

DRAFT

**SUTTER COUNTY CHILDREN AND
FAMILIES COMMISSION**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2017**

SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
Financial Statements
For the Year Ended June 30, 2017

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SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION

Commission Membership

June 30, 2017

<u>Name</u>	<u>Position</u>	<u>Date of Original Appt.</u>	<u>Current Term Expires</u>
Robert Landon	Yuba City Police Chief	01/2008	No Set Term
Donna Garcia	Sutter County Chief Probation Officer	05/2015	No Set Term
Nancy O'Hara	Sutter County Director of Human Services	06/2016	No Set Term
Lori Harrah	Sutter County Assistant Director Human Services-Welfare & Social Services	02//2005	No Set Term
Tony Hobson	Sutter County Assistant Director Human Services Department – Mental Health Division	04/2014	No Set Term
Jim Whiteaker	Commission Chair County Board of Supervisor	01/2007	No Set Term
Preet Didbal	Council Member City of Yuba City	03/2015	03/2018
Nancy Aaberg	Yuba City Unified School District Superintendent	07/2005	Left office 11/2016
Doreen Osumi	Yuba City Unified School District Superintendent	11/2016	No Set Term
Tonya Byers	Child Planning Council of Yuba & Sutter Counties	12/2015	12/2018

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Sutter County Children and Families Commission
Yuba City, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Sutter County Children and Families Commission (The Commission) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and major fund of the Commission, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 8 and 23 through 24 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 other 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 18, 2017, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance

Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
October 18, 2017

Sutter County Children and Families Commission

Managements Discussion and Analysis For the Year Ended June 30, 2017

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

The Sutter County (County) Board of Supervisors created the Sutter County Children and Families Commission (Commission) on January 5, 1999 under the provisions of the Act. The Commission consists of nine commissioners appointed by the County Board of Supervisors. The Commission is a public entity legally separate and apart from the County, and is not considered a component unit of the County.

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, 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission’s basic financial statements. The Commission’s basic financial statements comprise three components: (1) government-wide financial statements, (2) general 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 position* presents summary information on all of the Commission’s assets and liabilities, with the difference between the two reported as *net position*.

The *statement of activities* presents information showing how the Commission’s net position changed during the most recent fiscal 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 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 9-10 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. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, general 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 a comparison between the governmental funds and the government wide statements.

The Commission adopts an annual appropriated budget for its fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with the budget.

The Fund Financial Statements can be found on pages 11-12 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 general fund financial statements. The notes to the financial statements can be found on pages 13–22 of this report.

Government-wide Financial Analysis

The 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 \$2,393,732 at the close of the most recent fiscal year. The most significant portion of the Commission's net position is its cash and investments balance (\$2,534,684). This represents resources received from the California 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 Commissions balance is apportioned to the Commission. Another source of the net position also resides in the State Funds Receivable and Interest Receivable of \$83,424 and \$8,510 respectively. The State Funds Receivable represents taxes that were remitted by the State but had not been received by the Commission as of June 30, 2017. The Commission also reports Grants and Contracts Payable of \$209,680, representing payments due on grant service contracts and other payables that had not been expended at year-end.

The Commission’s net position decreased \$286,580 during the 2016-2017 fiscal year. This decrease is explained in the government-wide analysis below and is primarily a result of expenditures in excess of revenues for the current year.

Governmental Activities

The Commission does not have business type activities and so the analysis presented below for the government fund financial statements represents an analysis of the Commission’s governmental activities.

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, 2017, as shown on page 11 the Commission reported an ending fund balance of \$2,411,900, a decrease of \$284,745 during the 2016-2017 fiscal year. This decrease represents the amount of expenditures in excess of revenues for the year ended June 30, 2017.

The Commission has committed \$685,449 and assigned \$327,145 of its fiscal year 2016-2017 ending fund balance for future payments to awarded projects and future projects. The remaining \$1,399,306 fall under the category of unassigned fund balances.

SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION

Balance Sheet Comparison

(in thousands)

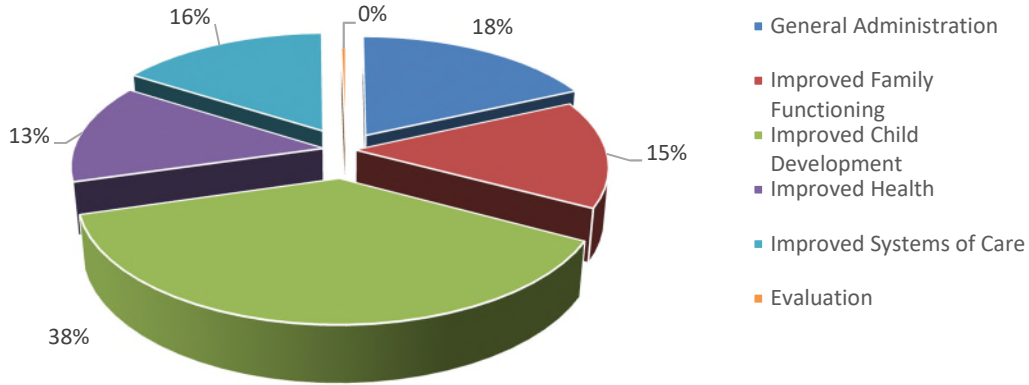
	FY 2016-2017	FY 2015-2016	Difference
Total Assets	\$ 2,627	\$ 2,894	\$ (267)
Total Liabilities	215	197	18
Fund Balance	\$ 2,412	\$ 2,697	\$ (285)

Revenues and Expenditures Comparison

(in thousands)

	FY 2016-17	FY 2015-2016	Difference
Total Revenues	\$ 857	\$ 1,004	\$ (147)
Total Expenditures	1 142	1,073	69
Deficiency of Revenues over Expenditures	\$ (285)	\$ (69)	\$ (216)

Total revenue (see above) consisting of Proposition 10 funds, interest income, and State Commission matching revenue decreased from \$1,004 thousand to \$857 thousand for the year ended June 30, 2017. This decrease was due primarily to the ending of the Child Signature Program. Total expenditures increased to \$1,142 thousand, an increase of \$69 thousand from the prior fiscal year. Percentages of expenditures per program area are represented as follows.



Fund Budgetary Highlight

Total revenues were over budget by 4% or \$35,513. This was primarily due to differences in the amount for the interest income and Prop. 10 income coming in at more than expected. Expenditures were under budget by 2% or \$26,883. Expenditures were less than expected due to the reduction in overall program funding. The budget to actual comparison is on page 23 of this report.

Capital Assets and Debt Administration

Capital Assets: As of June 30, 2017, the Commission had total capital assets of \$345,745, accumulated depreciation of \$345,745, leaving total net Capital Assets of \$0. Capital assets are capitalized at cost when the cost exceeds its capital asset threshold of \$5,000. More detailed information about the Commission’s capital assets is presented in Note 4 of the basic financial statements on page 19 of this report.

Debt Administration: The commission’s long-term debt consists of compensated absences payable.

Economic Factors and Next Year's Budget

The Commission is committed to focusing Proposition 10 funds on the purposes for which it is intended: To promote and sustain comprehensive, integrated programs and services that support all Sutter County children 0-5 and their families, and helps to ensure that each child enters school healthy and ready to learn.

The Commission carefully considered the following economic factors in preparing the financial plan for FY 2017-2018.

- Committing funds to local organizations and community partners to provide services to children 0-5 (FY 2017-2018).
- Annual commitment to program evaluation of 5% per contract.
- Revenue decline continues to be projected based on First 5 California revenue projections, historical trends and current economic situation.

The Sutter County Children and Families Commission carefully considered the following factors in the development of its financial plan for 2017-2018:

The Commission continues to invest in programs and services that result in the improved health, development, and wellbeing of the county's youngest children. These core programs are evaluated to provide ongoing management and to serve as a learning tool to improve program effectiveness and viability. In an effort to strengthen these programs, the Commission placed a 5% evaluation cost per contract. At the present time, Sutter County continues to spend down the reserves with a balanced approach.

Requests for Information

This financial report is designed to provide a general overview of the Sutter County Children and Families Commission'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 the Sutter County Children and Families Commission, 1531 Butte House Road, Suite A, Yuba City, California, 95993.

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**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS

Cash in County Treasury	\$ 2,534,684
State Funds Receivable	83,424
Interest and Other Receivable	8,510
Total Assets	<u>2,626,618</u>

LIABILITIES

Grants and Contracts Payable	209,680
Accrued Payroll	5,038
Long-term Liabilities:	
Compensated Absences Payable	<u>18,168</u>
Total Liabilities	<u>232,886</u>

NET POSITION

Restricted	<u>2,393,732</u>
Total Net Position	<u><u>\$ 2,393,732</u></u>

See Accompanying Notes to Financial Statements.

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**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF ACTIVITIES
JUNE 30, 2017**

FIRST 5 PROGRAM EXPENSES

Salaries and Employee Benefits	\$ 273,996
Communication	5,741
Insurance	6,196
Memberships	4,110
Printing and Reproduction	748
Office Expenses	2,958
Postage and Delivery	185
Subscriptions	156
Professional Services	18,182
Legal Notices	465
County Administration Fee - A-87	22,691
Maintenance	2,295
Occupancy	24,228
Special Department Expenses	11,529
Training and Travel	3,612
Miscellaneous	2,297
Utilities	5,332
Sub-Recipients	759,279
Total Program Expenses	<u>1,144,000</u>

PROGRAM REVENUES

Operating Grants and Contributions:	
Prop 10 Apportionment	845,199
Surplus Money Investment Funds	689
Total Program Revenues	<u>845,888</u>
Net Program Revenues (Expense)	(298,112)

GENERAL REVENUES

Interest Income	33,646
Unrealized Gain(Loss)	(22,114)
Total General Revenues	<u>11,532</u>

Change in Net Position	(286,580)
Net Position - Beginning of Year	2,680,312
Net Position - End of Year	<u><u>\$ 2,393,732</u></u>

See Accompanying Notes to Financial Statements.

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**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
BALANCE SHEET
JUNE 30, 2017**

ASSETS

Cash in County Treasury	\$ 2,534,684
State Funds Receivable	83,424
Interest and Other Receivables	8,510
	<hr/>
Total Assets	<u><u>\$ 2,626,618</u></u>

LIABILITIES

Grants and Contracts Payable	\$ 209,680
Accrued Payroll	5,038
	<hr/>
Total Liabilities	214,718

FUND BALANCES

Fund Balances:

Nonspendable	-
Committed	685,449
Assigned	327,145
Unassigned	1,399,306
	<hr/>
Total Fund Balances	2,411,900
	<hr/>
Total Liabilities and Fund Balances	<u><u>\$ 2,626,618</u></u>

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

Fund Balance - Total Governmental Fund (from above)	\$ 2,411,900
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Amounts reported for governmental activities in the statement
of net position are different because:

Long-term liabilities, including notes payable, are not due and payable in the current
period, and therefore are not reported in the governmental fund.

Compensated Absences	(18,168)
	<hr/>

Net Position of Governmental Activities	<u><u>\$ 2,393,732</u></u>
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See Accompanying Notes to Financial Statements.

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**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017**

REVENUES

Operating Grants and Contributions:		
Prop 10 Apportionment	\$	845,199
Surplus Money Investment Funds		689
Unrealized Gain(Loss)		(22,114)
Interest Income		33,646
Total Revenues		<u>857,420</u>

EXPENDITURES

Administrative Costs		
General Administration		207,052
Program Costs		
Improved Family Functioning		167,139
Improved Child Development		431,180
Improved Health		154,846
Improved Systems of Care		178,448
Program Evaluation		3,500
Total Expenses		<u>1,142,165</u>
Excess (Deficiency) of Revenues over Expenditures		(284,745)
Fund Balance - Beginning of Year		2,696,645
Fund Balance - End of Year	\$	<u><u>2,411,900</u></u>

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Fund to the
Government-Wide Statement of Activities - Governmental Activities
For the Year Ended June 30, 2017**

Net Change to Fund Balance - Total Governmental Fund	\$	(284,745)
<p>Receivables received more than 90 days after the year end are not considered financial resources and therefore are not reported in the fund financial statements</p>		
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund</p>		
Change in Compensated Absences		(1,835)
Change in Net Position of Governmental Activities	\$	<u><u>(286,580)</u></u>

See Accompanying Notes to Financial Statements.

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 1: Nature of the Entity

A. Reporting Entity

The Sutter County Children and Families Commission (Commission), was established on January 5, 1999 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. The nine members of the Commission are appointed by the Sutter County Board of Supervisors.

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 had 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 Sutter taken as a whole.

Note 2: Summary of Significant Accounting Policies

A. Basis of Presentation and Accounting

Government-Wide Statements

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

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 2: Summary of Significant Accounting Policies (continued)

A. 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 measurements 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.

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation and Accounting (continued)

Fund Financial Statements (continued)

The Commission reports one major governmental fund

- The General Fund is the Commission's primary operating fund. It accounts for all financial resources of the Commission.

B. Non-Current Governmental Assets/Liabilities

GASB Statement No.34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the government-wide statement of net position.

C. State Funds Receivable

This amount represents receivables from First 5 California. As of June 30, 2017, the Commission was due \$83,424 from the State of California. Management believes its receivables to be fully collectible, and accordingly, no allowance for doubtful accounts is required.

D. Compensated Absences

Employees accrue vacation based upon years of service with the County of Sutter, with a maximum accrual of 240 or 320 hours depending on years of service. Upon termination, unused vacation, up to accrual limits, is paid off in cash. Employees with seven or more years of service with the County are eligible upon termination to receive 15-25% of their accrued unused sick leave depending on years of service. At fiscal year end, the total of accrued unused vacation and sick leave liability was \$18,168.

E. 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 6 years.

SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

Note 2: Summary of Significant Accounting Policies (continued)

F. Net Position/Fund Balances

Net Position

- *Restricted* – This category presents 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.

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.

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 2: Summary of Significant Accounting Policies (continued)

- **Restricted – (continued)**
 - Funding that has been designated for legally enforceable contracts but not yet spent. This includes multi-year contracts.

- **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 Sutter County Children and Families 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

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 2: Summary of Significant Accounting Policies (continued)

- **Assigned (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.

Sutter County Children and Families Commission 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.

G. Use of Estimates

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

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

At June 30, 2017, all cash is pooled for investment purposes and held by the County of Sutter. The Sutter County Treasury is an external investment pool for the Commission and the Commission is considered an involuntary participant. The investments made by the Treasurer are regulated by the California Government Code and by the County’s investment policy.

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

(continued)

The County established a treasury oversight committee to monitor and review the management of public funds maintained in the investment pool in accordance with Article 6 Section 27131 of the California Government Code. The oversight committee and the Board of Supervisors review and approve the investment policy annually. The County Treasury is accountable to the County Treasury Oversight Committee. The Commission’s fair value portion in the pool is the same as the Commission’s pool share.

The current year difference between the fair value and carrying value of cash and investments at June 30, 2017, was \$13,251, and was adjusted by the County of Sutter for GASB 31 compliance. The difference between the prior year GASB 31 adjustment and the current year GASB 31 adjust was \$22,114 and is reported in the miscellaneous income in the financial statements.

The balance of the cash at the County is therefore adjusted for the fluctuation of the market as adjusted for June 30, 2017 as follows:

	<u>Carrying Cost</u>	<u>Adjusted FMV</u>	<u>Difference</u>
Cash	\$2,547,935	\$2,534,684	(\$13,251)

The Commission deposits funds in interest bearing accounts with Sutter County. The Commission does not own any specific identifiable investments in the pool. Information regarding categorization of cash and investments held in the County can be found in the County of Sutter’s financial statements. Investments held in the County’s investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

Notes 4: Capital Assets

A summary of changes in Capital Assets for the year ended June 30, 2017, was as follows:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2017</u>
Equipment	\$ 345,745	\$ --	\$ --	\$ 345,745
Less accumulated depreciation	<u>(345,745)</u>	<u>--</u>	<u>--</u>	<u>(345,745)</u>
Capital assets, net	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 5: Leases

The Commission entered into a lease for office space during the fiscal year ended June 30, 2014. The lease began November 1, 2013 and extends through December 31, 2018 and may be extended for an additional five year term. The following is the minimum lease requirements:

<u>Year ending June 30,</u>	<u>Amounts</u>
2017	\$ 24,228
2018	\$ 24,955
2019	\$ 12,662

Note 6: Employees

The Commission contracts with the County of Sutter for Human Resources and Personnel Services for the Commission. As such, the County of Sutter acts as the employer of the employees working at the Commission. The contract with the County of Sutter allows the employees to receive the rights and benefits of all other County employees. The Commission reimburses the County for costs associated with the employees in the Commission. The Commission paid the County the following amounts for personnel costs for the year ended June 30, 2017.

Salaries	\$ 192,033
Retirement Benefits - CalPERS	48,873
Health Benefits	20,941
Taxes and Workers' Compensation and other benefits	<u>15,315</u>
Governmental Fund Total	<u>\$ 277,162</u>
Change in Accrued Compensated Absences	<u>1,835</u>
Government-Wide Total	<u>\$ 278,997</u>

As employees of the County of Sutter, the Commission employees participate in the retirement benefits of the County of Sutter 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

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 6: Employees (continued)

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 or 8% of their annual covered salary depending on their position with the Commission. 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 for both the employee and employer portion which was paid by the County to PERS.

Note 7: Related Party Transactions

During the fiscal year ended June 30, 2017, the Commission paid the County of Sutter, a related party, \$22,691, for accounting and risk management services.

Notes 8: Program Evaluation

The Commission spent \$39,586 on program evaluation during the fiscal year ended June 30, 2017.

Notes 9: 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.

Note 10: 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.

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**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Note 11: Subsequent Events

Events subsequent to June 30, 2017 have been evaluated through October 18, 2017, the date at which the Commission's audited financial statements were available to be issued. No events requiring disclosure have occurred through this date.

DRAFT

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Original and Final Budget	Actual Amount	Variance With Final Budget
<u>Resources (Inflows)</u>			
Operating Grants and contributions:			
Prop 10 Apportionment	\$ 794,166	\$ 845,199	\$ 51,033
Surplus Money Investment Funds	266	689	423
Unrealized Gain(Loss) GASB 31	-	(22,114)	(22,114)
Interest Income	27,475	33,646	6,171
Total Revenues	<u>821,907</u>	<u>857,420</u>	<u>35,513</u>
<u>Charges to Appropriations (Outflows)</u>			
Administrative Costs			
General Administration	175,196	207,052	(31,856)
Program Costs			
Improved Family Functioning	171,978	167,139	(4,839)
Improved Child Development	451,589	431,180	(20,409)
Improved Health	174,854	154,846	(20,008)
Improved Systems of Care	185,591	178,448	(7,143)
Program Evaluation	9,840	3,500	(6,340)
Total Expenses	<u>1,169,048</u>	<u>1,142,165</u>	<u>(26,883)</u>
Net Change in Fund Balance	(347,141)	(284,745)	(62,396)
Fund Balance - Beginning of Year	2,696,645	2,696,645	
Fund Balance - End of Year	<u><u>\$ 2,349,504</u></u>	<u><u>\$ 2,411,900</u></u>	

See Accompanying Notes and Auditor's Report.

SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
Notes to the Required Supplementary Information
For the Year Ended June 30, 2017

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 appropriations can be added to, subtracted from or changed only by Commission resolution. 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 on the modified accrual basis. 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, school readiness program expenditures, retention incentive expenditures, and other program expenditures.

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OTHER SUPPLEMENTARY INFORMATION

DRAFT

SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
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, 2017

	Revenue CCFC Funds	Expenditures	Change in Net Position	Net Position Beginning of Year	Net Position End of Year
NONE	\$ --	\$ --	\$ --	\$ --	\$ --

See Accompanying Auditor's Report

**SUTTER COUNTY CHILDREN AND FAMILIES COMMISSION
SCHEDULE OF THE STATUS OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017**

2008-1 to 2016-1 Reliance upon Auditor for Reporting and Footnote Disclosures

Condition: Management relies on the auditor to suggest and draft the footnote disclosures for the financial statements.

Recommendation: We recommend that management consider the cost benefit of hiring an accountant familiar with generally accepted accounting principles or hiring an independent CPA firm to compile full disclosure financial statements whenever it is necessary to issue financial statements to third party users that require this conformity prior to the audit of those financial statements.

Response: The Commission has determined there is no cost-benefit to hiring an accountant familiar with generally accepted accounting principles or hiring an independent CPA firm with such experience to compile full disclosure financial statements for the purpose of avoiding a significant deficiency and material weakness. The Commission feels that management provides reliable financial statements for board decision-making and reliance upon the auditor for foot note disclosures is cost effective. This is consistent with the GFOA's (Government Finance Officers Association) Recommended Practice: "The GFOA does *not* recommend that governments engage the services of a second accounting firm to assist in preparing its financial statements solely to avoid having a significant deficiency or material weakness reported." The commission staff will continue to reconcile internal records against the Sutter County Auditor-Controller's financial statements. However, should the need arise for issuing financial statements to third-party users prior to the annual audit, management will consider the cost benefit of hiring an accountant familiar with generally accepted accounting principles or hiring an independent CPA firm to compile full disclosure financial statements.

Status: Uncorrected

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

Board of Commissioners
Sutter County Children and Families Commission
Yuba City, 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 Sutter County Children and Families Commission (Commission) as of and for the year ended June 30, 2017 and the related notes to the financial statements which collectively comprise the Commission's basis financial statements and have issued our report thereon dated October 18, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described below as 17-01 that we consider to be significant deficiency.

2017-01 Reliance upon Auditor for Footnote Disclosures – uncorrected from prior years

Condition: Management relies on the auditor to suggest and draft the footnote disclosures for the financial statements.

Criteria: Auditing Standards state that the auditor may not be part of the Commission's internal control system; specifically someone from the Commission or contracted by the Commission must be sufficiently knowledgeable in generally accepted accounting principles (GAAP) to draft financial statement disclosures in compliance with GAAP including pronouncements from the Government Accounting Standards Board (GASB).

Cause: The Commission does not have an employee familiar with either the disclosure requirements for generally accepted accounting principles or GASB Statements.

Effect: It was necessary for the Commission to rely upon the auditor for adequate disclosures.

Recommendation: We recommend that management consider the cost benefit of hiring an accountant familiar with generally accepted accounting principles or hiring an independent CPA firm to compile full disclosure financial statements whenever it is necessary to issue financial statements to third party users that require this conformity prior to the audit of those financial statements.

Response: The Commission has determined there is no cost-benefit to hiring an accountant familiar with generally accepted accounting principles or hiring an independent CPA firm with such experience to compile full disclosure financial statements for the purpose of avoiding a significant deficiency and material weakness. The Commission feels that management provides reliable financial statements for board decision-making and reliance upon the auditor for footnote disclosures is cost effective. This is consistent with the GFOA's (Government Finance Officers Association) Recommended Practice: "The GFOA does *not* recommend that governments engage the services of a second accounting firm to assist in preparing its financial statements solely to avoid having a significant deficiency or material weakness reported." The commission staff will continue to reconcile internal records against the Sutter County Auditor-Controller's financial statements. However, should the need arise for issuing financial statements to third-party users prior to the annual audit, management will consider the cost benefit of hiring an accountant familiar with generally accepted accounting

principles or hiring an independent CPA firm to compile full disclosure financial statements.

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*.

Sutter County Children and Families Commission's Response to Findings

The Commission's response to the finding identified in our audit is described above. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
October 18, 2017

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Commissioners
Sutter County Children and Families Commission
Yuba City, California

Compliance

We have audited the Sutter County Children and Families Commission's (Commission) compliance with the requirements specified in the State of California's *Standards and Procedures for Audits of Local Entities Administering the California Children and Families Act*, issued by the State Controller's Office, applicable to the Commission's statutory requirements identified below for the year ended June 30, 2017.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, Sutter County Children and Families Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the California Children and Families Program for the year ended June 30, 2017.

Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
October 18, 2017

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October 18, 2017

Board of Commissioners
Sutter County Children and Families Commission
Yuba City, California

Dear Ladies and Gentlemen,

The audit went very smoothly. As you can see from the reports, the finding from the prior audits is repeated in this year's audit. We expect this finding to continue until the Commission determines it is financially beneficial to hire someone to prepare the disclosures prior to audit.

In planning and performing our audit of the financial statements of Sutter County Children and Families Commission for the year ended June 30, 2017, we considered Sutter County Children and Families Commission'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 Sutter County Children and Families Commission's internal control in our report dated October 18, 2017. This letter does not affect our report dated October 18, 2017, on the financial statements or internal control of Sutter County Children and Families Commission

We want to thank the staff for assisting us with the audit and for quickly responding to our inquiries. Their organization skills were a great help during the process of the audit. We wish you success in the next fiscal year.

Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California