

**First 5 Tulare County**

**A Component Unit of the  
County of Tulare**

**Audit Report**

**For the Year Ended June 30, 2019**

# First 5 Tulare County

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**Independent Auditors' Report**

To the Board of Commissioners  
of First 5 Tulare County  
200 N. Santa Fe St.  
Visalia, CA 93292

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activity and the general fund of First 5 Tulare County (the Commission), a component unit of the County of Tulare, 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 as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express 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 of material misstatement.

**Hanford  
Lindsay  
Tulare  
Visalia**

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 activity and the general fund of the Commission, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 8 and on page 23, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2019, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

*M. Green and Company LLP*

Visalia, California  
September 23, 2019

# Management's Discussion and Analysis

**FIRST 5 TULARE COUNTY**  
**Management's Discussion and Analysis**  
**June 30, 2019**

As management of First 5 Tulare County (the Commission), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the Commission's financial statements, which immediately follow this section.

**Financial Highlights**

- During the fiscal year ended June 30, 2019, the Commission granted nearly \$3.9 million to local programs to support the healthy development of young children.
- The Commission reported an ending net position of \$4,641,794, an increase of \$232,645 in comparison with the prior year. The increase is primarily attributable to an increase in operating grants and a decrease in provider contract payments.
- The Commission's administrative expenses were approximately 10.64 percent of total expenses.
- Operating Grants increased by \$661,395 from the prior year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Commission's financial statements. The Commission's financial statements are comprised of:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

This report also contains other supplementary information in addition to the 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 position* presents information on all of the Commission's assets and liabilities. The difference between the two is reported as net position.

The *statement of activities* presents information showing how the Commission's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this 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 9 and 10 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 other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Commission maintains only one fund, the general fund, which is a governmental fund.

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental 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. Such information may be useful in evaluating a government's near-term financing requirements.

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 governmental fund financial statements can be found on pages 11 and 12.

The Commission adopts an annual budget for its fund. A budgetary comparison statement has been provided to demonstrate compliance with the budget. Budget to actual comparisons can be found on page 23.

**Notes to the Financial Statements.** The notes provide additional information that is essential to the 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 13-22 of this report.

**Financial Analysis.** The differences between the Commission's government-wide financial statements and its fund financial statements are related to an accrual for compensated absences, and the capitalization of capital assets, the net of which is insignificant. Therefore, the financial analysis that follows is applicable to both sets of statements.



**Net Position.** Net position may serve over time as a useful indicator of a government's financial position. The following two tables summarize the overall financial position and results of operations of the Commission for the fiscal year ended June 30, 2019, as compared to the prior year:

	<b>Governmental Activities</b>		
	<b>2019</b>	<b>2018</b>	<b>Change</b>
Current and Other Assets	\$ 5,616,660	\$ 5,402,524	\$ 214,136
Capital Assets	1,552	4,655	(3,103)
Total Assets	<u>5,618,212</u>	<u>5,407,179</u>	<u>211,033</u>
Current and Other Liabilities	932,764	962,901	(30,137)
Long-term Liabilities	43,654	35,129	8,525
Total Liabilities	<u>976,418</u>	<u>998,030</u>	<u>(21,612)</u>
Net Position:			
Net Investment in Capital Assets	1,552	4,655	(3,103)
Unrestricted	4,640,242	4,404,494	235,748
Total Net Position	<u>\$ 4,641,794</u>	<u>\$ 4,409,149</u>	<u>\$ 232,645</u>

Although \$4,640,242 in net position is classified as unrestricted, the entire amount has been committed to future provider contracts.

Net position increased \$232,645 from the prior year, which is discussed in the chart below:

**Changes in Net Position:**

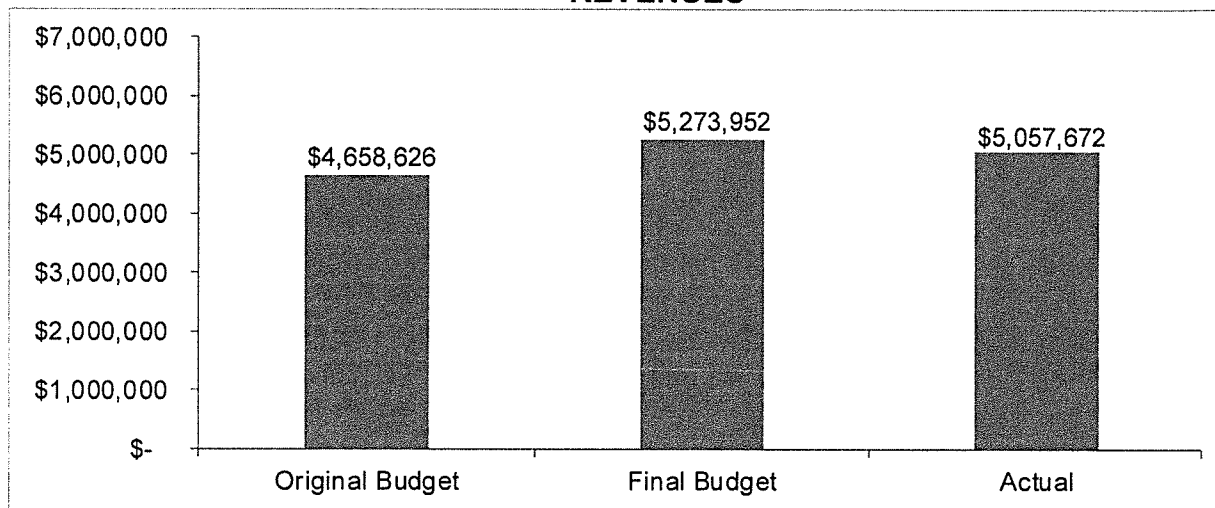
	<b>Governmental Activities</b>		
	<b>2019</b>	<b>2018</b>	<b>Change</b>
Revenues:			
Program Revenues:			
Operating Grants and Contributions	\$ 4,969,625	\$ 4,308,230	\$ 661,395
General Revenues:			
Unrestricted Investment Earnings	87,523	75,448	12,075
Miscellaneous	524	11,105	(10,581)
Total Revenues	<u>5,057,672</u>	<u>4,394,783</u>	<u>662,889</u>
Expenses:			
Child Development Expenses	4,825,027	5,419,990	(594,963)
Total Expenses	<u>4,825,027</u>	<u>5,419,990</u>	<u>(594,963)</u>
Increase (Decrease) in Net Position	232,645	(1,025,207)	1,257,852
Net Position - Beginning	4,409,149	5,434,356	(1,025,207)
Net Position - Ending	<u>\$ 4,641,794</u>	<u>\$ 4,409,149</u>	<u>\$ 232,645</u>

An increase in total revenue from the prior year of \$662,889 is primarily due to additional grant funding being awarded in the current year.

A decrease in total expenses from the prior year of \$594,963 is primarily attributable to a reduction in provider contract payments.

**General Fund Budgetary Highlights.** The Commission is required to adopt a budget before the start of the fiscal year. During the year, the Commission may revise the budget at any scheduled meeting. The following two charts depict revenues and expenditures per the original and final budgets as well as actual results:

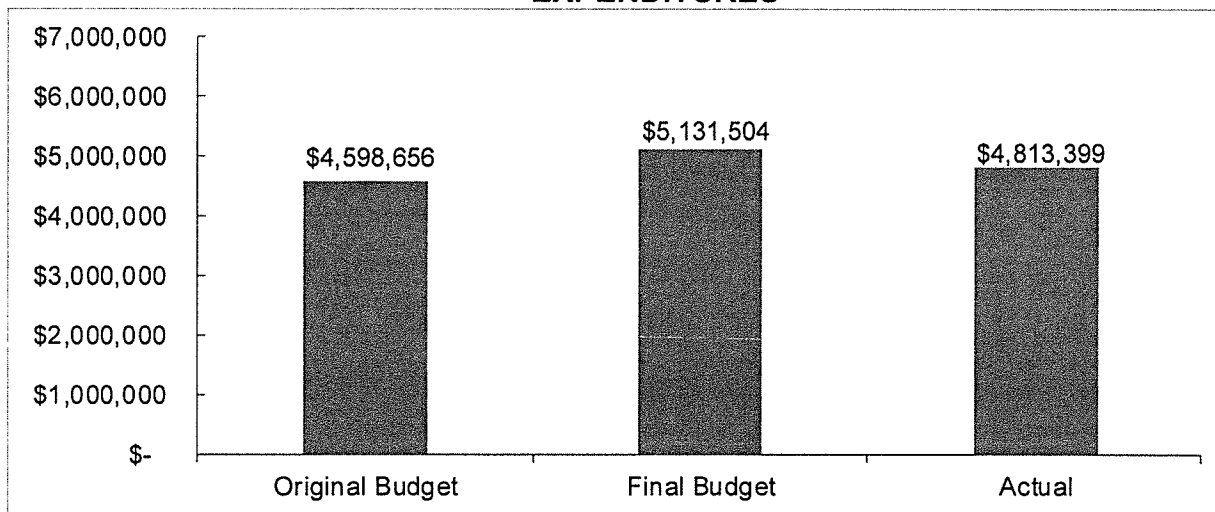
**REVENUES**



The \$615,326 increase in revenues between the original budget and the final budget is primarily due to additional grant funding awarded mid-year.

Actual revenues were \$216,280 lower than the final budget. This difference is primarily due to lower than anticipated Proposition 10 and other grant revenue.

**EXPENDITURES**



The \$532,848 increase in expenditures between the original budget and the final budget is primarily due to additional provider contracts being added mid-year.

The \$318,105 difference between actual expenditures and the final budget was due primarily to provider contracts not being fully expended.

## **Capital Assets**

The Commission's investment in capital assets as of June 30, 2019, amounts to \$1,552 (net of accumulated depreciation). This investment in capital assets includes a computer server purchased in the fiscal year ended June 30, 2015.

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

The Commission's budget for the fiscal year 2019-2020 was adopted on June 28, 2019. Highlights and assumptions of this budget include:

- Total estimated revenues decreased \$245,108 from the prior year's final budget. The decrease is primarily due to a projected decrease in Proposition 10 revenues.
- Total appropriations increased by \$114,501 from the prior year's final budget. Included in this increase is a \$146,514 increase to program, a \$34,233 decrease to administrative, and a \$2,220 increase to data evaluation appropriations.
- Net position is budgeted to decrease by \$299,639.

## **Requests for Information**

The financial report is designed to provide a general overview of First 5 Tulare County finances for all interested persons. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

First 5 Tulare County, 200 N. Santa Fe Street, Visalia, CA 93292

# Basic Financial Statements

**First 5 Tulare County  
Statement of Net Position  
June 30, 2019**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and Cash Equivalents (Note 2)	\$ 4,042,290
Accounts Receivable (Note 3)	1,525,296
Advances (Note 4)	26,814
Prepaid Expenses	16,715
Deposits (Note 5)	5,545
Capital Assets net of Accumulated Depreciation (Note 6)	1,552
Total Assets	5,618,212
<b>Liabilities</b>	
Accounts Payable	916,496
Accrued Salaries and Benefits	16,268
Long-term Liabilities Due or Payable After One Year: Compensated Absences (Note 9)	43,654
Total Liabilities	976,418
<b>Net Position</b>	
Net Investment in Capital Assets	1,552
Unrestricted	4,640,242
Total Net Position	\$ 4,641,794

The notes to the basic financial statements are an integral part of this statement.

**First 5 Tulare County  
Statement of Activities  
For the Year Ended June 30, 2019**

<u>Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
Governmental Activities:			
Child Development	\$ 4,825,027	\$ 4,969,625	\$ 144,598
Total Governmental Activities	\$ 4,825,027	\$ 4,969,625	144,598
General Revenues:			
Unrestricted Investment Earnings			87,523
Miscellaneous			524
Total General Revenues			88,047
Change in Net Position			232,645
Net Position - July 1, 2018			4,409,149
Net Position - June 30, 2019			\$ 4,641,794

The notes to the basic financial statements are an integral part of this statement.

**First 5 Tulare County  
Balance Sheet - Governmental Fund  
June 30, 2019**

Assets

Cash and Cash Equivalents (Note 2)	\$ 4,042,290
Accounts Receivable (Note 3)	1,525,296
Advances (Note 4)	26,814
Prepaid Expenses	16,715
Deposits (Note 5)	5,545
Total Assets	\$ 5,616,660

Liabilities

Accounts Payable	\$ 916,496
Accrued Salaries and Benefits	16,268
Total Liabilities	932,764

Fund Balance (Note 10)

Nonspendable	22,260
Committed	4,661,636
Total Fund Balance	4,683,896

Total Liabilities and Fund Balance	\$ 5,616,660
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**Reconciliation of the Governmental Fund Balance Sheet  
to the Statement of Net Position:**

Total Fund Balance	\$ 4,683,896
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,552
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Compensated absences liability is not due and payable in the current period and, therefore, is not reported in the Governmental Fund Balance Sheet.	(43,654)
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Net Position of Governmental Activities	\$ 4,641,794
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The notes to the basic financial statements are an integral part of this statement.

**First 5 Tulare County  
Statement of Revenues, Expenditures and Changes in  
Fund Balance - Governmental Fund  
For the Year Ended June 30, 2019**

Revenues	
State Proposition 10 Funds	\$ 4,422,426
Grants	547,199
Interest	87,523
Miscellaneous	524
Total Revenues	5,057,672
Expenditures	
Current, Child Development:	
Wages and Benefits	634,325
Operating Expenditures	4,179,074
Total Expenditures	4,813,399
Net Change in Fund Balance	244,273
Fund Balance - July 1, 2018	4,439,623
Fund Balance - June 30, 2019	\$ 4,683,896

**Reconciliation of the Change in Fund Balance to the Change in  
Net Position in the Statement of Activities:**

Net Change in Fund Balance - Governmental Fund	\$ 244,273
Amounts reported for governmental activities in the Statement of Activities are different because:	
Depreciation expense on capital assets is reported in the government-wide statement as changes in net position, but it does not require the use of current financial resources.	(3,103)
Compensated absences expense reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds. This amount represents the net change in the compensated absences liability.	(8,525)
Change in Net Position of Governmental Activities	\$ 232,645

The notes to the basic financial statements are an integral part of this statement.



## Notes to the Basic Financial Statements

**First 5 Tulare County  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2019**

**Note 1 - Summary of Significant Accounting Policies**

The Reporting Entity

The California Children and Families Act of 1998 (Proposition 10) called for the formation of a State Commission, First 5 California, to oversee and support the funding of education, health and child care programs for children ages 0 to 5 and their families. The Act also allowed for 58 First 5 county commissions statewide to develop and fund programs for young children that are tailored to the needs of local communities.

First 5 California is funded by revenue generated by a state excise tax on cigarettes and other tobacco products. Eighty percent of the total revenues collected are allocated to the 58 county commissions according to live birth rates for the preceding year and are to be utilized to promote and support early childhood development for children prenatal to five years of age.

Pursuant to Proposition 10, the Tulare County Children and Families Commission (the Commission) was created by Tulare County Ordinance No. 3217, approved by the Tulare County Board of Supervisors on December 8, 1998. The Commission approved the Commission's change of name to First 5 Tulare County on October 24, 2002. The Commission consists of seven members appointed by the Board of Supervisors. The Commission has the responsibility to develop a local strategic plan and to implement and administer projects funded by Proposition 10.

The accompanying financial statements present only the First 5 Tulare County Fund, which is a component unit of the County of Tulare, and are not intended to present fairly the financial position and results of the County of Tulare in conformity with accounting principles generally accepted in the United States of America.

Government-wide and Fund Financial Statements

The government-wide financial statements consist of the statement of net position and the statement of activities. The statement of net position and the statement of activities display information about the primary government and include all the activities of the Commission.

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 clearly identifiable with a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of the function of the Commission. Investment earnings and other items not included among program revenues are reported as general revenues. Net position represents the

**First 5 Tulare County  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2019**

**Note 1 - Summary of Significant Accounting Policies (continued)**

resources that the Commission has available for use in providing services. Net position is composed of net investment in capital assets and unrestricted net position. At June 30, 2019, the Commission reported unrestricted net position of \$4,640,242. Tobacco tax allocations to county commissions are not automatically categorized as restricted fund balance because the purposes for which tobacco tax allocations may legally be used are no narrower than the purpose for which the commissions were created in Proposition 10 enabling legislation.

Separate financial statements are provided for governmental funds. The Commission operates with only one governmental fund, which is reported as a single column in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and on 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenues to be available if they are collected within ninety days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, except for certain compensated absences which are recognized when payment is due.

The accounts of the Commission are organized into a fund. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

**First 5 Tulare County**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**Note 1 - Summary of Significant Accounting Policies (continued)**

The Commission reports the following major governmental fund:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources and activities of the Commission.

When more than one classification of fund balance is available for a particular purpose, it is the Commission's policy to use restricted resources first, then committed, then assigned, and finally unassigned.

Cash and Investments

The Commission maintains substantially all of its cash in the Tulare County Treasury. The County pools these funds with those of other participants in the County and invests the cash. Interest earned is deposited quarterly into the participating funds. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis, which approximates fair value.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Receivables

The Commission accrues revenues when they are both measurable and available. The Commission has no allowance for uncollectable accounts as all receivables are deemed to be collectible.

Capital Assets

Capital assets, which consist of a computer server, are reported in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$5,000. The Commission depreciates capital assets using the straight-line method over an estimated useful life of five years for computer equipment.

**First 5 Tulare County**  
**Notes to the Basic Financial Statements**  
**For the Year Ended June 30, 2019**

**Note 1 - Summary of Significant Accounting Policies (continued)**

Compensated Absences

It is the Commission's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide financial statements. No liability is accrued for unpaid accumulated sick leave since the Commission does not have a policy to pay any amounts when employees separate from service with the Commission.

Fund Balance

The fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the specific purposes for which amounts can be spent. Three classifications are reported on the balance sheet; Nonspendable, Committed, and Assigned. Nonspendable fund balance represents amounts that are not in spendable form (deposits and prepaid expenses). Committed fund balance represents amounts that have been committed by formal action of the Commission for legally enforceable contracts that have not yet been spent. The Commission is the government's highest level of decision-making authority and can create a commitment through a majority vote at a publicly held meeting. The same action is required to modify or remove a commitment. Assigned fund balance represents the Commission's intended use of resources per the Commission's long-range financial plan, for future contracts that have not yet been executed. The Commission, Technical Advisory Committee, or the Executive Director have the authority to assign fund balance. Modification of the Commission's intent would not require formal action.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The legal level of budgetary control is at the fund and object level. For the fiscal year ended June 30, 2019, there were no instances in which expenditures exceeded appropriations.

**First 5 Tulare County  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2019**

**Note 2 - Cash and Cash Equivalents**

Cash as of June 30, 2019 consisted of the following:

<b>Cash Balances</b>	<b>Amount</b>
Cash in County Treasury	\$ 3,414,708
Cash in Citizen's Bank	373,778
Cash in Suncrest Bank	253,554
Petty Cash	250
	<u>\$ 4,042,290</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that a government will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The California Government Code and the Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure governmental agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The risk is mitigated by the fact that the Commission's bank deposits are entirely insured or collateralized and the collateral is held by the pledging financial institution's trust department or its agent. The first \$250,000 deposited into the Suncrest Bank and Citizen's Bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC). All money deposited in excess of \$250,000 is collateralized by pledged securities. The bank balance in the Suncrest Bank account at June 30, 2019 was \$523,638, of which \$250,000 is insured by the FDIC, and \$273,638 was collateralized by pledged securities. The bank balance in the Citizen's Bank account at June 30, 2019 was \$373,778, of which \$250,000 is insured by the FDIC, and \$123,778 was collateralized by pledged securities.

The custodial credit risk for investments is the risk that, in the event of failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to the Commission's indirect investment in securities through the use of mutual funds or government investment pools.

**First 5 Tulare County  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2019**

**Note 2 - Cash and Cash Equivalents (continued)**

Interest Rate Risk

This is the risk that fluctuations in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in the market interest rates. The Commission held no investments at June 30, 2019.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment with a single user. The Commission held no investments at June 30, 2019.

**Note 3 - Accounts Receivable**

Accounts receivable at June 30, 2019 consist of the following:

Proposition 10 funds due from the State of California	\$ 965,623
Other Grants Receivable	547,199
Interest due from the Surplus Money Investment Fund (SMIF)	12,103
Special Project Grant Refund Receivable	371
	<u>\$ 1,525,296</u>

**Note 4 – Advances**

Provider payments are made in accordance with contract terms. Payments in excess of the amount earned by the providers are classified as advances and totaled \$26,814 at June 30, 2019.

**Note 5 - Deposits**

Deposits consist of a security deposit in the amount of \$5,545 for the lease of office space located at 200 N. Santa Fe St, Visalia, CA.

**First 5 Tulare County  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2019**

**Note 6 - Capital Assets**

The capital asset activity for the year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital Assets, being depreciated:				
Computer Server	\$ 15,516	\$ -	\$ -	\$ 15,516
Less Accumulated Depreciation	<u>(10,861)</u>	<u>(3,103)</u>	<u>-</u>	<u>(13,964)</u>
Total Capital Assets, being depreciated, net	<u>\$ 4,655</u>	<u>\$ (3,103)</u>	<u>\$ -</u>	<u>\$ 1,552</u>

Total depreciation expense for the year ended June 30, 2019, was \$3,103, and is included in the Government-wide Financial Statements.

**Note 7 - Commitments**

The Commission has entered into funding commitments of \$6,767,773 with various local children's organizations contingent on future state funding.

**Note 8 - Lease Obligations – Operating Leases**

The Commission entered into a five-year lease commencing September 1, 2013, for a monthly amount of \$4,545. Effective September 1, 2018, the Commission initiated an option to extend the original lease for an additional five year term. The Commission has one additional option to renew the lease for an additional five year term. The following is a schedule of future minimum rental payments as of June 30, 2019:

<u>For the year ending</u>	<u>Amount</u>
June 30, 2020	\$ 54,540
June 30, 2021	54,540
June 30, 2022	54,540
June 30, 2023	54,540
June 30, 2024	9,090
Total minimum payments required	<u>\$ 227,250</u>

The total rental expenditure/expense for the year ended June 30, 2019, was \$54,540.



**First 5 Tulare County  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2019**

**Note 9 - Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2019, was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 35,129	\$ 38,349	\$ 29,824	\$ 43,654	\$ -

Because of the nature of compensated absences and uncertainty over when benefits will be taken, a statement of debt service requirements to maturity has not been presented for compensated absences.

**Note 10 - Fund Balance**

Fund balance is reported using the classifications listed in GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. Nonspendable fund balance includes prepaid expenses and deposits. Committed fund balance represents amounts that have been committed by formal action of the Commission for legally enforceable contracts that have not yet been spent. The Commission is the government's highest level of decision-making authority and can create a commitment through a majority vote at a publicly held meeting. The same action is required to modify or remove a commitment. Assigned fund balance represents the Commission's intended use of resources per the Commission's long-range financial plan, for future contracts that have not yet been executed. The Commission, Technical Advisory Committee, or the Executive Director have the authority to assign fund balance. Modification of the Commission's intent would not require formal action.

Fund balance classifications at June 30, 2019, are as follows:

<u>Description</u>	<u>Amount</u>
Nonspendable:	
Prepaid Expenses	\$ 16,715
Deposits	5,545
Total Nonspendable Fund Balance	<u>22,260</u>
Committed:	
Provider Contracts Approved by Commission	<u>4,661,636</u>
Total Committed Fund Balance	<u>4,661,636</u>
Total Fund Balance	<u>\$ 4,683,896</u>

**First 5 Tulare County  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2019**

**Note 11 - Related Party Transactions**

The required composition of the Board of Commissioners includes members from the County of Tulare and the Tulare County Office of Education. These organizations receive funding from First 5 Tulare County. Commissioners with a conflict of interest abstain from voting on issues directly related to their respective organizations.

The following is a summary of revenues and expenditures and the related receivables and payables at June 30, 2019, for each related party:

<u>Related Party</u>	<u>Revenue</u>	<u>Expenditure</u>	<u>Receivable</u>	<u>Payable</u>
County of Tulare	\$ 547,199	\$ 112,206	\$ 547,199	\$ 35,061
Tulare County Office of Education	-	1,500	-	-
Total	<u>\$ 547,199</u>	<u>\$ 113,706</u>	<u>\$ 547,199</u>	<u>\$ 35,061</u>

In addition, the Commission had \$1,524 in expenditures and \$380 in outstanding payables for accounting and other services provided by the County of Tulare for the year ended June 30, 2019.

**Note 12 - Retirement**

**Defined Contribution Pension Plan:** First 5 Tulare County contributes to the ICMA Retirement Corporation 401(a) plan, a defined contribution plan, for all full-time employees who have completed one year of employment. The plan is administered by First 5 Tulare County. Benefit terms are established and may be amended by the Commission. First 5 Tulare County is required to contribute 8 percent of gross wages for all full-time employees, upon completion of one year of employment. Employees do not contribute to this plan. Employees are fully vested in employer contributions. For the year ended June 30, 2019, employer contributions totaled \$37,584. First 5 Tulare County had no outstanding liabilities to the plan at June 30, 2019.

**Deferred Compensation Plan:** On September 24, 2002, the Commission established a deferred compensation plan with ICMA Retirement Corporation in accordance with Internal Revenue Code (IRC) Section 457. The plan covers full-time employees who wish to enroll after they have worked 90 days. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. Total employee contributions for the year ended June 30, 2019, were \$19,610.

**First 5 Tulare County  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2019**

**Note 13 - Program Evaluation and Data Management**

During the year ended June 30, 2019, a total of \$192,225 was spent on Program Evaluation and Data Management. The total includes \$82,705 for wages and benefits paid to First 5 Tulare County employees and \$109,520 to outside contractors.

**Note 14 - Concentrations of Risk**

The Commission is economically dependent on Proposition 10 revenue from First 5 California, as substantially all of the Commission's revenue comes from this single source.

## Required Supplementary Information

**First 5 Tulare County  
Governmental Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
State Proposition 10 Funds	\$ 4,613,876	\$ 4,613,876	\$ 4,422,426	\$ (191,450)
Grants	-	615,326	547,199	(68,127)
Interest	44,750	44,750	87,523	42,773
Miscellaneous	-	-	524	524
Total Revenues	<u>4,658,626</u>	<u>5,273,952</u>	<u>5,057,672</u>	<u>(216,280)</u>
Expenditures				
Current, Child Development:				
Wages and Benefits	673,484	673,484	634,325	39,159
Operating Expenditures	3,925,172	4,458,020	4,179,074	278,946
Total Expenditures	<u>4,598,656</u>	<u>5,131,504</u>	<u>4,813,399</u>	<u>318,105</u>
Net Change in Fund Balance	59,970	142,448	244,273	(101,825)
Fund Balance - July 1, 2018	4,439,623	4,439,623	4,439,623	-
Fund Balance - June 30, 2019	<u>\$ 4,499,593</u>	<u>\$ 4,582,071</u>	<u>\$ 4,683,896</u>	<u>\$ (101,825)</u>



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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 Auditors' Report**

To the Board of Commissioners  
of First 5 Tulare County  
200 N. Santa Fe St.  
Visalia, CA 93292

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 activity and the general fund of First 5 Tulare County (the Commission), a component unit of the County of Tulare, 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 September 23, 2019.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission'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.

Visalia, California  
September 23, 2019

*M. Green and Company LLP*



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## INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Commissioners  
of First 5 Tulare County  
200 N. Santa Fe St.  
Visalia, CA 93292

### Compliance

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

### Management's Responsibility

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

### Auditors' Responsibility

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office. Those standards and the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act* require that we plan and perform the audit to obtain reasonable assurance

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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

### Opinions

In our opinion, First 5 Tulare County 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.

*M. Green and Company LLP*

Visalia, California  
September 23, 2019