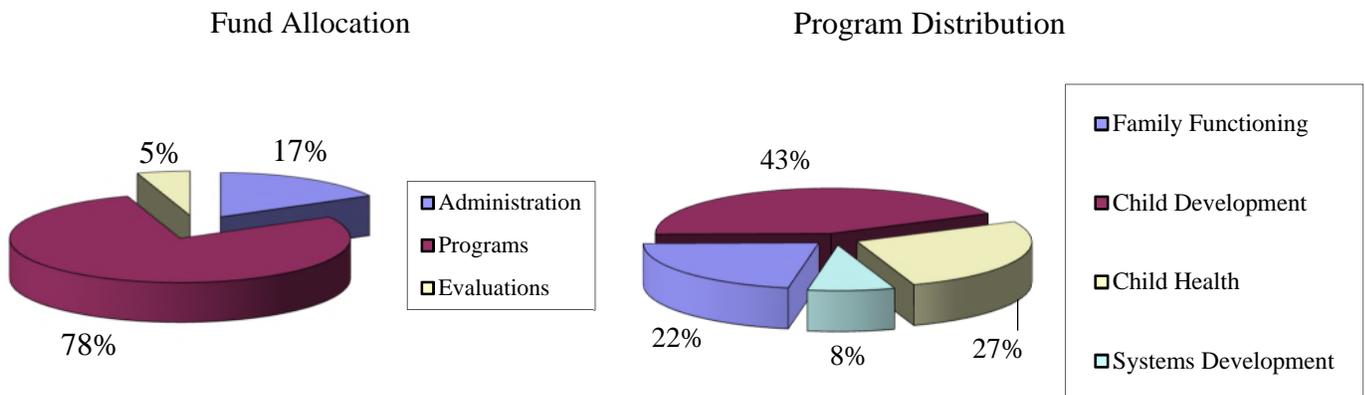
# FIRST 5 LAKE

## Management's Discussion and Analysis For the Year Ended June 30, 2019

- The Fall 2018 Kindergarten Entry Development Profile (KEDP) included 78% of all children enrolled in kindergarten and found that, across all 15 developmental indicators measured, 66% were rated at a school ready skill level for 6-year-olds and 51% for 5-year-olds.

### Child Health:

- 779 children ages 3-5 were screened for dental issues. Oral health and nutrition education were also provided to 275 children in local preschools.
- 133 children ages 0-5 were screened for developmental needs by ESNorcal, of which 53% were identified with developmental needs requiring follow-up.



### ***Capital Assets and Long-Term Liabilities***

#### Capital Assets

The Commission's investment in capital assets for its governmental activities as of June 30, 2019, amounts to \$0 (net of accumulated depreciation).

More detailed information about the change in the Commission's capital assets is presented in Notes 2 and 4 of the basic financial statements on pages 14 and 19 of this report.

#### Long-Term Liabilities

The Commission's long-term liabilities consist of compensated absences payable. More detailed information about the Commission's long-term liabilities is presented in Note 2 of the basic financial statements on page 14 of this report.

## **FIRST 5 LAKE**

### **Management's Discussion and Analysis For the Year Ended June 30, 2019**

#### ***Economic Factors and Next Year's Budget***

The Commission is committed to focusing Proposition 10 funds on the purposes for which they are intended as reflected in its newly adopted Vision Statement: One day the success of Lake County will be measured by the well-being of its youngest children.

The following economic factors were considered in preparing the Commission's financial plan for fiscal year 2019-2020:

- Proposition 10 funding will be stabilized through fiscal year 2020-2021 at \$625,000 with the Commission's participation in First 5 CA's Small Population County Funding Augmentation policy.
- First 5 California's IMPACT Initiative, will continue for the next year without fiscal year constraints.
- General administrative costs will remain below the level established in the Commission's administrative cost policy.
- Federal Grant opportunities will continue to diminish as a result of cuts imposed by Congress.
- Opportunities to leverage funds will continue to maximize Proposition 10 funding.

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, the Commission will continue its practice of evaluating all funded programs to determine what is working or has promise to impact the health and well-being of children. This information in turn will be used to help evaluate the overall impact of Proposition 10 in Lake County. And the result of these evaluation activities will assist the Commission in determining the optimum future services to be provided with its respective future revenues.

#### ***Requests for Information***

This financial report is designed to provide a general overview of First 5 Lake's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to First 5 Lake, 1173 Eleventh Street, Lakeport, California 95453.

**FIRST 5 LAKE  
GOVERNMENTAL FUNDS BALANCE SHEET AND  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

	<b>General Fund</b>	<b>Total</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
Cash	\$ 456,549	\$ 456,549	\$ -	\$ 456,549
Imprest Cash	100	100	-	100
State Fund and Other Receivables	236,833	236,833	-	236,833
Prepaid Program Costs	17,431	17,431	-	17,431
Deferred Outflows from Pensions	-	-	38,522 <sup>(1)</sup>	38,522
<b>Total Assets and Deferred Outflows</b>	<b>\$ 710,913</b>	<b>\$ 710,913</b>	<b>38,522</b>	<b>749,435</b>
 <b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES/NET POSITION</b>				
Accounts Payable	\$ 93,029	\$ 93,029	-	93,029
Payroll Payable	14,663	14,663	-	14,663
Compensated Absences Payable	-	-	2,537 <sup>(2)</sup>	2,537
Net Pension Liability	-	-	192,388 <sup>(1)</sup>	192,388
<b>Total Liabilities</b>	<b>107,692</b>	<b>107,692</b>	<b>194,925</b>	<b>302,617</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows from Pensions	-	-	3,407 <sup>(1)</sup>	3,407
 <b>FUND BALANCES</b>				
Nonspendable	17,431	17,431	(17,431)	-
Committed	51,621	51,621	(51,621)	-
Assigned	534,169	534,169	(534,169)	-
Unassigned	-	-	-	-
<b>Total Fund Balances</b>	<b>603,221</b>	<b>603,221</b>	<b>(603,221)</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 710,913</b>	<b>\$ 710,913</b>		
 <b>NET POSITION</b>				
Restricted			443,411	443,411
<b>Total Net Position</b>			<b>\$ 443,411</b>	<b>\$ 443,411</b>

<sup>(1)</sup> Deferred Inflows, Outflows and the Net Pension Liability applicable to the Commission's governmental activities are not due and payable or receivable in the current period and accordingly are not reported as a fund liability.

<sup>(2)</sup> Compensated absences payable applicable to the Commission's governmental activities are not due and payable in the current period and accordingly are not reported as a fund liability.

**FIRST 5 LAKE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2019**

	General Programs	Governmental Funds Total	Adjustments	Statement of Activities
<b>Revenues:</b>				
State Funding - Prop. 10 & 56 Allocation	\$ 625,000	\$ 625,000	\$ -	\$ 625,000
State Funding - IMPACT	199,443	199,443	-	199,443
State Funding - IMPACT Hub TTA	55,550	55,550	-	55,550
County Funding - Mother-Wise	65,000	65,000	-	65,000
Interest	10,706	10,706	-	10,706
Other Income	2,152	2,152	-	2,152
Total Revenues	<u>957,851</u>	<u>957,851</u>	<u>-</u>	<u>957,851</u>
<b>Expenditures:</b>				
<b>Personnel Costs</b>				
Personnel	108,872	108,872	(108,872)	-
Personnel Benefits	43,370	43,370	(107,112) <sup>(1)</sup>	-
Total Personnel Costs	<u>152,242</u>	<u>152,242</u>	<u>(215,984)</u>	<u>-</u>
<b>Other Operating Costs</b>				
Communications	1,141	1,141	(1,141)	-
Insurance	2,119	2,119	(2,119)	-
Memberships and Subscriptions	4,088	4,088	(4,088)	-
Office/Household Supplies	2,028	2,028	(2,028)	-
Rents for Occupancy	5,600	5,600	(5,600)	-
Special Departmental Expense	24,550	24,550	(24,550)	-
Transportation	5,519	5,519	(5,519)	-
Utilities	2,371	2,371	(2,371)	-
Publication	163	163	(163)	-
Depreciation or Inventory items	3,124	3,124	(4,319) <sup>(2)</sup>	-
County Administration Costs	2,560	2,560	(2,560)	-
Total Other Operating Costs	<u>53,263</u>	<u>53,263</u>	<u>(54,458)</u>	<u>-</u>
<b>Professional Fees and Contracts</b>				
Audit	6,200	6,200	(6,200)	-
Moving Expenses	1,226	1,226	(1,226)	-
Evaluation & Assessment	35,754	35,754	(35,754)	-
Mother-wise Program	83,430	83,430	(83,430)	-
Oral Health	60,305	60,305	(60,305)	-
Nurturing Parenting	55,002	55,002	(55,002)	-
IMPACT	186,759	186,759	(186,759)	-
IMPACT Hub T&TA	50,630	50,630	(50,630)	-
Parent Engagement "BLOOM"	43,244	43,244	(43,244)	-
Easter Seals of the Bay Area	70,500	70,500	(70,500)	-
Clearlake Early Learning Center	15,417	15,417	(15,417)	-
AmeriCorps	130,499	130,499	(130,499)	-
Imagination Library	80,897	80,897	(80,897)	-
Total Professional Fees and Contracts	<u>819,863</u>	<u>819,863</u>	<u>(819,863)</u>	<u>-</u>
Total Expenditures	<u>1,025,368</u>	<u>1,025,368</u>	<u>(1,090,305)</u>	<u>-</u>
<b>Excess (Deficit) of Revenues over Expenditures</b>	(67,517)	(67,517)		
<b>Expenses</b>				
Administration Expenses			184,289	184,289
Program Expenses			853,117	853,117
Evaluation Expenses			52,899	52,899
Total Expenses			<u>1,090,305</u> <sup>(2)</sup>	<u>1,090,305</u>
<b>Change in Fund Balances/Net Position</b>	(67,517)	(67,517)	(64,937)	(132,454)
<b>Fund Balance/Net Position:</b>				
Beginning of the year	670,738	670,738	(94,873)	575,865
End of the year	<u>\$ 603,221</u>	<u>\$ 603,221</u>	<u>\$ (159,810)</u>	<u>\$ 443,411</u>

<sup>(1)&(2)</sup> Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported in the governmental funds:

<sup>(1)</sup> Loss on disposal of assets reported \$1,195

<sup>(2)</sup> Change in Net Pension Liability/Deferred Inflows/Deferred Outflows \$63,742

See Accompanying Notes

**FIRST 5 LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 1: Nature of the Entity**

**Reporting Entity**

First 5 Lake (Commission), originally known as the Lake County Children and Families Commission, was established on December 22, 1998 pursuant to Health and Safety Code §130140. The Commission was also established in accordance with the provisions of the California Children and Families First Act of 1998 and by Lake County Ordinance No. 2452.

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

The Commission includes all activities (operations of its administrative staff and Commission officers) considered to be 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 the Commission is financially accountable for other entities. The Commission has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the financial statements. 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 of only the Commission. They are not intended to present the financial position and results of operations of the County of Lake taken as a whole.

**Note 2: Summary of Significant Accounting Policies**

**Basis of Presentation and Accounting**

*Government-Wide Statements*

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

**FIRST 5 LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Notes 2: Summary of Significant Accounting Policies (continued)**

**Basis of Presentation and Accounting** (continued)

*Government-Wide Statements* (continued)

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

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

*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. All receivables are expected to be collected within the current year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

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

The Commission reports one major governmental fund, the General Fund. The General Fund is the Commission's primary operating fund. It accounts for all financial resources of the general government.

**FIRST 5 LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Notes 2: Summary of Significant Accounting Policies (continued)**

**State Funds Receivable**

This amount represents receivables from the State of California First 5 Commission. Management has determined the Commission's receivables are fully collectible. Accordingly, no allowance for doubtful accounts has been made.

**Compensated Absences**

Commission employees have accumulated unpaid benefits for compensatory time-off and vacation earned. The accumulated benefits will be liquidated in future years as employees elect to use them. In the normal course of business, all payments of these accumulated benefits will be funded from appropriations of the year in which they are to be paid; therefore, the total liability is recorded as long-term. In accordance with GASB Statement 16, these amounts are not expected to be liquidated from expendable available financial resources.

**Capital Assets**

Capital assets have been acquired for general commission purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost or estimated cost where no historical records are available. The Commission defines capital assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are depreciated in the government-wide statements using the straight-line method over their estimated useful lives of 4 years.

**Deferred Outflows/Inflows of Resources**

In addition to assets the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period which will only be recognized as an outflow of resources (expense) in the future. The Commission only has one item that qualifies for reporting in this category, which is deferred outflows of resources related to the pension plan which represents a reclassification of current year's pension contributions, all of which will be amortized during fiscal year 2019-2020 and other changes as noted below and amortized over multiple years.

**FIRST 5 LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Notes 2: Summary of Significant Accounting Policies (continued)**

**Basis of Presentation and Accounting** (continued)

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and would only be recognized as an inflow of resources (revenue) at that time. The Commission only has one item that qualifies for reporting in this category, related to the pension plan, which is noted below and amortized over future years.

**Net Pension Liability**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension and pension expense, information about the fiduciary net position of the Commission's California Public Employees' Retirement System (CalPERS) plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Net Position**

The government-wide financial statements utilize a net position presentation. The net position is categorized as invested in capital assets (net of related debt), restricted and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all the capital assets into one component of the net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted* – This category represents resources with external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* – This category represents resources of the Commission, not restricted for any project or other purpose.

**FIRST 5 LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Notes 2: Summary of Significant Accounting Policies (continued)**

**Fund Balances**

The Government Accounting Standards Board (GASB) has issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as noted below.

• **Nonspendable** –

This category includes elements of the fund balance that cannot be spent because of their form, or because they must be maintained intact. For example

- Assets that will never convert to cash, such as prepaid items and inventories of supplies;
- Assets that will not convert to cash soon enough to affect the current period, such as non-financial assets held for resale; or
- Resources that must be held intact pursuant to legal or contractual requirements, such as revolving loan fund capital or the principal of an endowment.

• **Restricted** –

This category includes resources that are subject to constraints that are externally enforceable legal restrictions. Examples include

- Funding from the State Commission or foundations that are legally restricted to specific uses. For example, funds advanced by First 5 CA under specific agreements for services, or matching funds for specific initiatives.
- Funds legally restricted by County, state, or federal legislature, or a government's charter or constitution.
- Amounts collected from non-spendable items, such as the long term portion of loan outstanding, if those amounts are also subject to legal constraints.
- Funding that has been designated for legally enforceable contracts but not yet spent. This includes multi-year contracts.

**FIRST 5 LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Note 2: Summary of Significant Accounting Policies (continued)**

**Fund Balances (continued)**

• **Committed –**

Two criteria determine the Committed fund balance:

1. Use of funds is constrained by limits imposed by the government’s highest level of decision making. The highest level of decision making for Proposition 10 funds is the First 5 Lake Commission.
2. Removal or modification of use of funds can be accomplished only by formal action of the authority (i.e., Commission) that established the constraints.

Both commitments and modifications or removal must occur prior to the end of reporting period; that is, the fiscal year being reported upon. For First 5 organizations, resources in this category would 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 a commission for specific agreements that have not yet been executed, where commission action is also required to remove this commitment.
- Resources committed as the local match for a State Commission initiative.

• **Assigned –**

The assigned portion of the fund balance reflects a commission’s intended use of resources, which is established either by the county First 5 Commission, a body created by the commission, such as a commission finance committee, or an official designated by the commission (e.g., an Executive Director). The “assigned” component is similar to the “committed” component, with two essential differences, shown in the following table:

Key Differences Between Committed and Assigned Fund Balance		
	Committed	Assigned
A decision to use funds for a specific purpose requires action of First 5 Commission	Yes	No
Formal action of Commission is necessary to impose, remove or modify this constraint and formal action has taken place before end of reporting period	Yes	No

**FIRST 5 LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 2: Summary of Significant Accounting Policies (continued)**

**Fund Balances (continued)**

Another key difference is that the purpose of the assignment must be narrower than the fund itself. Consequently, tobacco tax revenues would not automatically be placed in the “committed” component. Resources that fit into this category include:

- Appropriation of a portion of existing fund balance sufficient to eliminate a projected deficit in the subsequent year’s budget, where the Executive Director may decide whether to use the entire amount.
- Resources assigned to a specific program or project or organization for which the commission has approved a plan or budget.
- Resources approved by a commission for a long range financial plan where formal approval is not required to modify the amount.

First 5 Lake can assign amounts under this category, and may also authorize the Executive Director to assign amounts under this category when that decision is consistent with the approved long term financial plan.

• **Unassigned –**

This category includes the fund balance that cannot be classified into any of the other categories.

If situations arise where there is a possibility of assignment into more than one category, the committed amount will be reduced first, followed by assigned amounts and then unassigned amounts.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**FIRST 5 LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Note 3: Credit Risk, Carrying Value and Market Value of Investments**

Cash at June 30, 2019 consisted of the following:

Cash in County treasury	\$	456,549
Imprest cash		100
Total cash and investments	\$	456,649

The Commission maintains all of its cash and investments with the Lake County Treasurer in an investment pool. The County of Lake is an external investment pool for the Commission and the Commission is considered an involuntary participant. The Commission does not own any specific identifiable investments in the pool. On a quarterly basis the Treasurer allocates interest to participants based upon their average daily balances. Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Lake's financial statements may be obtained by contacting the County of Lake's Auditor-Controller's office at 255 N. Forbes Street, Lakeport, California 95453. The Lake County Treasury Oversight Committee oversees the Treasurer's investments and policies.

Required disclosures for the Commission's deposit and investment risks at June 30, 2019, were as follows:

Credit risk	Not rated
Custodial risk	Not applicable
Concentration of credit risk	Not applicable
Interest rate risk	Not available

Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value. The fair value of cash was the same as the carrying value; therefore no adjustment was necessary for GASB 31 compliance.

Pooled Investments:	<u>Carrying Amount</u>
Lake County	\$ 456,649

**Notes 4: Capital Assets And Depreciation**

Capital Assets at June 30, 2019 were as follows:

	<u>June 30, 2018</u>	<u>Additions &amp; Disposals</u>	<u>June 30, 2019</u>
Equipment	\$ 2,706	\$ (2,706)	\$ --
Less accumulated depreciation	(1,511)	1,511	--
Capital assets, net	\$ 1,195	\$ (1,195)	\$ --

**FIRST 5 LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Note 5: Related Party Transactions**

During the fiscal year ended June 30, 2019, the Commission paid the County of Lake, a related party, \$2,560 for accounting and risk management services.

**Note 6: Program Evaluation – 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 were the loss on the disposal of assets of \$1,195 and the change in net pension liability/deferred inflows/deferred outflows \$63,742. The expenses were allocated as follows:

	<u>General Fund</u>	<u>Adjustment</u>	<u>Government-Wide</u>
Program	\$ 807,303	\$ 45,814	\$ 853,117
Administrative	168,991	15,298	184,289
Evaluation	49,074	6,532	52,899
Total	<u>\$ 1,025,368</u>	<u>\$ 64,937</u>	<u>\$ 1,090,305</u>

**Note 7: Pension Obligation Including GASB Statement No. 68**

The Commission has contracted with the County of Lake for Human Resources and Personnel Services for the Commission. As such, the County of Lake is the employer of record for the employees working at the Commission. The contract with the County of Lake allows the employees to receive the rights and benefits of all other County employees. The Commission reimburses the County for costs associated with the employees in the Commission. The Commission paid the County the following amounts for personnel costs for the year ended June 30, 2019.

Salaries	\$ 108,872
Retirement Benefits - CalPERS	20,328
Health Benefits	10,355
Taxes and Workers' Compensation	12,687
Total	<u>\$ 152,242</u>

**FIRST 5 LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Note 7: Pension Obligation Including GASB Statement No. 68 (continued)**

As employees of the County of Lake, the Commission employees participate in the retirement benefits of the County of Lake as follows:

Plan Description -

The Commission reimburses the County for contributions to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute. PERS issues a separate comprehensive financial report. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy -

Active plan members in the PERS are required to contribute 7% of their annual covered salary. The Commission is required to reimburse the County for the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration.

The Commission reimburses the County 16.067% of the employees' annual covered salary. The Commission reimburses the County for both the employee and employer portion paid directly to PERS. The Commission's contributions to CalPERS, through the County of Lake, for the last three years was as follows and equaled 100% of the required contribution for the each year:

June 30, 2019	\$20,328
June 30, 2018	\$16,957
June 30, 2017	\$17,787
June 30, 2016	\$14,548
June 30, 2015	\$15,941

Employees Covered

Inactive employees or beneficiaries currently receiving benefits	0
Active employees	<u>2</u>
Total	2

**FIRST 5 LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 7: Pension Obligation Including GASB Statement No. 68 (continued)**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Commission reported a net pension liability of \$192,388 for its proportionate share of the County's net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using standard update procedures. 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 participating entities and the State, actuarially determined. At June 30, 2017 and June 30, 2018, the Commission's proportionate share of the County of Lake's net pension liability was 0.2198% and 0.3062%, respectively.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the Commission recognized pension income of \$14,570. At June 30, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Resources	Deferred Inflows Resources
Differences between expected and actual experience	\$ 3,927	\$ (926)
Change in Assumptions	12,574	(2,481)
Net difference between projected and actual earnings on pension plan investments	1,693	--
Employer contributions paid by Commission subsequent To the measurement date	20,328	--
<b>TOTAL</b>	<b>\$ 38,522</b>	<b>\$ (3,407)</b>

The \$38,522 reported as deferred outflows of resources related to the pension resulting from the Commission's contributions to the County's plan subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense(income) as follows:

<u>Years Ending June 30</u>	
2020	\$ 21,885
2021	50
2022	(5,671)
2023	(1,477)
Thereafter	-
<b>Total</b>	<b><u>\$ 14,787</u></b>

**FIRST 5 LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Note 7: Pension Obligation Including GASB Statement No. 68 (continued)**

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 of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed 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.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The table below reflects the long-term expected real rate of return by asset class.

Asset Class(A)	Target Allocation	Real Return, Years 1 -10 (B)	Real Return 11+ (C)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	-	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	-	-0.92%
	<u>100.00%</u>		

(A) In the County’s System’s CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(B) An expected inflation of 2.0% used for this period

(C) An expected inflation of 2.92% used for this period

**FIRST 5 LAKE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Note 7: Pension Obligation Including GASB Statement No. 68 continued**

Sensitivity of the Commission's proportionate share of the County's net pension liability to changes in the discount rate

The following table presents the Commission's proportionate share of the County's net pension liability calculated using the discount rate of 7.15 percent, as well as what the Commission's proportionate share of the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

	1.00% Decrease (6.15%)	Current Discount Rate (7.15%)	1.00% Increase (8.15%)
Commission's proportionate share of the County's net pension liability	\$ 291,092	\$ 192,388	\$ 110,368

Pension plan changes in the net pension plan liability and pension plan fiduciary net position

Detailed information about the County's collective net pension liability and plan fiduciary net position is available in the County's separately issued Comprehensive Annual Financial Report (CAFR). The County of Lake's financial statements may be obtained by contacting the County of Lake, 255 North Forbes St., Lakeport, CA 95453.

Actuarial Assumptions to Determine Total Pension Liability

The total pension liabilities in 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	2.50%
Payroll Growth	3.0%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.15%
(1) Net of pension plan investment expenses, including inflation	

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

**FIRST 5 LAKE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**Note 8: Risk Management**

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

**Note 9: Section 30131.4 of the California Tax & Revenue Code Certification**

The Commission has certified that the supplant requirement stated in Section 30131.4 of the California Tax & Revenue Code has been met.

**Note 10: Retiree Medical Plan – Other Postemployment Benefits**

*Plan Description.* The Commission is a participant in the County of Lake's Retiree Medical Plan (the Plan). The County of Lake Retiree Healthcare Plan (the Plan) provides postemployment medical and dental insurance to retired employees through a single-employer defined benefit OPEB plan. Medical insurance benefits are administered by the California Public Employee's Retirement System, (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California, in accordance to the Public Employees Medical and Hospital Care Act (PEMHCA).

Because the employees are employees of the County and not the Commission directly the County reports on these benefits in the County's annual financial statements.

**Note 11: Subsequent Event**

Events subsequent to June 30, 2019 have been evaluated through October 21, 2019, the date at which the Commission's audited financial statements were available to be issued. No events requiring disclosure have occurred through this date.

**REQUIRED SUPPLEMENTARY INFORMATION**

**FIRST 5 LAKE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET TO ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<b>GENERAL PROGRAM ORIGINAL BUDGET</b>	<b>GENERAL PROGRAM FINAL BUDGET</b>	<b>GENERAL PROGRAM ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET UNDER/(OVER)</b>
<b>REVENUES</b>				
Annual Tobacco Tax Income	\$ 625,000	\$ 625,000	\$ 625,000	\$ -
IMPACT	251,771	251,771	199,443	52,328
IMPACT Hub T&TA	25,000	25,000	55,550	
County DBH - Mother-Wise	65,000	65,000	65,000	-
Interest	2,400	2,400	10,706	(8,306)
Other Income	2,500	3,060	2,152	908
<b>TOTAL REVENUES</b>	<b>971,671</b>	<b>972,231</b>	<b>957,851</b>	<b>44,930</b>
<b>Expenditures:</b>				
<b>Personnel Costs</b>				
Personnel	108,957	108,957	108,872	85
Personnel Benefits	41,761	41,780	43,370	(1,590)
<b>Total Personnel Costs</b>	<b>150,718</b>	<b>150,737</b>	<b>152,242</b>	<b>(1,505)</b>
<b>Other Operating Costs</b>				
Communications	1,420	1,420	1,141	279
Insurance	2,119	2,119	2,119	-
Memberships and Subscriptions	4,088	4,088	4,088	-
Office/Household Supplies	2,250	2,250	2,028	222
Rents for Occupancy	6,720	5,600	5,600	-
Special Departmental Expense	27,572	31,072	24,550	6,522
Transportation	6,000	6,750	5,519	1,231
Utilities	5,500	5,500	2,371	3,129
Publication	500	500	163	337
Depreciation or Inventory items	3,150	3,150	3,124	26
County Administration Costs	3,000	3,000	2,560	440
<b>Total Other Operating Costs</b>	<b>62,319</b>	<b>65,449</b>	<b>53,263</b>	<b>12,186</b>
<b>Professional Fees and Contracts</b>				
Audit	6,200	6,200	6,200	-
Moving Expense	-	528	1,226	(698)
Evaluation & Assessment	35,759	39,259	35,754	3,505
Mother-wise Program	65,000	109,419	83,430	25,989
Oral Health	60,305	60,305	60,305	-
Nurturing Parenting	55,254	55,254	55,002	252
IMPACT	242,203	242,203	186,759	55,444
IMPACT Hub T&TA	25,000	25,000	50,630	(25,630)
Parent Engagement "BLOOM"	35,000	35,000	43,244	(8,244)
Easter Seals of the Bay Area	70,500	70,500	70,500	-
Clearlake Early Learning Center	14,600	14,600	15,417	(817)
AmeriCorps	117,538	117,538	130,499	(12,961)
Imagination Library	34,425	34,425	80,897	(46,472)
<b>Total Professional Fees and Contracts</b>	<b>761,784</b>	<b>810,231</b>	<b>819,863</b>	<b>49,801</b>
<b>Total Expenditures</b>	<b>974,821</b>	<b>1,026,417</b>	<b>1,025,368</b>	<b>1,049</b>
<b>Excess of Revenues over Expenditures</b>				
<b>Change in Fund Balances</b>	(3,150)	(54,186)	(67,517)	
<b>Fund Balance</b>				
Beginning of the year	670,738	670,738	670,738	
End of the year	<u>\$ 667,588</u>	<u>\$ 616,552</u>	<u>\$ 603,221</u>	

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

**FIRST 5 LAKE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**BUDGET AND BUDGETARY ACCOUNTING**

The Commission prepares and legally adopts a final budget on or before June 30<sup>th</sup> of each fiscal year. The Commission operation, commencing July 1<sup>st</sup>, is governed by the proposed budget, adopted by the Board of Commissioners in June of the prior fiscal year.

After the budget is approved, the Commission's executive director is authorized to adjust a line item appropriation in an amount not to exceed 15% of the approved appropriation. All amounts greater than 15% require Commission approval. All such changes must be within the revenues and reserves estimated as available in the final budget or within revised revenue estimates as approved by the Commission.

An operating budget is adopted each fiscal year in the modified accrual basis of accounting. Additionally, encumbrance accounting is utilized to assure effective budgetary control. Encumbrances outstanding at year-end represent the estimated amount of the expenditures ultimately to result if the unperformed contracts in process at year-end are completed or purchase commitments satisfied. Such year-end encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent years and included in the subsequent years' budgets. Unencumbered 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, rent and utilities, and other program expenditures.

**FIRST 5 LAKE**  
**SCHEDULE OF THE COMMISSION'S PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY - CALPERS**  
**YEAR ENDED JUNE 30, 2019**

For the year ended June 30,	2019	2018	2017	2016	2015
Commission's proportion share of the net pension liability (asset)	0.3062%	0.2198%	0.2564%	0.1461%	0.16624%
Commission's proportionate share of the net pension liability (asset)	\$192,388	\$140,485	\$128,099	\$55,381	\$57,371
Commission's covered-employee payroll	\$108,872	\$105,456	\$85,209	\$92,833	\$81,294
Commission's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	56.59%	75.07%	66.52%	59.66%	70.57%
Measurement date June 30, :	2018	2017	2016	2015	2014

See Accompanying Independent Auditor's Report

**FIRST 5 LAKE**  
**SCHEDULE OF THE COMMISSION'S CONTRIBUTIONS - CALPERS**  
**YEAR ENDED JUNE 30, 2019**

**Employer Fiscal year End June 30**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Actuarially determined contributions	\$ 20,328	\$ 16,957	\$ 17,787	\$ 12,783	\$ 10,536
Contributions in relation to the actuarially determined contribution	(20,328)	(16,957)	(17,787)	(12,783)	(10,536)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Commission's covered-employee payroll	\$ 108,875	\$ 105,456	\$ 85,209	\$ 92,833	\$ 81,294
Contributions as a percentage of covered-employee payroll	18.67%	16.08%	20.87%	13.77%	12.96%

See Accompanying Independent Auditor's Report

**FIRST 5 LAKE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2019**

**1.) Changes of Benefit Terms**

Public agencies who participate in CalPERS can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan’s annual valuation report. The report was obtained by the County of Lake.

**2.) Notes to Schedule of Plan Contributions**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were derived from the June 30, 2015 funding valuation report.

Actuarial Cost Method	Entry-Age Normal Cost Method
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.5%
Retirement Age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published b the Society of Actuaries.

**OTHER SUPPLEMENTARY INFORMATION**

**FIRST 5 LAKE**  
**SCHEDULE OF EXPENDITURES BY FUND SOURCE AND**  
**NET POSITION OF CALIFORNIA CHILDREN AND FAMILIES COMMISSION**  
**FUNDS FOR FIRST 5 PROGRAMS AND ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

		Revenue	Expenditures	Change in	Net Position	Net
		F5CA		Net	Beginning of	Position
		Funds		Position	Year	End of
						Year
IMPACT	F5CA Program Funds	\$ 199,443	\$ 199,443	\$ --	\$ --	\$ --
	Small County Augmentation	\$ 158,534	\$ 158,534	\$ --	\$ --	\$ --
	Total F5CA Funds	\$ 357,977	\$ 357,977	\$ --	\$ --	\$ --

See Accompanying Independent Auditor's Report

**FIRST 5 LAKE**  
**SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2019**

There were no findings in the prior year report for the year ended June 30, 2018.

See Accompanying Independent Auditor's Report

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

Board of Commissioners  
First 5 Lake  
Lakeport, 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 Lake (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 basic financial statements and have issued our report thereon dated October 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jensen Smith  
Certified Public Accountants, Inc.  
Lincoln, California  
October 21, 2019

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## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Commissioners  
First 5 Lake  
Lakeport, California

### Compliance

We have audited First 5 Lake'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, 2019.

### Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the Commission's management.

### 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 Lake (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.



Jensen Smith  
 Certified Public Accountants, Inc.  
 Lincoln, California  
 October 21, 2019

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October 21, 2019

Board of Commissioners  
First 5 Lake  
Lakeport, California

Dear Ladies and Gentlemen,

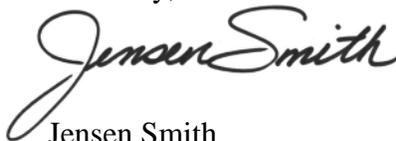
Thank you for your confidence in choosing our firm for your auditing needs. It is a pleasure to work with your staff. The audit progressed smoothly this year, even with the delays of with funding and reporting from the State.

In planning and performing our audit of the financial statements of First 5 Lake for the year ended June 30, 2019, we considered First 5 Lake's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

We previously reported on First 5 Lake's internal control in our report dated October 21, 2019. This letter does not affect our report dated October 21, 2019, on the financial statements or internal control of First 5 Lake.

We want to thank your staff for their assistance in completing the audit and their quick responses to our inquiries. We were delighted to see your continued contributions to services for children ages 0-5 and the recovery of the community after last year's fires. We wish you success in the 2019-2020 fiscal year.

Sincerely,



Jensen Smith  
Certified Public Accountants, Inc.