

FIRST 5 LAKE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2021

FIRST 5 LAKE
Financial Statements
For the Year Ended June 30, 2021

TABLE OF CONTENTS

	<u>Page</u>	
Commission Membership	i	
Independent Auditor’s Report.....	1	
Management’s Discussion and Analysis	4	
 Financial Statements:		
Governmental Funds Balance Sheet and Statement of Net Position	10	
Statement of Revenues, Expenditures and Changes in Fund Balance and Statement of Activities.....	11	
Notes to Financial Statements.....	12	
 <u>Required Supplementary Information</u>		
Schedule of Revenues, Expenditures and Changes in Fund		
Balance- Budget and Actual	27	
Notes to the Required Supplementary Information - Budgets.....	28	
 CalPERS Schedules		
Schedule of the Commission’s Proportionate Share of the Net Pension Liability and Contributions		29
Schedule of the Commission’s Proportionate Share of the Changes in the Net Pension Liability and Related Ratios		30
Notes to the Required Supplementary Information – CalPERS	31	
 <u>Other Supplementary Information</u>		
Schedule of Expenditures by Fund Source and Net Position of California Children and Families Commission Funds for the First 5 Programs and Activities		32
Schedule of the Status of Prior Audit Findings	33	
 <u>Other Reports</u>		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> Independent Auditor’s Report.....		34
Independent Auditor’s Report on State Compliance	36	
Letter to Management	38	

FIRST 5 LAKE

Commission Membership
At June 30, 2021

<u>Name</u>	<u>Position</u>	<u>Date of Original Appt.</u>
Tina Scott	Supervisor – District 4 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
Brock Falkenberg	Superintendent of Schools, Lake County Office of Education Commissioner	Mandated
Crystal Markytan	Director, Department of Social Services Commissioner	Mandated
Fawn Rave	Education Director Robinson Rancheria: Learning Center Commissioner	August 2020
Justin Gaddy	Family Advocate Commissioner	June 2021
Tarin Benson	Coordinator of Student Services Konocit Unified School Dist. Commissioner	June 2021
Allison Panella	Family Advocate Commissioner	August 2017

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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, 2021, 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 Commission'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 Commission'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, 2021, 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; 27 through 28; and 29 through 31 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 27, 2021, 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 solely 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 effectiveness of the Commission's 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 27, 2021

FIRST 5 LAKE

Management's Discussion and Analysis For the Year Ended June 30, 2021

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 prenatally 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, 2021, 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, 2021.

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.

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

FIRST 5 LAKE

Management's Discussion and Analysis For the Year Ended June 30, 2021

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 - 26 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 \$586,185 (net position) 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 \$653,056. 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 and SPCFA (\$45,030) and the prepaid/advanced program costs (\$112,575). The Commission also reports accounts payable of \$5,080 representing payments due for smaller operating costs and a \$3,097 overpayment due back to the State Commission.

The Commission's net position increased overall by \$102,192 during the 2020-21 fiscal year. This increase is explained in the governmental activities analysis (below) and is primarily a result of the increased funding through the Title IV-E grant and grantees not utilizing their grant advances.

FIRST 5 LAKE

Management's Discussion and Analysis For the Year Ended June 30, 2021

FIRST 5 LAKE

Statement of Net Position Comparison

	<u>FY 2020-21</u>	<u>FY 2019-20</u>	<u>Difference</u>
Total Assets & Deferred outflows	\$ 839,660	\$ 737,203	\$ 102,457
Total Liabilities & Deferred inflows	<u>253,475</u>	<u>253,210</u>	<u>265</u>
Net Position	<u>\$ 586,185</u>	<u>\$ 483,993</u>	<u>\$ 102,192</u>

Statement of Activities Comparison

	<u>FY 2020-21</u>	<u>FY 2019-20</u>	<u>Difference</u>
Total Revenues	\$ 735,638	\$ 1,128,583	\$ (392,945)
Total Expenses	<u>633,446</u>	<u>1,088,001</u>	<u>(454,555)</u>
Change in Net Assets	<u>\$ 102,192</u>	<u>\$ 40,582</u>	<u>\$ 61,610</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, 2021, the Commission reported an ending fund balance of \$790,325, an increase of \$110,754 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, 2021, the Commission had committed assets of \$60,681, assigned assets of \$356,828, non-spendable assets of \$112,575 and \$260,241 remaining as unassigned.

Total revenue consisting of Proposition 10 funds, interest income, and State Commission matching revenue and local revenue decreased from \$1,128,583 to \$735,638 for the year ended June 30, 2021. This decrease was due primarily to the reduction of the IMPACT grant revenue.

Total expenditures decreased to \$624,884 in 2020-21, a decrease in spending of \$427,349 from the prior fiscal year. The total expenditures decreased primarily due to the ending of the IMPACT grant contact.

Fund Budgetary Highlight

Total revenues were under the final budget by 8% or \$66,076, while total expenditures were under budget by 22% or \$176,830. The under budget of total revenues was due primarily to the underspending grants received. Expenditures for general administrative services and supplies were \$78,594 or 12.6%. The cost of evaluation services was \$44,475 or 7.1%. More information regarding the allocations of costs is reported on page 20 in Note 5 to the financial statements.

FIRST 5 LAKE

Management's Discussion and Analysis For the Year Ended June 30, 2021

The remaining funds were allocated to program design and implementation. First 5 Lake invested \$501,815 across multiple programs to positively impact family functioning, child development, child health and early childhood systems in Lake County.

The COVID-19 pandemic continued to impact both service delivery and data collection in 2020-21. Collectively, F5 Lake investments served 3,123 children, 2,911 parents/caregivers and other family members, and 416 providers.

Family Functioning

- 116 parents and other family members were served with parenting lessons using the Nurturing Parenting Curriculum and/or home visits, impacting the lives of 62 children ages 0 through 5.
- Outreach to families interacting with the Bloom Facebook page is increasing parents' knowledge of child development. A survey found that 78% of program participants learned new information.
- ~ 67% of children 0-4 in the County were reached by Imagination Library (IL), an increase of 3% over the previous year. 96% of parents responding to a survey noted IL has had a significant positive impact or some positive impact on their family.

Child Development

- 100% of (n=244) children enrolled in LCOE preschools received recorded Second Step Lessons from AmeriCorps members to build social, emotional, and interpersonal skills. 81% of parents who received videos (n=50) agreed or strongly agreed that the videos helped sustain academic and social-emotional learning.

Child Health

- 147 children were screened for dental issues or were connected to dental supports. Most children screened had no issues. 27 screenings indicated a need for improved oral hygiene and 3 screenings indicated an immediate need for services.
- 152 parents or caregivers participated in the Developmental Materials Distribution (DMD). The DMD provided families with materials to support their efforts to engage children in developmentally appropriate activities that can be implemented at home.
- Of the 33 ASQs and 27 ASQ:SEs scored by ELC staff, development is on schedule for the majority of children. The most common domain requiring referral was Social-Emotional development.
- 121 parents attended Safe Sleep classes at Sutter Lakeside Hospital to receive concrete supports and improve knowledge of safe sleep practices.
- The Family Resource Navigator (FRN) contacted 73 mothers at intervals after delivery to check in on their physical and mental health and the health and development of their babies. All program participants noted that the program improved their ability to navigate the service system.

Improved Systems of Care

F5L continued to serve as the backbone organization for the Lake County Smart Start Collective, convening the Collective to launch the Smart Start Eligibility Wizard (SSEW) – a web-based tool

FIRST 5 LAKE

Management's Discussion and Analysis For the Year Ended June 30, 2021

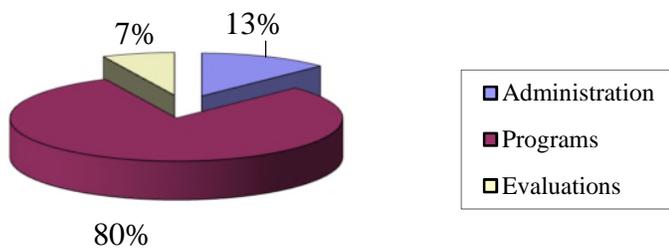
designed to help parents of young children identify the services and programs for which their family is eligible. As of June 2021, there were 15 service providers and 43 active services included in the SSEW. This number is expected to grow over time, with the eventual goal that all eligible service providers will opt to participate in the system.

F5L coordinated 11 online trainings for 378 service providers and resource parents serving children at risk of entering or in the child welfare system. Topics included *Thriving in the Age of Overwhelm*, *Desperately Seeking Attachment*, and *Fixed vs. Growth Mindset*.

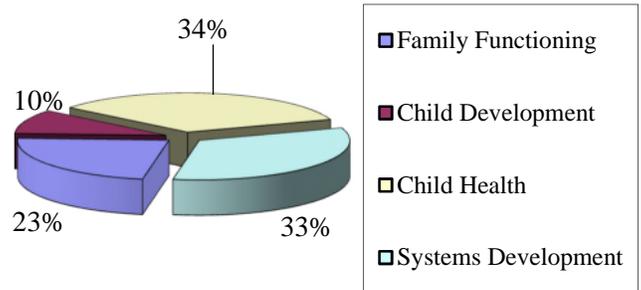
F5L distributed a survey to families asking about how the pandemic impacted their ability to meet basic needs and where they were able to find assistance or leverage their family's resilience. 269 people responded to the survey. The area where the greatest number of families expressed difficulty during the pandemic was in paying for utilities (n=106); followed by families reporting they had trouble with employment (n=105); families reporting trouble meeting childcare or daycare needs (n=98); and families reporting trouble with rent or mortgage (n=95). The area in which the most families were unable to get their needs met was employment (n=59 out of 96; 61%).

F5L used results of previous evaluations to determine how to strengthen programs and understand the needs of families with young children.

Fund Allocation



Program Distribution



Capital Assets and Long-Term Liabilities

Capital Assets

The Commission's investment in capital assets for its governmental activities as of June 30, 2021, 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, 2021

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 both its Vision Statement: One day the success of Lake County will be measured by the well-being of its youngest children, and Mission Statement: First 5 Lake builds the early childhood systems and supports needed to ensure Lake County's youngest children are safe, healthy, and ready to succeed in school and life.

The following economic factors were considered in preparing the Commission's financial plan for fiscal year 2021-22:

- Due to a change in the way First 5 California will be administering the Small Population County Funding Augmentation, Proposition 10 funding will no longer be stabilized at \$625,000. Instead, an annual grant in the amount of \$161,377 per year, will be available (with annual carryover of unspent funds allowable), regardless of Prop.10 revenues, and First 5 Lake will be required to submit quarterly invoices for actual expenses to receive these funds.
- Projections for tobacco tax revenues are changing as new taxes on tobacco are enacted.
- A ban on flavored tobacco will be on the ballot, and if enacted is projected to reduce tobacco tax income significantly in years to come.
- General administrative costs will remain below the level established in the Commission's administrative cost policy.
- 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, health 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, 2021**

	General Fund	Total	Adjustments	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS:				
ASSETS				
Cash	\$ 653,056	\$ 653,056	\$ -	\$ 653,056
Imprest Cash	100	100	-	100
State Fund and Other Receivables	45,029	45,029	-	45,029
Prepaid Program Costs	112,575	112,575	-	112,575
Total Assets and Deferred Outflows	\$ 810,760	\$ 810,760	-	810,760
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows from Pensions	-	-	28,900 ⁽¹⁾	28,900
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES/NET POSITION:				
LIABILITIES				
Accounts Payable	\$ 5,080	\$ 5,080	-	5,080
Payroll Payable	15,355	15,355	-	15,355
Compensated Absences Payable	-	-	4,792 ⁽²⁾	4,792
Net Pension Liability	-	-	226,449 ⁽¹⁾	226,449
Total Liabilities	20,435	20,435	231,241	251,676
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows from Pensions	-	-	1,799 ⁽¹⁾	1,799
FUND BALANCES				
Nonspendable	112,575	112,575	(112,575)	-
Committed	60,681	60,681	(60,681)	-
Assigned	356,828	356,828	(356,828)	-
Unassigned	260,241	260,241	(260,241)	-
Total Fund Balances	790,325	790,325	(790,325)	-
Total Liabilities and Fund Balances	\$ 810,760	\$ 810,760		
NET POSITION				
Restricted			586,185	586,185
Total Net Position			\$ 586,185	\$ 586,185

⁽¹⁾ 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.

⁽²⁾ 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.

See Accompanying Notes.

FIRST 5 LAKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED
JUNE 30, 2021

	General Programs	Governmental Funds Total	Adjustments	Statement of Activities
Revenues:				
State Funding - Prop. 10 & 56 Allocation	\$ 625,000	\$ 625,000	\$ -	\$ 625,000
State Funding - SPCFA	13,439	13,439	-	13,439
State Funding - IMPACT Hub TTA	9,600	9,600	-	9,600
Grant/Contract Funding	85,431	85,431	-	85,431
Interest	2,006	2,006	-	2,006
Other Income	162	162	-	162
Total Revenues	<u>735,638</u>	<u>735,638</u>	<u>-</u>	<u>735,638</u>
Expenditures:				
Personnel Costs				
Personnel	99,862	99,862	(101,059) ⁽¹⁾	-
Personnel Benefits	38,329	38,329	(45,694) ⁽²⁾	-
Total Personnel Costs	<u>138,191</u>	<u>138,191</u>	<u>(146,753)</u>	-
Other Operating Costs				
Communications	1,095	1,095	(1,095)	-
Insurance	2,626	2,626	(2,626)	-
Memberships and Subscriptions	4,088	4,088	(4,088)	-
Office/Household Supplies	1,988	1,988	(1,988)	-
Rents for Occupancy	6,991	6,991	(6,991)	-
Special Departmental Expense	52,073	52,073	(52,073)	-
Title IV-E Special Projects	37,014	37,014	(37,014)	-
Transportation	111	111	(111)	-
Utilities	3,056	3,056	(3,056)	-
Publication	126	126	(126)	-
Inventory items	1,738	1,738	(1,738)	-
County Administration Costs	2,761	2,761	(2,761)	-
Total Other Operating Costs	<u>113,667</u>	<u>113,667</u>	<u>(113,667)</u>	-
Professional Fees and Contracts				
Audit	6,500	6,500	(6,500)	-
Evaluation & Assessment	31,997	31,997	(31,997)	-
LCOE Programs	215,299	215,299	(215,299)	-
Easter Seals of the Northern California	80,412	80,412	(80,412)	-
Sutter Lakeside Hospital - Smart Start	38,818	38,818	(38,818)	-
Total Professional Fees and Contracts	<u>373,026</u>	<u>373,026</u>	<u>(373,026)</u>	-
Total Expenditures	<u>624,884</u>	<u>624,884</u>	<u>(633,446)</u>	-
Excess (Deficit) of Revenues over Expenditures	110,754	110,754		
Expenses				
Administration Expenses			81,848	81,848
Program Expenses			506,393	506,393
Evaluation Expenses			45,205	45,205
Total Expenses			<u>633,446</u>	<u>633,446</u>
Change in Fund Balances/Net Position	110,754	110,754	(8,562)	102,192
Fund Balance/Net Position:				
Beginning of the year	679,571	679,571	(195,578)	483,993
End of the year	<u>\$ 790,325</u>	<u>\$ 790,325</u>	<u>\$ (204,140)</u>	<u>\$ 586,185</u>

^{(1)&(2)} 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:

⁽¹⁾ Change in accrued vacation is \$1,197

⁽²⁾ Change in Net Pension Liability/Deferred Inflows/Deferred Outflows \$7,365

See Accompanying Notes

FIRST 5 LAKE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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, 2021

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 2021-22 and other changes as noted below and amortized over multiple years.

FIRST 5 LAKE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021

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, 2021**

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, 2021

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, 2021**

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

Cash at June 30, 2021 consisted of the following:

Cash in County treasury	\$ 653,056
Imprest cash	<u>100</u>
Total cash and investments	<u>\$ 653,156</u>

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, 2021, 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	<u>\$ 653,056</u>

Note 4: Related Party Transactions

During the fiscal year ended June 30, 2021, the Commission paid the County of Lake, a related party, \$2,761 for accounting and risk management services.

FIRST 5 LAKE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 5: 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 change in the accrued vacation of \$1,197 and the change in net pension liability/deferred inflows/deferred outflows \$7,365. The expenses were allocated as follows:

	<u>General Fund</u>	<u>Adjustment</u>	<u>Government-Wide</u>
Program	\$ 501,815	\$ 4,578	\$ 506,393
Administrative	78,594	3,254	81,848
Evaluation	44,475	730	45,205
Total	\$ 624,884	\$ 8,562	\$ 633,446

Note 6: 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 or accrued the following amounts for the County for personnel costs for the year ended June 30, 2021.

	<u>General Fund</u>	<u>Government-wide</u>
Salaries	\$ 99,862	\$ 101,059
Retirement Benefits - CalPERS	21,422	28,787
Health Benefits	6,597	6,597
Taxes and Workers' Compensation	10,310	10,310
Total	\$ 138,191	\$ 146,753

The difference between the general fund and government-wide figures is the changed in compensated absences of \$1,197 and the net change in the pension activity of \$7,365.

**FIRST 5 LAKE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 6: 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 20.762% 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 seven years was as follows and equaled 100% of the required contribution for the each year:

June 30, 2021	\$21,422
June 30, 2020	\$23,551
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, 2021

Note 6: 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, 2021, the Commission reported a net pension liability of \$226,449 for its proportionate share of the County's net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, 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, 2019 and June 30, 2020, the Commission's proportionate share of the County of Lake's net pension liability was 0.3192% and 0.3168%, respectively.

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

For the year ended June 30, 2021, the Commission recognized pension expense of \$28,787. At June 30, 2021, 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	\$ 1,965	\$ (1,799)
Change in Assumptions	--	--
Net difference between projected and actual earnings on pension plan investments	5,513	--
Employer contributions paid by Commission subsequent To the measurement date	21,422	--
TOTAL	\$ 28,900	\$ (1,799)

The \$21,422 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, 2022. 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>	
2022	\$(1,446)
2023	1,021
2024	3,403
2025	2,701
Thereafter	-
Total	<u>\$ 5,679</u>

**FIRST 5 LAKE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

Note 6: 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 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 Equitv 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, 2021**

Note 6: 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	\$ 334,814	\$ 226,449	\$ 163,323

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, 2020 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.625%
Payroll Growth	2.875%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.25%
(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, 2021

Note 7: 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 8: 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 9: 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 multiple-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 10: Subsequent Event

Events subsequent to June 30, 2021 have been evaluated through October 27, 2021, the date at which the Commission's audited financial statements were available to be issued. The following event requires disclosure:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a global pandemic. In addition, as of March 19, 2020, Governor Newsom ordered the closure of the physical location of every "non-essential" business which was released and reinstated throughout 2020 and into 2021. Business continuity, including supply chains and consumer demand across a broad range of industries and countries were impacted throughout 2020 and into 2021.

FIRST 5 LAKE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 10: Subsequent Event-Continued

Vaccines became widely available in early 2021 and less restrictions were required as 2021 has progressed. Although the Commission's services are considered essential, the office was closed to the public, certain other services transitioned to online-only. There was no financial impact to the June 30, 2021 fiscal year. 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 LAKE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	GENERAL PROGRAM ORIGINAL BUDGET	GENERAL PROGRAM FINAL BUDGET	GENERAL PROGRAM ACTUAL	VARIANCE WITH FINAL BUDGET UNDER/(OVER)
REVENUES				
Annual Tobacco Tax Income	\$ 625,000	\$ 665,344	\$ 638,439	\$ 26,905
IMPACT Hub T&TA	-	-	9,600	(9,600)
Title IV E Grant (CLPCCD)	100,000	97,000	85,431	11,569
Interest	5,000	5,000	2,006	2,994
Other Income	-	34,370	162	34,208
TOTAL REVENUES	730,000	801,714	735,638	66,076
Expenditures:				
Personnel Costs				
Personnel	124,652	108,375	99,862	8,513
Personnel Benefits	53,680	43,855	38,329	5,526
Total Personnel Costs	178,332	152,230	138,191	14,039
Other Operating Costs				
Communications	1,490	1,840	1,095	745
Insurance	2,621	2,626	2,626	-
Memberships and Subscriptions	4,088	4,088	4,088	-
Office/Household Supplies	2,950	2,950	1,988	962
Rents for Occupancy	7,026	7,026	6,991	35
Special Departmental Expense	47,451	137,826	52,073	85,753
Title IV-E Projects	76,464	82,450	37,014	39,450
Transportation	7,000	5,200	111	5,089
Utilities	2,750	2,750	3,056	(306)
Publication	500	500	126	374
Inventory items	-	2,900	1,738	1,162
County Administration Costs	4,000	4,000	2,761	1,239
Total Other Operating Costs	156,340	254,156	113,667	140,489
Professional Fees and Contracts				
Audit	6,500	6,500	6,500	-
Evaluation & Assessment	32,000	32,000	31,997	3
LCOE Programs	214,295	214,295	215,299	(1,004)
Easter Seals of the Northern California	105,333	105,333	80,412	24,921
Sutter Lakeside Hospital - Smart Start	37,200	37,200	38,818	(1,618)
Total Professional Fees and Contracts	395,328	395,328	373,026	22,302
Total Expenditures	730,000	801,714	624,884	176,830
Excess of Revenues over Expenditures				
Change in Fund Balances	-	-	110,754	
Fund Balance				
Beginning of the year	679,571	679,571	679,571	
End of the year	<u>\$ 679,571</u>	<u>\$ 679,571</u>	<u>\$ 790,325</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, 2021

BUDGET AND BUDGETARY ACCOUNTING

The Commission prepares and legally adopts a final budget on or before June 30th of each fiscal year. The Commission operation, commencing July 1st, 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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE COMMISSION'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND CONTRIBUTIONS
YEAR ENDED JUNE 30, 2021

For the year ended June 30,	2021	2020	2019	2018	2017	2016	2015
Commission's proportion share of the net pension liability (asset)	0.3192%	0.3192%	0.3062%	0.2198%	0.2564%	0.1461%	0.16624%
Commission's proportionate share of the net pension liability (asset)	\$226,449	\$215,145	\$192,388	\$140,485	\$128,099	\$55,381	\$57,371
Commission's covered-employee payroll	\$ 98,862	\$116,378	\$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	43.66%	54.09%	56.59%	75.07%	66.52%	59.66%	70.57%
Measurement date June 30, :	2020	2019	2018	2017	2016	2015	2014
For the year ended June 30,	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contributions	\$21,422	\$23,551	\$20,328	\$16,957	\$17,787	\$12,783	\$10,536
Contributions in relation to the actuarially determined contribution	<u>(21,422)</u>	<u>(23,551)</u>	<u>(20,328)</u>	<u>(16,957)</u>	<u>(17,787)</u>	<u>(12,783)</u>	<u>(10,536)</u>
Contribution deficiency (excess)	<u>\$ _____</u>						
Commission's covered-employee payroll	\$ 98,862	\$116,378	\$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	21.67%	20.23%	18.67%	16.08%	20.87%	13.77%	12.96%

See Accompanying Independent Auditor's Report

**FIRST 5 LAKE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE COMMISSION'S PROPORTIONATE SHARE OF THE
CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED JUNE 30, 2021**

	Fiscal Years Ended June 30,						
Total Pension Liability (Commission's proportionate share of County)	2021	2020	2019	2018	2017	2016	2015
Service cost	\$18,520	\$18,469	\$17,674	\$13,276	\$12,853	\$7,299	\$8,313
Interest on total pension liability	59,154	57,613	52,694	36,493	40,191	21,887	23,867
Assumption Changes	--	--	(3,787)	29,088	--	(5,056)	--
Actual vs. expected experience	2,745	6,381	(1,414)	9,083	(1,036)	(2,407)	--
Benefit payments, including refunds of employee contributions	(47,256)	(43,570)	(39,411)	(25,820)	(27,622)	(14,977)	(15,701)
Change in allocation	--	--	212,436	(79,689)	--	--	--
Net change in total pension liability	27,673	38,893	238,192	17,569	24,386	6,747	16,480
Total pension liability - beginning	850,841	778,806	540,614	558,183	304,157	338,400	321,920
Change in proportions (% of Cnty)	(6,397)	8,187	--	--	229,640	40,990	--
Total pension liability - ending (a)	\$872,117	\$850,841	\$778,806	\$540,614	\$558,183	\$304,157	\$338,400
Plan Fiduciary Net Position							
Contributions – employer (proportionate)	\$23,768	\$20,686	\$16,937	\$11,345	\$12,663	\$8,185	\$6,509
Contributions – employee(proportionate)	8,158	8,080	7,510	5,453	6,231	3,292	3,493
Net investment income	30,971	39,562	46,539	41,017	2,281	5,562	42,244
Benefit payments	(47,256)	(43,570)	(39,411)	(61,402)	(27,622)	(14,977)	(15,701)
Administrative expense	(889)	(436)	(869)	(544)	(266)	(280)	--
Other Misc Income/(Expense)	--	1	(1,649)	(5)	197	5	--
Change in allocation	--	--	157,232	(61,402)	--	--	--
Net change in plan fiduciary net position	14,752	24,323	186,289	(29,956)	(6,516)	1,787	36,545
Plan fiduciary net position - beginning	635,696	586,418	400,129	430,085	248,775	281,028	244,483
Change in proportions (% of Cnty)	(4,780)	24,955	--	--	187,826	(34,040)	--
Plan fiduciary net position - ending (b)	\$645,668	\$635,696	\$586,418	\$400,129	\$430,085	\$248,775	\$281,028
Net pension liability - ending (a)-(b)	\$226,449	\$215,145	\$192,388	\$140,485	\$128,099	\$55,382	\$57,371
Plan fiduciary net position as a percentage of the total pension liability	74.03%	74.71%	75.30%	74.01%	77.05%	81.79%	83.05%
Measurement Date June 30,:	2020	2019	2018	2017	2016	2015	2014

See Accompanying Independent Auditor's Report

**FIRST 5 LAKE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

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 19-20 were derived from the June 30, 2017 funding valuation report.

Actuarial Cost Method	Entry-Age Normal Cost Method
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Inflation	2.625%
Payroll Growth	2.875%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.25% -net of pension plan investment and administrative expenses; includes inflation
Retirement Age	The probabilities of Retirement are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by 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, 2021

	Revenue F5CA Funds	Expenditures	Change in Net Position	Net Position Beginning of Year	Net Position End of Year
Small County Augmentation	\$ 113,944	\$ 113,944			
Small County Augmentation – new contract	\$ 13,439	\$ 13,439	\$ --	\$ --	\$ --
Total F5CA Funds	\$ 127,383	\$ 127,383	\$ --	\$ --	\$ --

See Accompanying Independent Auditor's Report

**FIRST 5 LAKE
SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2021**

There were no findings in the prior year report for the year ended June 30, 2020.

See Accompanying Independent Auditor's Report

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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 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, 2021, 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 27, 2021.

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 27, 2021

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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, 2021.

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, 2021.



Jensen Smith
 Certified Public Accountants, Inc.
 Lincoln, California
 October 27, 2021

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October 27, 2021

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 additional precautions necessary for the Covid-19 pandemic.

In planning and performing our audit of the financial statements of First 5 Lake for the year ended June 30, 2021 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 27, 2021. This letter does not affect our report dated October 27, 2021, 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. We wish you success in the 2021-22 fiscal year.

Sincerely,



Jensen Smith
Certified Public Accountants, Inc.